



# INCOHERENT AT HEART

The EU's economic and migration policies towards North Africa

Pre-pandemic, EU policies towards North Africa, especially Tunisia and Morocco, focused on two main paradigms: trade liberalization and the minimization of both regular and irregular migration. These agendas were incoherent and had overwhelmingly negative implications for the livelihoods and employment opportunities within the EU for the most vulnerable people in the Maghreb.

As the coronavirus impacts continue to wreak havoc on world economies, any future negotiations on the Deep and Comprehensive Free Trade Areas (DCFTAs) ought to be geared towards supporting fair and inclusive recovery in North Africa based on reducing inequality and promoting shared prosperity and development.

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For further information on the issues raised in this paper please email [advocacy@oxfaminternational.org](mailto:advocacy@oxfaminternational.org)

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Cover photo: Makram, 38, is a worker in a café in Mahdia, Tunisia. Two years ago, his sister Faten attempted to cross the Mediterranean to reach Europe by boat, a journey in which she disappeared. Makram blames the economic situation in Tunisia for his sister's departure. In the photo, he awaits customers behind the bar of the café where he works. Oxfam/Pau Gonzalez 2020.

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# SUMMARY

Prior to the COVID-19 pandemic, EU policies towards North Africa, in particular Tunisia and Morocco, focused on two main paradigms: trade liberalization, resulting in structurally asymmetric outcomes of free trade and association agreements; and the minimization of both regular and irregular migration. These two policy agendas were often mutually incoherent and, in combination with national-level policy making, also had a negative impact on the most vulnerable populations of the Maghreb countries, undermining or even destroying their livelihoods, while at the same time closing their opportunities to seek employment in the EU.

As the world is reeling from the initial impact of COVID-19 on the global economy, the EU and the countries of the Maghreb will need to reassess their broader political and economic relations. Negotiations on Deep and Comprehensive Free Trade Areas (DCFTAs) – temporarily paused by the outbreak of the pandemic – are pivotal to shaping the future of these relations.

This brief argues that, so far, these negotiations have been marked by a lack of tailored country-based approaches and are increasingly dominated by the migration management agenda. This is a particularly harmful combination of policy priorities that threatens to further exacerbate inequalities in the Maghreb and impose economic models that strengthen the systemic causes of irregular migration, which the EU is allegedly trying to combat through more ad hoc means using different migration management tools.

Instead of forging ahead with business as usual, this forced pause should be used to rethink these existing models and develop coherent, tailored approaches to the Maghreb countries aimed at combating unemployment, strengthening public services and decreasing inequalities in the region.

## RECOMMENDATIONS

### **To the Moroccan and Tunisian governments**

- Conduct gender-sensitive impact studies of DCFTA, with a specific focus on the sectors employing the largest numbers of vulnerable populations (agriculture, branches of specific industries, etc.).
- Organize broad national consultations including all stakeholders (such as trade unions, representatives of affected sectors, gender experts and independent economists) in order to formulate and propose concrete policy amendments to the agreements that would prevent massive loss of employment in the most affected sectors.

- Request structural support for ensuring realistic retraining trajectories or other sources of alternative livelihoods for those most at risk of job losses.
- Request structural support for strengthening and significantly improving the provision of health and education public services.
- Insist on including GATS Mode 4 liberalization of services in DCFTAs and a revision of the EU's inclusion of migration management priorities in these agreements.
- Address deepening societal inequality and ensure that national economic policies allow for the provisions in DCFTAs to contribute to effective inequality reduction.

## **To EU institutions and EU member states**

- Analyse policy incoherencies at the country and regional levels and address inconsistencies through the tailored adjustment of economic and migration policies.
- Include assessments of the potential impact of DCFTAs on vulnerable groups in the partner countries – especially youth and women – and propose solutions that could mitigate such impacts.
- Exclude agriculture from the DCFTA due to the significant impact this might have on employment in agriculture, as well as the negative impact on food security.<sup>1</sup>
- Provide structural support for retraining trajectories or other sources of alternative livelihoods for those most at risk of job losses.
- Work with partner countries to ensure structural support for strengthening and improving the health and education sectors.
- Include GATS Mode 4 liberalization of services in DCFTAs and ensure that migration management priorities do not undermine the effectiveness of economic mechanisms embedded in these agreements.

# 1 INTRODUCTION

The countries of North Africa lie at the crossroads of multiple regional and global policy frameworks regulating the mobility of goods, services and people. Two central pillars have been the European Neighbourhood Policy (ENP)<sup>2</sup> – the EU policy framework for creating far-reaching partnerships in its immediate neighbourhood based on political and economic liberalization – and the EU Agenda on Migration,<sup>3</sup> focused on controlling and reducing people flows from or through this region to the EU, and increasing the return of irregular migrants to their countries of origin.

While economic – and especially trade – liberalization has long been a central plank of the EU's external policy, migration control has gained prominence in its policy priorities over the past decade. Over the last five

years, the migration agenda has been central to intra-EU dynamics, such as the rise of populist parties across the region, Brexit, and the debate on the EU's external policies and the allocation of resources in the next Multiannual Financial Framework (the EU's long-term budget). Since 2015, the EU has significantly boosted measures requiring cooperation with migrants' countries of origin or transit to control and curb the numbers of people arriving in Europe. This has resulted in a broad set of practices known as 'border externalization',<sup>4</sup> funded through a myriad of new or redesigned pre-existing policy instruments.

Due to their location, North African countries are key partners for the EU on both of these agendas. The EU has applied a complex set of incentives and pressures in order to secure the cooperation of North African countries on border control and management, and more actively involve them in stemming migration flows through the Mediterranean, while at the same time pursuing an increasingly assertive trade liberalization agenda across the region.

This report's findings show that the two agendas – further aggravated by structural weaknesses in Maghreb countries' internal economic models – combine to produce structural harm for the region's most vulnerable people, including those living in poverty and migrants. There is growing evidence that the middle class, facing the degradation of public services and rising economic insecurity, is also increasingly feeling the impact of this structural harm. Far from curbing migration, and unless radically changed, these intertwined agendas could exacerbate the push factors behind people's decision to migrate, fostering a vicious circle that traps people in poverty.

## METHODOLOGICAL NOTE

This brief is based on desk study and in-country research conducted in Morocco and Tunisia in February 2020, with additional key informants across the EU subsequently interviewed by phone during the COVID-19 lockdowns. In total, over 40 key informants were interviewed, in Rabat, Tunis, and remotely in Europe and across North Africa and the Middle East.

## 2 EU POLICIES AND TOOLS

### 2.1. PILLAR 1: ECONOMIC LIBERALIZATION

The European Neighbourhood Policy (ENP) is the most important overarching policy framework for the institutionalized relations between the EU and its eastern and southern neighbours. It builds on a series of so-called 'third generation' bilateral association agreements which,

among other goals, ‘establish the conditions for the gradual liberalization of trade in goods, services and capital.’<sup>5</sup> Morocco and Tunisia were the first North African countries to sign (in 1995 and 1996, respectively) and start implementing (in 1998 and 2000, respectively) these agreements. While migration is not given an overly prominent place in the text of these agreements, migration management is named as one key objective in the relevant funding instrument.<sup>6</sup>

Since their implementation, the liberalization of trade driven by these agreements has further entrenched the already strong asymmetry in trade across the two sides of the Mediterranean. For example, commercial exchanges with the EU represented more than 50% of the Maghreb countries’ total trade in 2018, while these countries account for 1% or less of the EU’s total trade.<sup>7</sup>

Following the Arab Spring in 2011, the ENP has been revised, with stabilization of the region in political, economic and security terms becoming the ‘heart of the new policy’.<sup>8</sup> As part of this new approach, Tunisia and Morocco were chosen by the European Commission (EC) along with Egypt and Jordan as front-running southern neighbours that would benefit from apparent new EU incentives in terms of ‘money’ – the Support to Partnership, Reforms and Inclusive Growth (SPRING) programme; ‘market’ – negotiations of Deep and Comprehensive Free Trade Areas (DCFTAs); and ‘mobility’ – negotiations of Mobility Partnerships. New ENP action plans replacing those from 2005 were signed with Tunisia and Morocco in November 2012 and December 2013, respectively.<sup>9</sup>

## 2.2 PILLAR 2: MIGRATION CONTROL

EU migration policy is managed through a separate policy framework, the Global Approach to Migration and Mobility (GAMM) (Box 1), and associated policy instruments – Mobility Partnerships with its southern and eastern neighbours, including Morocco and Tunisia. In addition, all Maghreb countries have different bilateral agreements with various EU member states, the most important of which are those with former colonial powers and now key Mediterranean neighbours: Italy, France and Spain.

Mobility Partnerships are non-legally binding frameworks,<sup>10</sup> negotiated on a bilateral basis with each partner country and designed to combat irregular migration and human trafficking, promote (limited) ways of legal migration, and ‘strengthen the nexus between migration and development’, in line with the EU’s vision of it.<sup>11</sup>

### **Box 1: GAMM – the overarching framework**

The Global Approach to Migration and Mobility (GAMM) has been the overarching EU framework on external migration and asylum policy since 2005. It defines how the EU conducts its policy dialogue and cooperation with non-EU countries, based on clearly defined priorities.

The four key pillars of GAMM are:

1. 'Better organising legal migration, and fostering well-managed mobility.
2. Preventing and combatting irregular migration, and eradicating trafficking in human beings.
3. Maximising the development impact of migration and mobility.
4. Promoting international protection, and enhancing the external dimension of asylum'.

Source: EC. (2011). <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52011DC0743&from=EN>

Mobility Partnerships promise financial and technical support from the EU to partner countries on a broad range of issues – from access to education, visa arrangements, development cooperation and assistance, to strengthening the legal framework on migration and its implementation. In return, partner countries are expected to commit to close cooperation on border management and readmission of individuals irregularly present in the EU, and receive guarantees of eased mobility for certain groups of nationals as incentives. Such visa and readmission arrangements are regulated through separate legally binding agreements, which the EU has already signed with several of its Eastern European neighbours.<sup>12</sup>

Moreover, a number of existing readmission agreements have been negotiated to include not just the readmission of the partner countries' nationals who are irregularly present in the EU – something that all Maghreb countries also in principle agree with – but also of third-country nationals who entered the EU directly through their territories.<sup>13</sup> These would include irregular migrants and even individuals seeking asylum in the EU whose claims have been rejected. Maghreb countries also fear that if they were to be considered 'safe third countries', this group may include all asylum seekers that reach Europe through their territory, regardless of the validity of their claims.<sup>14</sup> Readmission of non-citizens is therefore the most contentious point in negotiations on readmission agreements.

Nonetheless, both Morocco and Tunisia eventually concluded Mobility Partnerships with the EU in 2013 and 2014, respectively, albeit without committing to separate readmission agreements. Algeria has not shown any interest in these partnerships, opting for more limited and selective cooperation on migration with the EU.<sup>15</sup>

It can be argued that Morocco and Tunisia concluded these partnerships reluctantly and under economic and political pressure from the EU related to the signing of association agreements a year before.<sup>16</sup> What may explain these countries' eventual conclusion of Mobility Partnerships



is that, unlike Algeria, they have lasting economic, political and security dependency on the EU and its member states (see Box 2).<sup>17</sup> The EU remains of critical importance to Morocco and Tunisia because it is their primary trade partner. No immediate alternatives are available, despite some attempts to open new markets, mainly in sub-Saharan Africa.

## 2.3 PILLAR 3: THE MIXED INSTRUMENTS

EU development policies have been increasingly pressed into service of the EU's migration agenda since the large refugee and migrant influx in 2015, when over a million people seeking asylum in EU member states crossed its borders in under three months – an unprecedented number of arrivals in the EU's history. The ensuing political crisis caused by these arrivals created a new sense of urgency around the migration agenda and accelerated the EU's determination to implement its existing policy approaches.

Renewed policy momentum was created in November 2015, when African and European heads of state and government met in Valletta to agree a common approach to addressing migration. However, this summit failed to find a common approach on shared responsibility for refugees and migrants. Facing internal disagreement on an EU responsibility sharing mechanism, European leaders repackaged and extended the pre-existing global mobility agenda with one new policy: cooperation on returns, readmissions and reintegration, and broadening its immediate operationalization to African countries. The negotiations resulted in the Valletta Action Plan.<sup>18</sup>

To support this agenda, a new EU funding instrument was created: the EU Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa (EUTF for Africa).<sup>19</sup> The EUTF was largely funded from the reserves of the EU's Economic Development Fund for Africa (EDF), which have been redirected to it since 2016. The total initial transfer was €3.8bn, almost 90% of the EUTF's total budget. It also pooled financial resources from member states and from across other items of the EU budget to create a flexible funding mechanism focused around the Valletta Summit priorities.

The only North African recipient of significant funding from the EUTF has been Morocco, comprising seven projects totalling nearly €175m. The projects are focused on strengthening the country's capacity for migration management – from border management to governance, and to improving the asylum system and migrants' rights.<sup>20</sup> By comparison, Tunisia has only one project costing €12.8m, which is focused on migration management.<sup>21</sup> Moreover, Morocco is the only country in North Africa – and one of only two in total – that has received direct budget support on border control from the EUTF, to the tune of an additional €101m. There are also a large number of regional EUTF projects that involve some or all of the Maghreb countries, amounting to over €100m in total.<sup>22</sup>

While the size of the EUTF and its contributions to particular countries is by no means negligible, the impact of the fund is best understood in the context of the overall economic impact of the much larger association agreements and related economic mechanisms and funding (discussed in detail in the next section).

## 3 ECONOMIES OF MIGRATION

Migration is often an economically driven phenomenon, rooted in the structure of the political economies of the sending and receiving countries. This is certainly the case with some key EU member states and the Maghreb countries, which are joined by shared borders, a history of colonialism, and a strong and persistent asymmetry of economic power.

Morocco and Tunisia share key similarities in terms of the political economy of migration. In both countries, migration has traditionally been a way of regulating unemployment and underemployment. In both, the EU association agreements have had a significant impact on the economy, and most importantly, on employment patterns, in turn affecting migration dynamics.

### 3.1 MIGRATION AS A SECURITY VALVE

The history of modern migration from the Maghreb countries goes back to postcolonial times, when the increasing demand for labour in post-war Europe resulted in a series of bilateral labour agreements between Morocco, Tunisia and Algeria, and European countries such as France, Spain, Belgium, the Netherlands and Germany, on migration of often low-skilled workers to support Europe's growing manufacturing industries. These early *mains d'oeuvre* agreements have resulted in substantial Moroccan, Tunisian and Algerian diasporas in Europe. Estimates currently stand at 2.5 million for the Moroccan diaspora,<sup>23</sup> 1.4 million Tunisians registered by the Tunisian national government as living abroad,<sup>24</sup> and 877,000 Algerians living in the EU.<sup>25</sup>

Among the Maghreb states, Morocco has had the strongest influence in shaping its diaspora, by channelling their departure from specific regions. The first groups of migrants came from marginalized populations that belonged to the Amazigh indigenous ethnic minorities from the south (Souss-MassaDrâa) and the northeast (Rif/Oriental) of the country.<sup>26</sup> These regions were both economically deprived and a source of continuous political tension, leading many observers to suggest that the Moroccan state explicitly furthered emigration from them as a 'security

valve' to ease the economic and political pressure that was building up among their population.<sup>27</sup>

While much regular Moroccan migration happens through family reunification and migration of high-skilled workers from service industries (such as IT, finance and engineering), its labour-focused nature still persists among new migrants. According to the *Haut Commissariat au Plan* 2018–2019 International Migration National Survey,<sup>28</sup> more than half of today's migrants (53.3%) have emigrated for economic reasons, primarily employment and improved working conditions (47.4%). Economic reasons are a particularly strong motivating factor among Moroccan men (66.4%), and less so for women (26.7%). Education and training is the second-most important reason for 23.4% of migrants: 28.8% of women and 20.7% of men. Family reunification is the third-most important reason (19.9%) – with a strong gender difference between women (41.4%) and men (9.2%).

The remittances that Moroccan migrants send home have been a structurally important element of Morocco's macro-economic stability. In 2018, according to a World Bank report, Morocco received \$7.4bn from its diaspora, equal to 6.2% of the country's GDP, making these remittances the second-most important source of foreign currency after tourism.<sup>29</sup>

In parallel to the ongoing regular migration, groups of often young, lower-skilled Moroccan migrants try to find their way to Europe through irregular channels. Morocco has the highest youth unemployment and the greatest economic and social inequalities in the region.<sup>30</sup> Unemployment rates for young Moroccans (15–24-year olds) have been steadily climbing in the past decade, reaching 22% in 2018,<sup>31</sup> more than twice the overall unemployment figure, which remained relatively steady at around 9% over the same time period.<sup>32</sup>

The scale of this irregular migration is difficult to assess, but it is certainly in the tens of thousands overall – over the course of 2018, 13,316 Moroccans were apprehended by the European authorities. Accounting for 9% of all detected irregular border crossings, Moroccans were second only to Syrians in 2018 and were the group most often detected with falsified documents.<sup>33</sup> In the same year, over 21,000 Moroccans were detected as residing irregularly in the EU.<sup>34</sup>

Tunisia also has high labour migration, as many of its citizens continue to find employment and migrate to Europe using regular channels. According to data compiled by the EU Delegation in Tunis, over 186,000 Schengen visas were issued to Tunisian citizens in 2018, and over 30,000 first EU residence permits. The main mode of acquiring legal residency remains family reunification (49%), with education and employment joint-second (22% each).

Young Tunisians who finish their studies, specifically in medicine, engineering and IT, are also often recruited by European employers shortly after graduation, prompting criticism by national migration observers and activists that EU countries, particularly France, are

contributing to a brain drain.<sup>35</sup> Since 2015, the Tunisian diaspora has provided a relatively steady flow of remittances, of just under \$2bn annually (\$1.9bn in 2018) or 4.8% of Tunisian GDP.

At the same time, young Tunisians also continue to depart for Europe irregularly, in what has been called a *harqa* or ‘burning’ – referring to the symbolic ‘burning’ of borders and literal burning of personal documentation to impede the identification process. In 2018, Tunisia was among the top ten nations of irregular arrivals to Europe, with 4% of all detected irregular border crossings (around 6,000),<sup>36</sup> and the largest single nationality arriving in Italy in the first three quarters of 2019, making up 28% of all arrivals.<sup>37</sup> A 2018 REACH survey showed that Tunisia’s poor socio-economic performance, its high (youth) unemployment – reaching 36.3%,<sup>38</sup> compared with the country’s average of 16%<sup>39</sup> – and the perceived political crisis were the three most commonly reported structural factors that affected respondents’ decisions to leave.<sup>40</sup>

All these figures point to the strong economic roots of north-bound migration from Morocco and Tunisia, and specifically unemployment and lack of prospects at home as key drivers of both regular and irregular migration from the two countries. Some EU economic policies towards the region appear to contribute to these drivers by creating pockets of unemployment and limiting the economic prospects for these countries’ vulnerable populations.

## 3.2 THE ASSOCIATION AGREEMENTS AND THEIR IMPACT

Morocco and Tunisia both entered association agreements with the EU more than 20 years ago, and these have had mixed and controversial impacts that remain the subject of heated political debate on both sides of the Mediterranean. In both countries, implementation of the agreements has been accompanied by key socio-economic indicators continuing to remain weak – with relatively low GDP per capita, high unemployment (especially among the highly educated), low-quality jobs, and growing inequality (Table 1). Even the trade balance has not structurally improved. In fact, recent decades have seen a volatile and often worsening trade deficit between the two countries and the EU, fuelling criticism that the benefits of trade liberalization flow mainly one way.<sup>41</sup>

**Table 1: Overview of key economic indicators in trade relations between the countries**

	GDP per capita (US\$)	Unemployment (general)	Unemployment (women, 2019)	Unemployment (higher education)	Unemployment (youth, 2019)	GINI coefficient (year) <sup>42</sup>
<i>Morocco</i>	3,238	9.3% (2016)	10%	30.3% (2003)	22.1%	39.5 (2013)
<i>Algeria</i>	4,115	13.6% (2017)	21.8%	No data available	29.5%	27.6 (2011)
<i>Tunisia</i>	3,448	15.1% (2019)	23.4%	30.2% (2013)	36.3%	32.8 (2015)

Source: World Bank Open Data; all figures from 2018 unless otherwise indicated.

In April 2020, the interim EU-commissioned assessment of these agreements argued that they had had a positive overall impact across the Middle East and North Africa, and ‘overall bring about economic benefits’ that appear larger for the partner countries than for the EU.<sup>43</sup> The study attributed a ‘gain in terms of welfare and income’ across all studied countries to the association agreements, with the greatest gains in Morocco and Tunisia – 0.5% and 1.6% of GDP, and 0.4% and 1.5% of welfare, respectively.

The report was criticized by a number of civil society organizations in the Middle East and North Africa, and in Europe, who challenged its methodological soundness, independence and relevance – as well as its insufficient analysis of the agreements’ socio-economic consequences.<sup>44</sup>

But even the assessment’s authors recognized that the social and human rights impact of these agreements remains poorly understood. They also acknowledge that the agreements ‘work through non-negligible labour and capital reallocation across some of the sectors’, something particularly visible in Morocco and Tunisia.

The publication of the assessment is a recognition of the complexity of association agreements, particularly their capacity to have an impact on whole productive sectors as well as services. This is precisely the challenge identified by some civil society actors in Tunisia,<sup>45</sup> who outline that these agreements are more than instruments for opening free trade, and are in fact tools of economic transformation with far-reaching consequences for the countries that sign them, including for their labour markets.<sup>46</sup> Despite this, the agreements were designed and negotiated as a template, at high levels of abstraction and without prior consideration of how they would affect specific productive sectors or labour markets in any of the countries in the region.<sup>47</sup>

It is also generally recognized that association agreements do not work in isolation from internal economic processes, including sector reforms and modernization, regulatory simplification and governments’ fiscal or social policies.

In Morocco, two decades on from entering the association agreement, an economic development model has been created that relies for state

revenue on a combination of low-profit, high-labour-intensive agriculture and fisheries, some crude-based industry such as phosphates, and high-profit, low-labour-intensive industries such as automated production of avionics or car parts.

This model has improved some macro-economic indicators, such as GDP growth, which has grown since 1998, albeit within a fairly wide margin of 1% to 7%. A recent assessment by the Policy Center for the New South warns that this has not yet been the sustained growth acceleration that many expected, but that the agreement has brought other significant benefits to Morocco, such as increased exports, increased foreign direct investment, lower prices and policy discipline.<sup>48</sup> The trickle-down effect has been further slowed as many more successful companies do not contribute to state revenues, because they belong to tax-exempted conglomerates or have offshore status.

However, these benefits and indicators have under-delivered for Morocco's citizens and have failed to resolve Morocco's dependence on agriculture for employment,<sup>49</sup> or high levels of poverty and inequality: with a GINI coefficient of just under 40, Morocco is by far the most inequitable of the Maghreb countries. They have also not translated into equitable job growth and employment for Moroccan youth – a group significantly overrepresented among the irregular Moroccan migrants heading towards Europe.

A 2017 World Bank report<sup>50</sup> identified three main challenges that Morocco's development model creates, specifically in its labour market:

- **Lack of inclusion**, especially for youth and women. Female labour force participation is particularly low. The youth unemployment rate has also increased, especially among higher-educated youth, indicating significant difficulties in entering the labour market.
- **Slow job growth**. Job creation has not been sufficient to absorb the working-age population. Formal employment is concentrated in older and larger firms, while the much more numerous small and medium enterprises face constraints on their ability to operate and expand, and offer formal employment.
- **Low quality of jobs**, with informality dominating the labour market. The growth of non-agricultural employment has been slow and employment in the services sector is concentrated in low-skilled services. Productivity is low, and workers lack sufficient protection.

Low literacy rates, poor higher education and a mismatch between skills and market needs are all seen as causes of the high youth unemployment rate in Morocco, with education a key social and economic challenge. In 2014, nearly a third of the population was illiterate. While the school enrolment rate increased to 94.5% in 2014 for children aged 7 to 12, the level of education remains low. In 2015, 34.6% of Moroccan adults (15 years and over) had no formal education, 38.7% only had elementary education, 14.6% secondary, and 8.6% higher education.<sup>51</sup> The average length of schooling in Morocco is 4.4 years,<sup>52</sup> two years fewer than the Arab average (6.3) and more than three years below than the world average (7.7).<sup>53</sup>

## Box 2: Algeria – the outlier

After much diplomatic and economic courting, Algeria entered into an Association Agreement with the EU in 2005, but managed to negotiate measures that were more protective of its productive sector than those implemented by Morocco or Tunisia.

At the start of the new economic relationship, the EU removed tariffs on most Algerian exports, while allowing Algeria to keep in place its own temporary customs duties. Algeria's aim was to protect national industries for a phase-out period that should have expired in 2017 but was extended to 2020.

The association agreement requires an action plan from Algeria laying out how the country will liberalize its markets, but so far neither the plan nor any actual large-scale liberalization have materialized. As EU support is largely conditioned on political and economic liberalization, Algeria has received little financial assistance from the EU compared with its neighbours in the Maghreb, with an annual average of €61.4m, compared with €698.5m for Morocco and €454.8m for Tunisia.<sup>54</sup>

However, the structure of Algeria's economy makes it less susceptible to direct conditioning. It has the largest GDP per capita in the region, high foreign currency reserves, a fiscal surplus and by far the largest volume of exports to the EU – and even a positive trade balance with it.

The main reasons for these outlier indicators are Algeria's oil and gas reserves, which are the country's key source of revenue and its main export product. For Algeria, as for every hydrocarbon-based economy, this is a double-edged sword, as it makes the country highly dependent on global oil and gas prices, which exhibit great volatility over time – as seen again in the first two quarters of 2020, when the COVID-19 pandemic caused one of the greatest slumps in the history of world oil markets. At the same time – for better or for worse – it has managed to sustain Algeria's pre-agreement economic model, which is highly reliant on state subsidies for energy and agriculture, as well as a much higher degree of state regulation of productive industries and services.

In Tunisia, the economic benefits mentioned in the interim assessment have been hard to gauge among large groups of citizens. For the past seven years, the GDP growth margin has been between 1% and 3%<sup>55</sup> and in 2015 just over 15% of the population were living below the national poverty line,<sup>56</sup> compared with just under 5% in Morocco. The unemployment level was 15%, with youth unemployment more than double this at 36.3%.

The Tunisian economy's malaise appears to be structural, residing in a complex set of fiscal policies, productive sector inefficiencies and governance challenges. Recent analysis of the key obstacles to economic development in Tunisia has focused on several key elements:

- Elite capture and domination of certain productive sectors by connected individuals and companies, with a number of influential economic analyses<sup>57</sup> openly calling out successive Tunisian governments on cronyism.<sup>58</sup>

- Labour rules that promote job insecurity by maintaining the dichotomy between the rigid redundancy rules for open-ended contracts and the ‘flexibility’ of fixed-term contracts, pushing people into informality and job insecurity.
- Fiscal systems that entrench and structurally increase socio-demographic and regional inequalities.<sup>59</sup>
- Inefficient and inequitable agricultural policy that shifts production away from labour-intensive crops produced in interior regions towards coastal areas, thus increasing unemployment and regional disparities.<sup>60</sup>

While there is much agreement in the analysis of Tunisia’s economic difficulties, the solutions proposed diverge widely – from calls by national and international civil society organizations, including Oxfam, to create more equitable distribution of both revenues and opportunities, to insistence on the continuation and deepening of liberalization processes. The EU has so far followed the latter path, embodied in the 2014 World Bank report,<sup>61</sup> which argues that the remedy for the elite capture of the liberalization process is further liberalization.

Compared with the association agreements with the EU’s eastern neighbours, those with Morocco and Tunisia are both missing one key element of effective trade liberalization that has well-documented and significant potential to improve the development outcomes of free trade agreements: liberalization of services through allowing the temporary movement of natural persons,<sup>62</sup> or in other words, structural liberalization of economic migration.<sup>63</sup>

### 3.3 INCOHERENCE IN EU POLICY MAKING

This omission of measures for the liberalization of economic migration in their association agreements has become increasingly salient over the past five years, as the EU has started assertively negotiating the next generation of free trade agreements (DCFTAs) with both Morocco and Tunisia. The DCFTA negotiations have been conducted discreetly and mostly in closed-door technical meetings. While Morocco’s negotiations have remained outside the public debate, in Tunisia a vocal and critical intervention by parts of civil society managed to bring some of the issues around their potential social impact into the public domain.<sup>64</sup>

As the negotiations picked up speed, the political salience of migration policies from 2015 onwards increasingly complicated the policy field. The desk review and interviews conducted for this study suggest that the two sets of policies towards the region lack internal coherence, with potentially far-reaching consequences. These incoherencies are:

- *EU economic policies contribute to creating incentives for migration.* The liberalization models already applied and those currently on the table lead to job losses in the sectors that provide most of the employment for the lower-skilled majority of the countries’ workforces



- without structurally transforming the economies to be able to compensate for this loss by creating other types of jobs. This tendency is likely to continue if the DCFTAs are signed.
- *EU migration policies hamper economic development* by preventing liberalization in trade in services through the temporary movement of natural persons. DCFTA discussions do not foresee increased liberalization in this area, but they do foresee increased free movement of goods and capital. This structurally limits the benefits of economic liberalization for countries in the region.

### **3.3.1. EU economic policies contribute to creating incentives for migration**

Early into the implementation of the association agreements it was clear that trade liberalization had entailed costs in terms of both displaced capital and displaced labour.<sup>65</sup> In Morocco, some sectors, including the automotive and aeronautics sectors, have grown and created tens of thousands of jobs, albeit helped by generous government support (free trade zones, industrial parks, tax holidays, etc.). However, the value-added contribution and spill-over effects of these sectors remains an open question, while other important sectors, such as textiles and steel, have lost ground, with significant employment losses.

In 2019, large-scale job losses in agriculture due to drought were offset by gains in urban areas – 85,000 jobs were shed in the countryside, while 250,000 were created in urban centres.<sup>66</sup> But these losses and gains affected different populations with very limited capacity to migrate from one type of job to the other. The loss of jobs in agriculture predominantly affects more vulnerable people, so the macro-economic indicator of ‘jobs gained’ for 2019 hides a deepening gap in inequality. It creates incentives for people to migrate from economically depressed agricultural areas, which are most affected by drought and loss of income.

Morocco’s youth unemployment issues cannot be blamed solely on the association agreement, as ‘no trade agreement can be a substitute for a purposeful program of domestic reform’.<sup>67</sup> At the same time, the scale and nature of this agreement’s impact has been sufficient to prompt the EU to commission a sustainability impact assessment of the potential DCFTA that is currently being negotiated.

The results of the mathematical modelling in the assessment show a gain of high-skilled jobs in just a few sectors (machinery, with 7%, vegetables and fruit with 4%), and structural high-skill employment losses of between 0.1% and 3.1% across all other sectors.<sup>68</sup> This pattern is reflected in the loss of less-skilled employment, including a loss of 2.6% in the grains and crops sector, which employs a large share of Morocco’s most economically vulnerable populations. The assessment also highlights potential losses in some important manufacturing sectors, such as leather, as well as in ICT and other business services that typically employ comparably high numbers of skilled workers. This sector is potentially facing a drop of 2.3% in skilled labour.<sup>69</sup> While no such

modelling has yet been done, based on previous dynamics and looking at the drivers of migration, it could be argued that such cumulative job losses in sectors that employ large numbers of young Moroccans are likely to maintain or increase the existing push factors for EU-bound migration.

Much as with Morocco, there is a reason to believe that signing the DCFTA would also entail high costs for Tunisia. While the EC-commissioned impact assessment claims Tunisia may see 7% GDP growth as a result of the DCFTA, a study commissioned by the German Ministry of Foreign Affairs warns of a small shrinking of GDP by 0.5%.<sup>70</sup> But even the more optimistic EC-commissioned study, conducted using the same type of mathematical modelling as applied in the impact assessment for Morocco,<sup>71</sup> shows stark consequences for Tunisia in terms of capital and labour displacement, including:

- A consistent loss of low-skilled jobs in sectors employing large numbers of lower-skilled Tunisians, and especially Tunisian women, such as textiles, apparel and leather goods (-18.5%, -6.4% and -15.4%, respectively).
- A loss of highly qualified jobs in the finance and ICT sectors (-4.4% and -3.8%, respectively). These jobs generate 10% of national GDP.
- A potential gain of around 4.4% in vegetable oils, a sector which is worth around 8% of national value added.<sup>72</sup>

There are concerns that the DCFTA, which will significantly reduce trade costs for some sectors, may further erode the competitiveness of Tunisia's textile and apparel sectors, which have traditionally provided many jobs for Tunisian women, representing valuable additional family income and a buffer against poverty. The EC-commissioned assessment predicts large job losses in these two sectors: -6.9% and -18.8% for high-skilled jobs, and -6.4% and -8.5% for low-skilled jobs, respectively.

The report further states that 'the number of both more skilled and less skilled workers will decrease in the two sectors as workers will shift to other sectors where wages will grow faster – primarily in the vegetable oils and other machinery sectors.'<sup>73</sup> This generalization reflects the spirit of DCFTA negotiations across the region. While such a shift in jobs may be positive at the macro-economic level, in terms of lived experiences it is likely to push families further into poverty, as former textile workers may not reside in the appropriate areas or be given an opportunity to seek jobs in sectors that experience future growth.

For Tunisia, the DCFTA is predicted to cause a shift of close to 11% of less-skilled and 8% of more-skilled workers across sectors in the longer run. The short-run estimates are similar. These figures hide the painful reality of increasing poverty as many workers will not be able to change sectors in either the short or long run.

As already discussed, loss of employment is seen as one of the key drivers of the regular and irregular migration of young Moroccans and Tunisians to Europe, regardless of qualifications.

### 3.3.2. EU migration policies hamper economic development

A key stumbling block in DCFTA negotiations is the liberalization of services. The EU has so far displayed a strong tendency to narrow the scope of the temporary movement of people to cover only managerial elites, professionals, technical experts and a limited category of contract service suppliers, such as seasonal workers in agriculture. In this way the EU and its member states control and limit the entry of foreign service workers with low skills and in lower-value jobs in relatively profitable sectors such as the male-dominated transport or construction sectors, or more female-dominated sectors that are struggling with staff shortages, such as care.

This issue is treated as one of the four modes of service delivery – Mode 4<sup>74</sup> – of the General Agreements on Trade of Services (GATS), which forms the basis for all free trade agreements. In principle, Mode 4 liberalization is envisaged as temporary; for instance, a Tunisian or Moroccan construction company bringing its own nationals – drivers, construction workers, and so on – to do the work, with salaries more in line with national than EU salaries, giving such companies a competitive edge. Such movement of persons across borders to supply services would therefore be an important potential source of income for the partner countries, and specifically for their more economically vulnerable communities – potentially removing the incentives for irregular migration. Moreover, studies on the impact of Mode 4 liberalization frequently find positive gains for both high-income and low- and middle-income countries, which originate from the movement of unskilled rather than skilled labour.<sup>75</sup>

In the case of both Morocco and Tunisia, no progress has been made on this front, limiting the liberalization of services and therefore the overall impact of the current and new free trade agreements. The EU insists on the de facto liberalization of services inside Morocco and Tunisia and at the same time excludes temporary movement of labour from these countries – an important mode of services trade – from the negotiations.

Interlocutors in Tunis have stressed that the lack of progress on the issue is a major affront and irritant. Many described the EU's stance of not allowing Tunisians to offer services in Europe at competitive prices as 'illogical', 'unfair' or even 'hypocritical', especially if the Tunisian services sector were to be expected to open up to European companies, e.g. global accountancy or legal firms and construction companies, without any reciprocity.<sup>76</sup>

As a result of this asymmetry, opposition to further economic liberalization of the kind proposed by the DCFTA has been growing among Tunisian civil society<sup>77</sup> and independent economic analysts, who insist that such liberalization would cost Tunisia even more in terms of economic slowdown and jobs – and thereby also create additional migratory incentives, adding to political tensions internally and with the EU.

Motivated by this internal resistance, the Tunisian government has attempted to establish a link between ongoing negotiations on a visa facilitation agreement and negotiations on the DCFTA, arguing that free movement of goods and services would also require greater freedom of movement for people.<sup>78</sup> However, for the EU, the political climate in member states does not permit such concessions. The increasing concerns about the consequences of signing the agreement, and the general political hibernation due to the COVID-19 pandemic, have all but stalled the DCFTA negotiations.

A restrictive approach to Mode 4 liberalization is not new, but for the EU it has been strengthened by the same political concerns about increased migration that fuel the Mobility Partnerships and the Valetta Plan – and it puts migration management logic at the heart of its key economic partnership tool, creating a structural incoherence.<sup>79</sup>

The likelihood of this incoherence being addressed seems low. Discussing a specific Moroccan case in a recent policy brief, a high-ranking EU diplomat stressed that the EU mobility partnership agenda is likely to continue influencing conversations about the liberalization of trade in services, ‘where the key *quid pro quo* will as ever involve the EU facilitating legal migration for businesspeople, students and young workers, for example, in return for Morocco further intensifying cooperation on the control of irregular migration, including on return and readmission.’<sup>80</sup>

The diplomat went on to suggest these talks would also be used to break the impasse around ‘Morocco’s reluctance, in common with the rest of the southern neighbourhood countries, to readmit third country nationals.’<sup>81</sup>

### 3.4 PLUGGING THE HOLES

The analysis above shows the far-reaching impact of complex and also incoherent interactions between the EU’s migration and economic policies – where the free trade agreements create incentives for migration, which are then addressed through conditioning further trade liberalization and economic cooperation on the EU’s demands for further migration control.

The EU has tried to address some of these structural impacts by directing substantial support through various development mechanisms conditioned on effective migration management. In June 2017, the EU’s external investment plan (of €4.1bn) was launched in Morocco, in order to address some of the root causes of irregular migration of Moroccans.<sup>82</sup>

The EUTF (around €175m for Morocco and €15m for Tunisia), the Migration Partnership Agreement (€107m between 2014 and 2021), and a further €55m in funding were announced for release in 2019 to help Morocco and Tunisia ensure their border security. However, only some of the money was in fact approved and contracted. In addition, as previously discussed, in December 2018 the EU decided to step up its

support to Morocco in its fight against irregular migration with €148m in funding, the greater part of which was invested in border security.

But none of these efforts can offset the structural nature of the impact of free trade agreements on the shape of these countries' economies and their far-reaching consequences for the people caught on the wrong side of ensuing economic transformations. The ad hoc nature of such 'development cooperation' looks increasingly like an attempt to plug the hole in the hull with small grants, while trade liberalization policies in combination with the general economic slowdown and internal challenges of the two countries keep the rising waters of social dissatisfaction flowing in.

## 4 CONCLUSIONS AND RECOMMENDATIONS

It is clear that all stakeholders – the EU, Morocco and Tunisia – have much work to do to address incoherencies and ensure future migration and economic policies are synchronized, human rights-compliant and work to benefit all citizens, including the most vulnerable people.

While economic development of the two countries is valuable in and of itself, there is strong evidence that, at least in Morocco and Tunisia, their own economic development model – supported or even required by the EU as a condition for economic assistance or continuing economic collaboration – is creating adverse effects. Regardless of the macro-economic indicators and average rates of well-being, the model is not working for large numbers of the most vulnerable people in these countries, especially youth and women, whose livelihoods are affected by changes to different sectors of the economy. These developments contribute to pushing certain groups further into poverty and increasing inequality, and exacerbate the factors propelling those affected to migrate towards the EU.

On the one hand, the EU is supporting an economic development model that creates incentives for migration, through policies which can result in large-scale unemployment in some sectors, and which contribute to informality and underemployment across the economy. On the other, it is suppressing migration through securitization and ad hoc economic interventions, such as small job creation projects funded under the EUTF.

To benefit both the affected countries and the broader economic stability of the region, it is essential that this incoherence is addressed at country-specific and regional levels, and that the countries are encouraged to create economic development models that work for people, through addressing issues such as structural inequality and youth unemployment.

Concrete solutions to some of these challenges could include addressing the structural impact of job relocation on specific demographics, such as youth in the agricultural sector or women in the textile or leather industries in both countries, through much larger multiannual support programmes included as part of any future DCFTA. Another solution would be for the EU to include Mode 4 liberalization of services through the movement of people in the new DCFTA. We see the benefits of the EU allowing for increased mobility of professionals and workers in service sectors including IT, consultancy, finance, transport and construction, but also in more female-labour focused sectors such as care. This also means facilitating these workers' temporary residence in Europe for work reasons.

## RECOMMENDATIONS

### **To the Moroccan and Tunisian governments**

- Conduct gender-sensitive impact studies of DCFTA, with a specific focus on the sectors employing the largest numbers of vulnerable populations (agriculture, branches of specific industries, etc.).
- Organize broad national consultations including all stakeholders (such as trade unions, representatives of affected sectors, gender experts and independent economists) in order to formulate and propose concrete policy amendments to the agreements that would prevent massive loss of employment in the most affected sectors.
- Request structural support for ensuring realistic retraining trajectories or other sources of alternative livelihoods for those most at risk of job losses.
- Request structural support for strengthening and significantly improving the provision of health and education public services.
- Insist on including GATS Mode 4 liberalization of services in DCFTAs and a revision of the EU's inclusion of migration management priorities in these agreements.
- Address deepening societal inequality and ensure that national economic policies allow for the provisions in DCFTAs to contribute to effective inequality reduction.

### **To EU institutions and EU member states**

- Analyse policy incoherencies at the country and regional levels and address inconsistencies through the tailored adjustment of economic and migration policies.
- Include assessments of the potential impact of DFCTAs on vulnerable groups in the partner countries – especially youth and women – and propose solutions that could mitigate such impacts.
- Exclude agriculture from the DCFTA due to the significant impact this might have on employment in agriculture, as well as the negative impact on food security.<sup>83</sup>

- Provide structural support for retraining trajectories or other sources of alternative livelihoods for those most at risk of job losses.
- Work with partner countries to ensure structural support for strengthening and improving the health and education sectors.
- Include GATS Mode 4 liberalization of services in DCFTAs and ensure that migration management priorities do not undermine the effectiveness of economic mechanisms embedded in these agreements.

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