EU INTEGRATION WITH NORTH AFRICA

TRADE NEGOTIATIONS AND DEMOCRACY DEFICITS IN MOROCCO

CARL DAWSON

EU INTEGRATION WITH NORTH AFRICA

Carl Dawson holds a PhD in public and international affairs from the University of Pittsburgh, and was Executive Director of the American Chamber of Commerce in Morocco from 2002 until 2008. He played a key role in the implementation of the free trade agreement between Morocco and the United States, and in the creation of the Council of American Chambers of Commerce of the Middle East and North Africa. He previously worked as an economic and political analyst for a Moroccan investment bank, and as special projects coordinator for the Fulbright Commission in Morocco, where he was based for thirteen years.

EU INTEGRATION WITH NORTH AFRICA

Trade Negotiations and Democracy Deficits in Morocco

CARL DAWSON

Tauris Academic Studies
LONDON • NEW YORK

Published in 2009 by Tauris Academic Studies,
an imprint of I.B.Tauris & Co Ltd
6 Salem Road, London W2 4BU
175 Fifth Avenue, New York NY 10010
www.ibtauris.com

In the United States of America and in Canada distributed by St Martins Press,
175 Fifth Avenue, New York NY 10010

Library of European Studies Volume 8
ISBN 978 1 84511 784 9

A full CIP record for this book is available from the British Library
A full CIP record for this book is available from the Library of Congress

Library of Congress Catalog Card Number: available

Printed and bound in India by Thompson Press
camera-ready copy edited and supplied by the author

CONTENTS

ACKNOWLEDGEMENTS

This book was written for the PhD degree of the Graduate School of Public and International Affairs (GSPIA), University of Pittsburgh. I would like to thank the members of my dissertation committee, Professors Clyde Mitchell-Weaver, Martin Staniland, Alberta Sbragia, Phyllis Coontz and Lou Picard, as well as the School itself, for the financial and intellectual support that made this entire project possible.

I would also like to express my gratitude to the interviewed stakeholders, both Moroccan and European, whose openness and honesty was so valuable to the research, and to all those who provided documents, useful comments and advice, and referrals to other sources of expertise.

This work, which is the distillation of 13 years of life in Morocco, is dedicated to the fulfillment of the potential of that country.

Carl Dawson
Rabat, Morocco

1

REFLECTIONS ON TRADE LIBERALIZATION BETWEEN MOROCCO AND THE EUROPEAN UNION

In early May 2002, at the Ministry of Finance in Rabat, Morocco, a meeting was held between a visiting delegation of US trade officials and the representatives of numerous Moroccan businesses and locally based American companies, including the author. The purpose of the meeting was to obtain feedback on the possibility of a bilateral free trade agreement (FTA) that would, in general terms, be similar to the US/Jordan FTA that had taken effect at the end of the previous year. Following introductory remarks by Finance Minister Fathallah Oualalou, and an outline of the US vision of free trade by the leader of the visiting delegation, Assistant US Trade Representative Catherine Novelli, the assembled business people were asked for their reaction.

US company representatives were predictably outspoken in their support for free trade, but reaction on the Moroccan side was considerably more reserved. Several officials of the Moroccan Employers Federation (CGEM) stated their support for free trade, but went on to express serious concerns about the ability of Moroccan firms to withstand heightened competition, satisfy US norms and standards, and break into the US export market. The wariness of the Moroccan speakers did not delay the subsequent decision to open negotiations for an FTA, but it did cause some surprise among members of the US delegation. The origins of the Moroccan reticence can be traced back seven years to an earlier free trade experience with the European Union (EU), which is by far Morocco's largest trading partner.

The Morocco/EU FTA: a sub-optimal agreement for both parties

Between 1992 and 1995, Morocco had negotiated a wide-ranging association agreement with the EU that included a free trade agreement to be phased in over a 12-year period, from 1998 to 2010. Due to delays in ratification by the member states of the EU, the implementation period actually began in 2000 and will end in 2012. Both accords were part of a wider EU attempt to promote the economic prosperity and stability of the Middle East and North Africa region that was launched at the Barcelona Conference in late 1995. The Morocco/EU FTA largely excludes agriculture – one of the sectors in which Morocco could most benefit from selective trade liberalization – as well as the services sector, and even at the early stage of its implementation prevailing in 2002, the accord had shaken the free trade commitment of the Moroccan business community.

At the time that negotiations for the Morocco/EU FTA began, there was relatively little awareness within governmental circles and the business community of the possible extent of negative short-term and medium-term impacts of free trade: the failure of uncompetitive firms and the resulting economic and social dislocation. There were also unrealistic expectations about the amount of financial aid that the EU would devote to upgrading the Moroccan economy and businesses in advance of free trade, and about the ability of small and medium-sized firms (often family-owned) to recognize the need for upgrading and accept the resulting external involvement in their affairs. The negotiation and signing of the agreement launched an ongoing public and academic debate on the costs and benefits of free trade, and the inevitability of substantial damage in the short term quickly became apparent. Further, although such damage is an inevitable initial consequence of any trade liberalization, the Morocco/EU agreement in particular increasingly appeared to be a poor deal for Morocco due to the minimal agricultural concessions. In the seven years since the signing of the accord, it had also become clear that EU funding for Moroccan company upgrading had been only a fraction of what the Moroccan government and private sector thought necessary – and that many of the funds allocated were never disbursed due to a range of factors. These included bureaucratic delays within the EU, inadequate coordination and promotion of upgrading schemes, resistance by family-owned firms to external sources of finance and transparency requirements, and the non-viability of many submitted applications. In addition, available funding covered only diagnostic studies and the drafting of company upgrading plans, not the acquisition of any extra equipment and staffing that the plan might necessitate. As a result of the various obstacles, little progress had been made in preparing the Moroccan economy for trade liberalization, and the situation was essentially unchanged even as the first tariff eliminations on EU imports with local equivalents took effect in 2003.

Most Moroccan business leaders and members of the political elite had by then fully understood the likely costs of free trade and the fact that they would have to rise to the challenge largely on their own. The realization had come as a shock to many operators. That is why, even in 2002 and at an early stage of implementation of the Morocco/EU accord, this historic economic opening was regarded with considerable fear and even bitterness by some players, especially among the vulnerable small- and medium-sized businesses, which account for approximately 90 per cent of all firms. This was the economic and psychological context in which Catherine Novelli and her delegation of trade officials met with local business representatives, and their experience clearly illustrates the ongoing impact of the Morocco/EU free trade agreement on Moroccan trade relations with non-EU commercial partners. That impact may have been substantially deepened by the royal appointment, in early July 2002, of Foreign Affairs Undersecretary Taieb Fassi Fihri as lead negotiator for the Morocco/US FTA: it was Fassi Fihri who had led the Moroccan delegation in free trade and association agreement talks with the European Union in the early to mid-1990s.

Inadequate political participation and authoritarian ratification processes as determinants of international negotiation outcome

Why, then, did Morocco accept a disadvantageous free trade arrangement at all? And why did the European Union propose terms that seem to at least partially contradict its stated aim of fostering economic prosperity and stability in the Maghreb region (Morocco, Algeria, Tunisia) and beyond? This work is the story of how a voluntary lack of participation in a democratic political system (the European Union) can skew the negotiating offer of a party in talks for an international agreement, and of how a lack of participation imposed by an authoritarian political system (Morocco) can not only skew the negotiating offer but also greatly weaken the negotiator's hand by making the eventual ratification of the agreement appear easy. The key to understanding these phenomena lies in the political systems that generate them, and, more specifically, in the nature of international agreement ratification in authoritarian states. More attention will be devoted to the authoritarian case (Morocco), since it has little presence in the existing literature, but this is very much a tale of two polities and of their deficiencies – deficiencies that ultimately prove to be similar, despite differences of degree and systemic context.

The principal findings of this study are that Morocco may have been able to achieve a better free trade deal in the 1996 Association Agreement signed in the wake of the Barcelona Declaration had it been an open and democratic system during the period of negotiations, the early to mid-1990s. The closed and elitist nature of the Moroccan negotiation and ratification process meant that the official negotiating position did not account for the full range of interests affected by trade liberalization, and that the hand of the Moroccan negotiators in advocating even that less demanding position could not be strengthened by the threat of ratification failure – the prospect that dissident groups might reject the final agreement in Parliament, in a referendum, or in the streets. The European Union negotiation and ratification process, although open and democratic in nature, was skewed by the voluntary lack of significant participation by most of the then 15 member states. Only France, Spain and Italy participated intensively, a situation that ensured the protection of powerful national lobbies (primarily Spanish farmers and fishermen) at the expense of Morocco and of the Barcelona Declaration economic development objectives for the Maghreb. Other member states, which might have weighed in on behalf of the broader interests of the EU and Morocco, were largely absent, and their occasional interventions were often merely attempts to mollify their own sectoral lobbies. The convergence of minimal participation in Morocco and significant but wholly inadequate participation on the European Union side led to an agreement favoring narrow European sectoral interests at the expense of the broader vision behind the Euro-Mediterranean partnership.

In addition to examining the question of political participation and its impact on international agreements, the study presents a rich vein of strikingly honest testimony from the key players on both sides of the negotiations, concerning their views on trade liberalization, the strengths and weaknesses of the Euro-Med partnership, and the political and personal power-plays that impacted the talks. The role of the Morocco/EU fisheries accord and of Moroccan and European pressure groups is also discussed, and the picture that emerges brings to life a number of previous findings in the international negotiation literature.

The regional importance of Morocco and the domestic impact of free trade

Morocco is strategically important for the political and economic security of Western Europe, North Africa, and the Middle East. The country occupies a key geographic position, 14 kilometers south of Spain and the rest of the European Union, immediately to the north of sub-Saharan Africa, and on the western corner of the greater Maghreb (Mauritania, Morocco, Algeria, Tunisia, and Libya). The Moroccan business and political elite has close ties with both France and the Middle East, and the Moroccan monarchy has played a long-standing and significant role in the Middle East peace process. A key gas pipeline feeding southern Europe passes through Moroccan territory from the oil and gas fields of neighboring Algeria, and the Moroccan coastal fisheries were the operational zone of a major Spanish and Portuguese fishing fleet until the expiration of the most recent large-scale Morocco/EU fisheries agreement in late 1999. A similar agreement was signed in 2005, although it concerned a relatively limited number of vessels. Perhaps more importantly, in the wake of the terrorist attacks of September 11th, 2001, the relatively stable political evolution of the kingdom contrasts sharply with Islamist violence and political unrest elsewhere in North Africa and the Middle East.

The strategic value of Morocco lies not only in the strengths enumerated above, but also in several less positive phenomena that have frequently soured relations with the European Union. Increasing flows of illegal immigrants, which include both Moroccans leaving home and sub-Saharan Africans using Morocco as a transit point, have caused great tension within the EU and particularly in Spain, where the anger has been deepened by other bilateral disputes relating to the Sahara, the two Spanish enclaves in northern Morocco, and drug trafficking. Spain has accused Morocco of laxity in controlling illegal immigration, and, if true, that would hardly be surprising. Emigration allows many people who have little future in Morocco because of chronic unemployment to achieve what is often a higher standard of living in Europe, thus removing a potential source of domestic political discontent. Once settled in Europe, many immigrants send remittances to their families in Morocco, generating annual foreign exchange earnings in excess of $3 billion. Any serious attempt to reduce illegal immigration flows without addressing the root causes of the problem would therefore clearly run counter to the domestic political interests of the Moroccan state, and would only become probable in the event of a dramatic increase in external political pressure on the issue. Western Europe is also the primary market for the large quantities of cannabis grown in the impoverished northern regions of Morocco, where the promotion of alternative crops appears to have made little progress. Here again, any serious crackdown by the Moroccan authorities would seem likely to result in social unrest and increased illegal immigration flows unless legitimate alternative sources of income can be found.

Although illegal immigration and drug trafficking are a source of tension between Morocco and the EU, the fact remains that Morocco is in a relatively strong economic position to achieve the higher levels of development that would reduce those problems and also consolidate domestic political stability. In that sense, diplomatic problems such as those discussed above can be recast as powerful negotiating arguments for increased development aid.

Free trade and the association agreement with the European Union are intended to strengthen Morocco in support of its actual and potential strategic value, and they were negotiated within the framework of the 'EuroMed' partnership, which covers 12 southern Mediterranean nations ranging from Morocco to Israel and Jordan. Both Algeria and Tunisia have association agreements with the EU that are very similar to that of Morocco, both in general terms and, in the case of Tunisia, with respect to free trade. However, while the longer-term benefits of trade liberalization are clear, there is a real danger that the short- and medium-term shock of open competition will produce negative socio-economic impacts. The minimization of social and economic dislocation during the transitional period depends on effective business upgrading – which has clearly not yet been achieved in Morocco – and excellent strategic planning, as well as substantial new foreign direct investment.

As stated earlier, the free trade agreement signed between Morocco and the EU appears to be a poor deal for Morocco: it largely excludes agriculture and, therefore, many of the products in which significant gains could have been made in a liberalized environment, and it did not provide for adequate upgrading funds – be they European or Moroccan in origin – or the efficient delivery mechanisms needed to back them up. As a result of these deficiencies, and the failure of Morocco to effectively compensate for them, the country has been unable to take full advantage of one key aspect of the FTA: the 'back-loaded' nature of the tariff elimination schedule. This timetable provided for the rapid abolition of tariffs on imported capital goods, raw materials, and goods with no local equivalent, thereby lowering the input costs of many Moroccan industries and giving them time to apply the savings (plus any available additional funding) to productivity and quality upgrading in preparation for the removal of tariffs on competing imports. The final phase of the liberalization process began only after these 'friendly' tariff reductions were complete, and it is being implemented much more gradually.

All in all, there is good reason for concern regarding the short- and medium-term impact of trade liberalization on a nation that is already facing a high level of poverty and unemployment, especially given the risk that any deterioration in socio-economic conditions could be instrumentalized by extremist groups and feed into political violence. Should such instability arise, any initial adverse impact of trade liberalization would not be its root cause, but might well constitute a proximate cause – a catalyst for latent discontent generated by a complex set of problems that long predate trade liberalization itself. These concerns highlight the critical importance of understanding why the Morocco/EU free trade and association agreement was sub-optimal, how Morocco and the EU might have achieved a better deal, and how other countries in a similar position to Morocco might do so in the future.

The research questions

It is clear that the Morocco/EU free trade and association agreement has great significance for both wider Moroccan trade relations and domestic socio-economic welfare, which in turn influences the political stability of a nation that has considerable regional geopolitical importance. Given that free trade has inevitable short- and medium-term costs that are exacerbated, in the Moroccan case, by the exclusion of services, the minimal nature of agricultural concessions, and an already fragile socio-economic situation, the following research questions seem relevant:

(1) Why did Morocco decide to open its economy through a free trade and association agreement?
(2) Why was the European Union chosen as a partner?
(3) How did the respective political systems of Morocco and the European Union lead to the EU proposing, and Morocco accepting, a sub-optimal agreement, and how could the problems identified be avoided in the future?
(4) To what extent were the negotiations influenced by:
    (a) domestic economic and political interests
    (b) international relations
    (c) leadership preferences
    (d) the formulation of Moroccan and European negotiating strategy and the respective international agreement ratification processes, and
    (e) the parallel issue of the Morocco/EU fisheries agreements.

These questions will be explored through document analysis and interviews with key Moroccan and EU players, and the resulting data will be analyzed in terms of several aspects of negotiation theory (including the impact of bureaucratic politics on negotiations, the strength of weak states, and Habeeb's model of power in negotiations) and also in terms of Putnam's two-level game model of international negotiation. The latter model holds that the negotiators of international agreements (Level I) must operate under the constraints imposed by the interests of the other international parties and their capacity to deliver on any agreement, but also under the constraints imposed by the need to obtain ratification of any agreement at the domestic level (Level II). This approach is presented in detail in a later chapter.

The research questions are important from an *empirical* perspective because they could yield valuable insights into the strengths and weaknesses of the Moroccan and European Union negotiating strategies, as well as recommendations for improvement, and those insights may be applicable to less developed countries (LDCs) other than Morocco attempting to enter or associate more closely with established trading blocs characterized by a much higher level of development.

The research questions are important from a *theoretical* perspective because one of the models applied – Putnam's two-level game conception of international negotiations – was developed in the context of advanced industrial states governed by representative democracy, and its application to Morocco, an authoritarian monarchy at the time of the FTA negotiations with the EU, will provide useful insights into how interest advocacy and treaty ratification work in such a state and into how Putnam's model could be extended to that case more generally.

Further, determining why the European Union proposed, and Morocco accepted, a free trade deal that is unnecessarily damaging to Morocco in the short to medium term may shed new light on the less predictable ways in which domestic political interests shape (or fail to shape) international negotiations. Such insight would move us beyond Putnam's two-level game model, in that the latter is concerned with identifying various types and levels of influences on negotiations but *not* concerned with linking specific types of influences with specific negotiation outcomes. This task falls to theories dealing with political and bureaucratic leadership as well as the differing roles of the various economic actors.

The expected findings

The first expected finding is that the European Union proposed a free trade agreement that was unnecessarily disadvantageous to Morocco under the influence of sectoral pressure groups seeking to protect their interests.

The second expected finding is that Morocco accepted an unnecessarily disadvantageous free trade agreement under the combined influence of:

(1) an elite/business coalition that stood to gain from the deal and had extraordinary influence over the decision-making process, and

(2) a generalized belief among the political elite that Morocco could not afford to be excluded from the longer-term development benefits of trade liberalization – whatever the short- to medium-term costs – and that existing patterns of trade and cultural relations made Western Europe the inevitable partner

Ronald Rogowski, in his 1989 work *Commerce and Coalitions*, demonstrates the impact of comparative advantage on the political reactions to free trade in a given economy. Basing his analysis on the Stolper-Samuelson theorem, which found that trade liberalization benefits the owners of abundant factors of production and harms the owners of scarce factors, Rogowski profiles the possible factor allocations in a given economy and the consequent political reaction to liberalization. His treatment of the Moroccan case – abundant land and labor but relatively scarce capital – is as follows:

> In a capital-poor economy with abundant land and labor, change in exposure to trade… mobilizes a coalition of red and green… Expanding trade… benefits farmers and workers but harms capitalists; and the mass coalition – or, where agriculture is dominated by a few large landowners, a coalition of gentry and labor – pursues a wider franchise, free trade, and a general disempowerment of capital. (Rogowski 1989: 15)

Given the impact of comparative advantage on reactions to free trade outlined by Rogowski, and given that Morocco is a country of abundant land and labor but relatively scarce capital, free trade should be supported by farmers and workers but opposed by capital. The opposition of capital is to be expected not only because scarcity limits its export benefits and heightens the import vulnerability resulting from tariff removal, but also because some existing capital enjoys rentier or monopoly situations based on non-tariff barriers that are threatened by liberalization. Yet the free trade agreement as signed largely excludes the Moroccan agriculture sector, which accounts for up to 50 per cent of the workforce, thus apparently eliminating one source of support for free trade (farmers) and half of another (workers) except for those few agricultural employees capable of transferring easily to other sectors. As for the owners of capital, who are supposed to oppose free trade in these circumstances, they (or at least the most influential among them) seem to have been instrumental in *supporting* the agreement.

The situation is, of course, much more complex than this initial portrait would suggest. We have described free trade as being in the interests of Moroccan farmers and of the 40–50 per cent of labor that works the land, but it would be more accurate to limit the statement to those farmers (and related workers) whose products would be competitive for export under free trade, such as citrus fruit, olives, fresh tomatoes, sardines, and capers. Moroccan cereal producers would actually suffer under free trade, due to very low yields caused by drought, lack of technology, and inadequate farm size, and cereals account for a large part of the agricultural workforce. Red and white meat producers would also be at risk, although lower costs for imported animal feeds would at least partially reduce the competitiveness gap.

On this basis, there would be a split in the agricultural sector (among both farmers and workers) between supporters and opponents of free trade. It seems that agricultural operators (both likely free trade winners and losers) were very active in seeking a role in the decision-making process because of a belief that substantially increased access to European agricultural markets might be possible, and fears that access could even be reduced for some products. Now, this leaves the 50 per cent of labor that is in the non-agricultural sectors and was therefore clearly going to be affected by the FTA. This group, as an abundant factor of production, should support the FTA according to Rogowski, but this is thrown into question by the fact that Morocco had already enjoyed essentially free access to EU non-agricultural markets for decades prior to the FTA, thanks to the association agreements that preceded it. In other words, the potential export benefits of free trade had already been made available, and the main innovation of the FTA was to remove customs duties on EU products competing locally with Moroccan equivalents (although inputs originating from the EU were also exempted). On the whole, then, this group might actually be expected to oppose the FTA, in contradiction with the general case of Rogowski.

As for the owners of capital, they (or at least their political leaders) seem to have supported the agreement, despite the prediction that it would disadvantage them as a relatively scarce factor of production. And this is the genuine contradiction at the center of debate. It is probable that the key to this apparent paradox lies in:

(1) distinguishing between capital owners based on how free trade will impact on the particular lines of products in which they deal, and
(2) the way in which capital owners are represented in the Moroccan political system.

In general, the Rogowski theory does not seem to hold up well in the Moroccan context, but this is essentially because the FTA with the European Union is not a complete bilateral FTA at all, but rather a partial and unilateral FTA: an agreement that largely excludes agriculture and liberalizes non-agricultural trade essentially for the EU alone and not also Morocco, which had already obtained that access. Nevertheless, the Rogowski perspective greatly helps in the identification of some of the relevant interest groups and their expected rational behavior patterns.

It seems that Morocco may have accepted the free trade deal because an elite coalition standing to gain from free trade, or seeing it as an economic imperative in the national interest, had control of political decision-making, negotiation strategy, and the ratification process to the exclusion of factions that stood to lose. The idea is plausible, given the strong tendency for members of the political elite to capitalize on their position through business dealings, and given the differential impact of import barrier abolition: businesses that pay tariffs on raw materials imported from Western Europe and that are not threatened by cheaper or better European substitute products should favor free trade, whereas businesses relying on local materials and vulnerable to Western European substitutes should be opposed to it. The former category might include many of the larger Moroccan corporations that have already integrated advanced technology and sophisticated marketing and quality-control procedures, as well as smaller firms sourcing inputs from the EU and able to withstand competition.

Another factor in the Moroccan decision may simply have been a perception that there were no viable alternatives to further integration into the world economy, and that free trade held at least some attraction given (1) the already quite advanced implementation by Morocco of the World Bank/IMF liberalization agenda, and (2) the prospect of longer-term gains from competition-generated productivity increases and foreign direct investment. The strength of Moroccan cultural and economic ties with Western Europe would then have made the EU an obvious choice as a free trade partner.

Methodology

The bulk of the field research for primary data took place in 2004 in Morocco, Belgium and France, although the field research for secondary data spanned the period 1995 to 2007. The author was based in Morocco throughout this time. The source of primary data was a series of interviews with Moroccan and European Union free trade negotiators and policy makers designed to (1) obtain the interviewee perspective on the research questions, and (2) identify other key interviewees or sources of information, including representatives or position papers of interest groups that played an important role in the process (such as trade unions, civil-society groups, the academic community, businesses, and farmer groups). The sources of secondary data included documents, academic studies and newspaper reports.

The decision to interview free trade negotiators and policy makers reflects a desire to access those most closely involved in the negotiations, which are the main focus of the study. The intention was to solicit recommendations of further contacts and information sources during those initial interviews and then fan out from the center in pursuit of other relevant testimony. It had been anticipated that a greater number of interviews would be conducted than the 13 that finally took place, but it quickly became clear that the range of key players on either side of the Mediterranean was very limited. Interviewees consistently named the same individuals when asked to identify the drivers of the process, and it was those same names that were most often cited in contemporary newspaper reports.

Interviews were conducted eight years after the end of the negotiations under study (1992–95), and interviewees might have been expected to have forgotten some details of the sequence of events. In fact, they appeared to have a clear recollection of all but trivial aspects, and the passage of time seemed to encourage disclosure: what had been a highly political and controversial episode now seemed more a matter of historical interest on which open commentary carried fewer potential consequences. The anonymity granted to the interviewees was another key factor in ensuring maximal openness and honesty in their responses. A substantial body of secondary evidence from the period under study, including documents, academic studies and newspaper reports, was incorporated into the research, and acts as a check on any interviewee testimony that may have been affected by the shortcomings of human memory or the subjectivity inherent in any human perspective. The translations of material from the interviews, almost all of which were conducted in French, and of excerpts from French language documentary sources are those of the author. A detailed discussion of the interview protocol and questionnaire structure can be found in Appendix 1.

Chapter outline

Chapter Two outlines the theoretical framework drawn from the negotiation literature to be applied to the case at hand, the free trade and association agreement talks between Morocco and the European Union. Two subsequent chapters (Chapters Three and Four) present a broad overview of relations between the EU and both Morocco and the Maghreb in the recent past, since those relations point to a number of likely influences on the approach taken by the two parties to the negotiations. These possible influences range from long-standing cultural and economic ties, and the dynamic initiated by the eastward expansion of the Union, to the pressures of migration, the role of the Maghreb as an energy supplier to the EU, drug trafficking, and terrorism. Chapter Five offers an analysis of the Moroccan elite structure, which is essential to understanding how different societal groups interact, how information is managed, and the current state of Moroccan entrepreneurship. All of these factors are of critical importance to Moroccan negotiating behavior. Chapter Six presents the testimony of key players in the negotiations, both Moroccan and European, Chapter Seven analyzes the data in terms of the theoretical framework, and Chapter Eight offers a range of conclusions.

2

A BRIEF ANALYSIS OF NEGOTIATION

This chapter provides a theoretical framework for analyzing the Moroccan and European political decision-making and negotiating processes that resulted in the EU/Morocco free trade accord. Putnam's two-level game model is presented and discussed, and the chapter also offers a series of potentially useful insights from the negotiation literature, including the impact of bureaucratic politics on negotiations (P. Terrence Hopmann (1996), *The Negotiation Process and the Resolution of International Conflicts*), and Habeeb's model of power in negotiations (William Mark Habeeb (1988), *Power and Tactics in International Negotiation*).

Putnam and the two-level game

Putnam (1988) conceived of international negotiations as a two-level game. The national level is characterized by intense competition between political actors who seek power by building coalitions of domestic interest groups, while at the international level, in negotiations, governments seek to satisfy domestic pressures and obtain the best possible deal on the issue at hand, given the state of international relations. The national political leader interacts, on the international level, with his or her foreign counterparts and his or her own advisors, and on the national level with party and parliamentary actors, interest-group representatives, and again with his or her own advisors. An action that may be rational for the national leader at the international level may be dangerous to his or her political survival at home, and in that case he or she is caught between the desire for a more favorable international agreement (or the avoidance of negotiation failure) and the need to maintain domestic political support. But as Putnam says, 'on occasion, clever players will spot a move on one board that will trigger realignments on other boards, enabling them to achieve otherwise unattainable objectives' (Putnam 1988: 434). The instrument by which the national political leader triggers this realignment and reconciles the two levels of interests, national and international, is the process of agreement ratification.

Even assuming that initial Level II (domestic) discussions take place to determine the Level I (international) negotiating position, as well as broad parameters for compromise, and further, that consultation with domestic interests occurs throughout the negotiations, any Level I agreement must ultimately be ratified (without amendment) at Level II. Putnam defines ratification as 'any decision-process at Level II that is required to endorse or implement a Level I agreement, whether formally or informally' (Putnam 1988: 436). He stresses that ratification may include, in addition to parliamentary approval, the accord of bureaucratic agencies, interest groups, social classes, or public opinion, and that this need not occur in a democratic context. The need for Level II ratification requires that any Level I agreement fall within the Level II 'win-set,' defined as 'the set of all possible Level I agreements that would gain the necessary majority among the constituents when simply voted up or down' (Putnam 1988: 437).

This gives rise to two important observations. First, since Level I agreements must lie in the overlap between the Level II win-sets of the various negotiators and the preferences of the various national leaders in order to be successful (ratified), larger win-sets facilitate agreement. Yet even if an agreement lies in the win-set of all parties, Level II ratification may still fail: this is 'involuntary defection' (from the negotiator perspective), as opposed to 'voluntary defection' (deliberate free ridership on collective action). The latter phenomenon is less likely if all parties have an ongoing relationship and thus expect to negotiate again (Putnam 1988: 437–39, 456–59). The second observation about win-sets is that larger win-sets, as perceived by the other parties at Level I, will generate increased expectations that concessions will be made in light of the apparent extra room for maneuver. Smaller perceived win-sets, in contrast, strengthen a negotiating position since the ability to compromise seems much reduced (Putnam 1988: 440–41); it is reminiscent of the strength of weak states argument, recast as the strength of weak negotiators.

Putnam holds that win-set size is determined by: