

Is COVID-19 an opportunity to boost the Arab Maghreb Union?

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Abstract-Today's world is more complex, more dynamic and more connected than ever before. Numerous unforeseeable events are throwing societies off balance, triggering disasters, breaking points that might threaten to consume all.

The Covid-19 pandemic is going to be very damaging to all economies. Although its socio-economic impacts are very difficult to quantify at this point, it is clear that they will trigger a brutal economic slowdown of uncertain duration. In view of this situation, it is time to consider the potential relations between the global and regional integration of the Maghreb countries and how to leverage the complementarity of the Maghreb countries in the economic area in order to deal with the adverse effects of this pandemic.

Key words: Covid-19, AMU, Monetary zone

I- Introduction

The economic literature on the formation of an optimal currency zone is vast and rich and could go back at least to Mundell in the 1960s, who first developed the concept of the Optimal Monetary Zone (OMZ) based on the effective choice between the advantages and disadvantages of fixed and floating exchange rate regimes. The Monetary Zone is defined as the geographical area that adopts the fixed exchange rate regime between the different currencies in the zone, while maintaining a flexible exchange rate regime with the rest of the world. This definition differs from the Monetary Union (MU) in that the member countries definitively adopt a common currency managed in all these countries by a single Central Bank. Thus, Mundell has defined the MBA as the area in which the opportunity costs of the floating exchange rate as an instrument of domestic adjustment are outweighed by the benefits of maintaining the single currency or the fixed exchange rate regime (Ricci (2008)).

Bayoumi and Eichengreen (1992) were the first to apply the SVAR method to determine the nature of macroeconomic shocks in order to assess the capacity of European countries to establish the European Monetary Union. The study is based on a bivariate SVAR (2) model composed of real GDP and the implicit GDP deflator indicating respectively the real growth rate and the inflation rate. The period runs from 1963

to 1988 for the eleven countries of the European Economic Community (EEC), divided into the "core of the EEC" and the "periphery of the EEC". The first division is made up of Germany, the Netherlands, Belgium, Denmark and France, while the second is made up of Italy, the United Kingdom, Ireland, Spain and Portugal. The same period is chosen for the six countries of the European Free Trade Association (EFTA) composed of Sweden, Switzerland, Austria, Finland, Norway and Iceland. There are also the countries of the control groups such as the United States of America (USA), Japan, Canada, Australia and New Zealand. Similarly, the United States of America (USA) is divided into the "heart of the USA", which includes "The Mid-East, New England, Great Lakes, Plains, South East and Far West" and the "periphery of the USA", which includes "the Mid-East, Plains, South East, South West, Rocky Mountains and Far West"¹ studied for the period 1966-1986. The study was unable to distinguish between countries according to the criteria they characterize. Thus, using the SVAR model, Bayoumi and Eichengreen (1992) differentiated countries within the EEC between the core and the periphery on the basis of the difference in correlations, amplitudes and adjustment speeds of supply and demand shocks. In short, the EEC countries cannot establish a Monetary Union because there are two different speeds, but they can establish it in the core of the EEC.

Zhang, Sato and McAleer (2004) followed the same methodology in deciding on the establishment of Monetary Union in East Asian countries. The study is based on ten East Asian countries, composed of Japan, Korea, Taiwan, Hong Kong, Singapore, Malaysia, Indonesia, Philippines, Thailand and China compared with the United States of America (USA) on quarterly data for the period 1980-2000 divided between before and after the financial crisis of 1997. The model uses the multivariate SVAR method of the following three variables: real GDP, the consumer price index (CPI), and the bilateral real exchange rate of

¹ The same number of countries is used to maintain consistency in the comparison between the EEC and the USA.

East Asian countries with the dollar. According to

Zhang, Sato, and McAleer (2004), East Asian countries cannot be good candidates for monetary integration, but they have found that sub regions can do so on the basis that the shocks affecting them are more correlated, small in magnitude, and have the capacity to adjust quickly.

Given the importance of revenues from oil resources in the GCC countries, the authors did not insist on the propagation of non-oil shocks on these economies and the choice of the anchor unit as an adjustment tool. Over a period from 1970 to 2006, Rosmy, Balli and Osman (2008) analyzed a SVAR model of non-oil GDP at constant prices and the implicit deflator at the 1990 base year for the six GCC countries, the United States of America (USA) and the core European countries. The latter is composed of France, Italy and Germany. The SVAR model is used to test the feasibility of Monetary Union in the GCC countries, but this time with more specification at the variable levels and with the introduction of other countries for comparison. Thus, Rosmy, Balli and Osman (2008) found that the GCC countries are on average subject to similar shocks and are the best candidates for Monetary Union.

Believing in the strong ties based on the community of history, religion and language uniting the peoples of the Arab Maghreb, Responding to the deep and constant aspirations of these peoples and their leaders for the establishment among them of a Union that would strengthen their mutual relations and provide them with the appropriate means to gradually achieve an even more complete fusion among them, Aware of all that such a merger would imply as an opportunity for the Arab Maghreb Union in February 17, 1989 to acquire a qualitative weight enabling it to actively participate in the world balance, consolidate peaceful relations within the international community and maintain security and stability in the world, Bearing in mind that the creation of the Arab Maghreb Union will require concrete achievements and the establishment of common bases concretizing the effective solidarity among its members and guaranteeing their economic and social development .

II-Impact of covid-19 on the economies of the member countries of the Arab Maghreb Union

The coronavirus pandemic has shown us that everyone's fate depends on their own behavior. However, this maxim has gained moment in regions such as the Maghreb, where countries face some pre-pandemic problems with COVID-19. The consequences of this health crisis have highlighted the crisis of legitimacy experienced by some Maghreb countries, a region composed of the territories of Mauritania, Morocco, Algeria, Libya, Tunisia and Western Sahara. The Foundation for Strategic Research (FRS) has conducted a study entitled "The Maghreb and COVID-19", in which it analyzes the repercussions that this pandemic could have on the political, economic and social systems of the countries that make up this region. The governments of the countries that make up the

Maghreb have taken a series of measures in recent weeks to reduce the economic and social impact of this pandemic. In addition, it must be taken into account that the health infrastructure of some Maghreb countries are not prepared to face a health crisis of these characteristics. This means that those with higher purchasing power are more likely to survive than those living in the informal economy. The research conducted by the FRS considers it necessary to ask whether the historical and exceptional relationship between Europe and the Maghreb countries could be replaced by a new global center led by China.

The Tunisian economic crisis, the unstable situation in Libya, caused by a war that seems never to end, and the ongoing protests in Algeria, among other events, have brought out the spirit of the Arab Spring. However, the study conducted by the FRS considers that the post-pandemic period will be marked by a disarticulation of the Maghreb scenario in a world that has become multipolar and in which China has proclaimed itself the winner, making health diplomacy the main actor of its foreign policy.

-The political, economic and social crisis has become a constant in recent months in Algeria. Instability continues to be the undisputed protagonist of the country, one year after protests forced the former president to resign. To this situation must be added the collapse of oil prices or the fragility that defines the new government. In addition, the health crisis caused by the coronavirus has raised the food shortages. Commodities such as flour or milk are subject to price speculation. The cost of masks fluctuates according to stocks, and illegal tax collectors take advantage of the partial stoppage of public transport. Faced with this situation, the current Algerian president has tried to restore the credibility of his regime by imposing several health and social measures. These measures were taken in a country that has 1.9 hospital beds per 1,000 inhabitants, compared to 13.4 in Japan.

- The Moroccan monarchy has faced several challenges over the past decade, such as the Arab Spring in 2011, the Al-Hoceima demonstrations in 2017, and the health crisis caused by the COVID-19 virus. Rabat leads a diplomacy based on the notion of exemplarity. Rabat is conducting a diplomacy based on the notion of exemplarity. It is moving northwards, trying to establish itself as a credible regional interlocutor, and southwards, consolidating its strategic presence on the African continent. This is why Morocco has been one of the countries on the African continent that has been able to act the fastest on the coronavirus. First of all, Mohamed VI was able to exercise his authority to force the country's society to respect the rules of containment. And second, the Moroccan leader was able to transform the health threat into a national cause. The fact that civil society was involved in this process and decided to help the most vulnerable led the International Monetary Fund (IMF) to grant a \$3 billion loan to Rabat. According to the report prepared by the FRS, this loan is considered by the Chinese official media as a commitment of the international organizations in favor of the Kingdom.

-Political uncertainty and the leadership of the Tunisian President have brought Tunisia to the brink of the abyss. According to research conducted by the FRS, there are three ridges that constitute the cornerstone of the fight against COVID-19. This triangle of power is formed by the President himself, the Prime Minister and the country's civil society. While the Prime Minister took it upon himself to reorganize the state apparatus and correct the mistakes made in the first few weeks, during which groups such as pensioners were condemned to oblivion, the fear of poverty led civil society to take to the streets. The epidemic is reawakening the social divide in Tunisia and shows the weakness of a state that is struggling to organize the distribution of emergency aid, some 50 million euros. The endless lines to obtain subsidies are often used by people bearing a pathogen who, without a means of survival, join the crowd to survive.

-Nearly nine years after the death of Muammar Gaddafi, uncertainty and instability remain the main protagonists of the Libyan conflict. Since then, the country has been divided between the internationally recognized and Turkish-supported Government of National Accord (GNA) and the Libyan National Army (LNA), based in the east of the country and supported by Egypt and the United Arab Emirates. The UN Secretary General urged the parties involved in the conflict to agree to a cessation of hostilities to address the COVID-19 pandemic. Although both parties initially agreed to this ceasefire, it was never respected. The attacks between the two sides continue to be the stars of the Libyan sky and land. All this has brought the medical sector to the brink. "Patients with COVID-19 had to be evacuated from Independence Hospital because of the bombing. Water and electricity cuts continue to deteriorate the living conditions of the population, especially the elderly," warns the FRS report. Researchers and representatives of Libyan society fear that the population will pay dearly for the fratricidal struggle between East and West, authorities whose ability to respond to the virus was based on the idea that containment was unnecessary because they were already confined in Libya.

- The coronavirus pandemic took Mauritania by surprise. The country's government made some mistakes at the beginning of the crisis, according to the FRS survey. However, the president announced the mobilization of more than \$64 million for the purchase of essential drugs and equipment to address this health crisis. In addition, a support plan was launched to sustain pastoralism; the main livelihood of hundreds of the country's citizens. Nouakchott is taking simple and pragmatic steps to anticipate the global crisis. At the same time, the Mauritanian army has stepped up surveillance along the river that runs through the country to prevent illegal activities, such as the transport of illegal migrants who are trying to reach their homes. In the cities, the implementation of containment measures is causing impatience among economic actors, including informal actors who are eager to resume their activities. Some are desperate, believing that the state is

exaggerating health standards in view of the number of cases observed. Mauritians confined to a hotel in Nouakchott are on hunger strike to protest quarantine.

2- Turning crisis into opportunity thanks to the UMA?

Some economists conclude that the recession is not an opportunity in terms of health. Since a country's health problem is being handled at national level. We see it all over the world, even in political units. There has never been a popular health policy and a similar crisis management in Europe. The countries acted according to their health situation, then there were attempts at coordination, but they were very difficult, because in fact each country defends its own interests.

From a political and economic point of view, the crisis is an excellent opportunity, as one of its implications would be the willingness of States, especially Western States, to migrate to a number of sectors that are currently very dependent on China and Asia.

The president of the "Policy Center for the New South" claims that this crisis is an interesting moment for the building of the Maghreb. The opportunities are numerous and can increase the variety of interactions between the student population and entrepreneurs. This Maghreb fragmented somewhere refers to the notion of our relationship with the outside world, the African continent and the Mediterranean to which we are fundamentally related, especially the central Maghreb, but also with other regional blocs. We must not forget that the Maghreb is, in the field of international affairs, a strategic bloc that makes sense. We must multiply the channels of dialog and strengthen the exchanges in order to create the Maghreb together.

According to the experts, the urgency is economic and financial. The three governments, which have different circumstances but shared interests, need to be able to come together to discuss with foreign donors the rescheduling of their debts in one way or another and the prospect of getting additional debts to fund and invest in the manufacturing and service sectors.

On the other hand, they propose that actors in the health sector or in research and development work together to set up a center of expertise that can be set up in one of the three Maghreb countries. The Maghreb area has a very active population which could play a key role in the growth of the health sector. There is no lack of sectors or expertise for them. It is the position of the State and public policy that must necessarily be rethought and redefined.

III-Conclusion

In fact, there is a difficult relation between Algeria and Morocco (nearly 73 million inhabitants, or 2 / 3 of the population of the region). The border has been closed between the two countries since 1994 and the two countries are categorically and energetically opposed about a never-ending conflict: that of the Sahara. The situation that Libya is going through, in the context of the so-called Arab Spring of 2011, does not make things any easier. The country is torn by civil war, with two opposing governments and militias wreaking havoc taking

advantage of the chaos. These challenging security and economic circumstances prevailing in the Maghreb have forced the countries of the region to close themselves.

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