ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)

ANNUAL REVIEW OF DEVELOPMENTS IN GLOBALIZATION AND REGIONAL INTEGRATION IN THE ARAB COUNTRIES, 2009

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Preface

The eighth *Annual Review of Developments in Globalization and Regional Integration in the Arab Countries, 2009*, addresses the most important developments in the Arab countries as they endeavour to achieve regional economic integration and join the process of globalization. It sets out and analyses significant indicators in trade, investment, tourism and other sectors. It also considers the most important means of strengthening regional economic and sectoral integration, while indicating the major challenges and opportunities ahead of the Arab countries in their effort to keep up with globalization. ESCWA hopes that this Annual Review will help decision makers in the Arab countries take enlightened decisions with regard to globalization and regional integration. The Economic Development and Globalization Division (EDGD), the Sustainable Development and Productivity Division (SDPD), the Information and Communication Technology Division (ICTD), and the Conference Services Section (CSS) at ESCWA contributed to the preparation of the Annual Review.

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ABBREVIATIONS AND ACRONYMS

ALO	Arab Labour Organization
AMF	Arab Monetary Fund
ASEAN	Association of South-East Asian Nations
FDI	Foreign direct investment
GAFTA	Greater Arab Free Trade Area
GATS	General Agreement on Trade in Services
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GFCF	Gross fixed capital formation
ICANN	Internet Corporation for Assigned Names and Numbers
ICT	Information and communications technology
IDN	Internationalized Domain Name
IFC	International Finance Corporation
IFS	International Financial Statistics
IMF	International Monetary Fund
IOM	International Organization for Migration
ITU	International Telecommunication Union
MDGs	Millennium Development Goals
MERCOSUR	Common Market of the Southern Cone
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PIR	Public Internet Registry
TNCs	Transnational Corporations
UCTE	Union for the Coordination of Transmission of Electricity
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

Executive summary

The financial crisis, which hit the world in the fourth quarter of 2008, was the worst since the end of the Great Depression of the 1930s. It affected all the countries of the world, though in varying degrees. Its impact on most Arab economies was relatively milder than on other countries of the world, including the developing countries. Several factors account for this situation, including the few links of the economies of the non-oil-exporting countries, especially their financial markets, to the world economy; and the ability of the major oil-exporting countries to limit the effects of the crisis with their monetary reserves which gave them flexibility in protecting their economies from the negative effects of the crises, particularly on their financial sector.

Notwithstanding the global financial crisis, there was improvement in some indicators of the share of the Arab economies in the world economy. Compared to the rest of the world, the performance of the Arab countries in terms of foreign direct investment (FDI) was good, as FDI flows into those countries in 2008 rose by 1.8 per cent, compared with 14.2 per cent worldwide; the global FDI flows into Arab countries rose from 4 per cent in 2007 to 4.7 per cent in 2008. As a result, the Arab share of foreign currency reserves for the first tine ever reached 10 per cent. Moreover, the foreign trade index improved as the Arab share of the global foreign trade rose from 4.3 per cent in 2007 to 4.9 per cent in 2008.

The impact of the global financial crisis was direct on the oil-exporting countries and indirect on the other diversified economies. The oil-exporting countries were affected by the sharp fall in global oil prices from $140 per barrel in July 2008 to $33 per barrel in December 2008. The Arab balance of trade as a result of falling oil prices, reduced oil production and the weakening value of the US dollar against the other major currencies, especially in view of the fact that most Arab currencies have a fixed exchange rate vis-à-vis the US dollar. Moreover, Arab tourism suffered as a consequence of the global financial crisis, and Arab countries introduced several actions and incentives into the economy and into the tourism sector to protect it from the impact of the crisis. Arab financial markets were hit the most, with the index of the Arab Monetary Fund (AMF) experiencing a drop of 39.5 per cent in the last quarter of 2008.

Performance at the national level varied from one Arab country to another. In Egypt, Saudi Arabia and the United Arab Emirates, FDI inflows in 2008 fell by 18 per cent, 7.5 per cent and 3.2 per cent respectively. Those three countries are the largest Arab recipients of FDI and, therefore, their performance both negative and positive, affects the overall performance of the Arab countries. Good performance in terms of the growth rate of FDI inflows was achieved by Bahrain (2.2 per cent), Lebanon (32 per cent), Qatar (42.5 per cent), the Sudan (6.8 per cent), the Syrian Arab Republic (42.9 per cent), and the Arab Maghreb in FDI inflows to Egypt, Saudi Arabia, and the United Arab Emirates.

Arab intraregional trade, as a percentage of overall Arab foreign trade, rose slightly to 10.5 per cent (including oil) and 12.7 per cent (excluding oil), as oil is the main export of the Arab region and is mostly shipped to destinations outside that region. It also rose in individual Arab non-oil-exporting countries such as Egypt, Jordan, Lebanon, the Sudan, and the Syrian Arab Republic. However, these countries do not significantly affect the volume of Arab intraregional trade in view of their small share of overall regional trade in comparison with the share the oil-exporting countries such as Saudi Arabia and the United Arab Emirates.

Tourism in the Arab countries grew by 14 per cent in 2008. Interregional Arab tourism increased by 18 per cent in that same year with the number of Arab tourists totalling about 28 million compared to 24 million in 2007. With the performance of Egypt, Lebanon, Oman, and Saudi Arabia standing out in 2008, that of the Syrian Arab Republic saw a decline.

Intraregional remittances by Arab workers in general increased by 10.5 per cent between 2007 and 2008, with variations between individual countries. Total remittances represented 2.2 per cent of the overall gross domestic product (GDP) of the region, while in Jordan and Lebanon they amounted to 16 per cent and

9 per cent of their GDP respectively. However intraregional remittances by Arab workers formed 52 per cent of total FDI in the Arab countries.

Intraregional official assistance grew by 5.5 per cent in 2007 compared with (-45) per cent in 2006. It increased in 2007 in Egypt, Iraq, Lebanon, the Sudan, and the Syrian Arab Republic. It is to be noted however that the volume of this assistance as a percentage of GDP has fallen in a number of countries because the rate of growth of GDP was higher than that of intraregional assistance. It was expected that the global financial crisis would negatively affect intraregional official assistance in 2007 and 2008 as it would reduce the ability of the less developed countries to finance numerous projects, including those aimed at combating poverty and unemployment as well as modernizing and developing the infrastructure.

The indicator of regional integration of the Arab countries suggests that countries with more diversified economies assumed the top positions on the list ranking countries according to their performance in achieving regional integration; this is due to high rates of trade, investment and workers' remittance at the Arab intraregional level. Analysis based on this indicator for 2008 shows that Jordan continued to rank first for the third consecutive year, followed by Bahrain in second place and Lebanon in third place. The ranking of countries on the list according to their performance in terms of regional integration almost remained the same with only minor changes.

Progress was made in 2008-2009 in transport as Iraq and the Sudan ratified the Agreement on International Roads in the Arab Mashreq which entered into force on 19 October 2003, bringing the number of ratifications thereon to 12. The Sudan also ratified in 2009 the Agreement on International Railways in the Arab Mashreq which entered into force on 23 May 2005, bringing the number of ratifications thereon to 9. Furthermore, Iraq, Oman, the Sudan and Yemen signed in 2008-2009 the Memorandum of Understanding Concerning Cooperation in the Field of Maritime Transport in the Arab Mashreq which entered into force on 4 September 2006, bringing the number of ratifications thereon to 10. The project to link Arab railway and road networks was approved at the Arab Economic, Social and Development Summit (Kuwait 19-20 June 2009).

Arab efforts to promote action on cooperation in the field of energy continued in 2009. Significant developments were noted on several levels, particularly in the following projects: the Eight Country Interconnection Project to which Palestine joined (formerly known as the Seven Country Interconnection Project); the linking up of seven of the electricity grids of the Gulf Cooperation Countries (GCC); the bilateral linking up of the electricity grids of Egypt and Saudi Arabia as well as those of the former and Yemen; the natural gas line; the peaceful uses of nuclear energy; the preparation of a unified Arab Code for the Rational Consumption of Energy in Residential Buildings; and the preparation of an Arab strategy for the use of renewable energy.

In the area of water resources and climate change, progress was made in drinking water supply and sanitation services in ESCWA member countries, but efforts to lay an adequate structure for the management of water resources remain modest. Progress was also made in enhancing the role of stakeholders in planning and distribution of water supply and sanitation services in most member countries, but that role needs to be further strengthened for a more effective management of water resources. Additional progress was made toward achieving Goal 7 of the Millennium Development Goals (MDGs).

In the ICT sectors, indices show that the Arab countries made progress in comparison with both the global and Arab averages of the number of landline telephone per 100 persons, with three countries exceeding the former and 10 exceeding the latter. In terms of the number of mobile telephones per 100 persons, 12 countries surpassed the global and Arab averages. As to the number of Internet subscribers per 100 persons, four countries scored above the global average. However, with regard to the number of Internet users per 100 persons, nine countries were above the global average and 11 were above the Arab average.

Introduction

The Annual Review of Developments in Globalization and Regional Integration in the Arab countries 2008, the eighth and latest edition, reviews the major developments in relations between the economies of the Arab countries and the world economy, on the one level, and Arab intraregional economic relations, on the other. As in previous annual reviews, this issue focuses on a set of indicators with a view to drawing a comparison between the economic performance of the Arab countries in terms of global and regional economic integration. The major indicators include GDP, FDI flows, foreign trade, tourism, migrant workers' remittances, oil and natural gas production. Part of this issue is dedicated to an analysis of the effects of the global financial crisis on the economies of the Arab countries.

Analysis of regional integration uses an indicator based on four variables, namely Arab intraregional trade, investment, tourism, and migrant workers' remittances.

In addition, the Annual Review provides an analysis of a set of significant sectors such as: the transport sector, with emphasis on railway; the energy sector, addressing developments in electrical power projects in the Arab countries, especially those of linking up electrical grids, including the seven-country electrical grid link-up project, and the Arab Maghreb electrical grid link-up project; and the ICT sector, covering related indicators such as the average number of landline telephones, mobile telephones, and Internet subscribers per 100 persons, in comparison with the corresponding world averages.

Chapter I analyses the contributions of the Arab countries to the world economy by considering their performance in terms of GDP, international trade, FDI, tourism, as well as the production of crude oil and natural gas. Furthermore, it addresses the performance of those countries in attracting FDI and reviews the impact of the global financial crisis on the Arab economies, focusing on four sectors: oil, trade, tourism and financial markets.

Chapter II provides an analysis of the performance of the Arab countries in terms of Arab regional integration, using the index of regional integration to rank those countries in accordance with their performance in trade, investment, tourism, and migrant workers' remittances.

Chapter III presents a sectoral review of regional integration, with reference to efforts made by the Arab countries in the transport sector, with emphasis on railways, as well as in the sectors of energy, water resources and information and communications technology (ICT).

Finally, chapter IV presents a set of recommendations to support both regional and global economic integration, addressed to decision makers in the Arab countries.

I. ECONOMIC PERFORMANCE OF THE ARAB COUNTRIES IN THE GLOBAL ECONOMY

A. CORE INDICATORS

Performance of the Arab countries in 2008 varied with particular indicators, remaining the same in some cases and growing better in others. As in previous years, performance of the various sectors was considerably affected by the changing global oil prices and their resulting impact on Arab economies, with the exception of FDI inflows and tourism.

Arab countries made progress in 2008 in key indicators such as FDI of which the Arab share rose from 4 per cent in 2007 to 4.7 per cent due to an increase of 1.8 per cent in FDI inflows to Arab countries in 2008 and a decrease of 14 per cent in global FDI inflows in the same year as a result of the global financial crisis.

Performance of Arab countries also improved in 2008 in another indicator, namely tourism, receiving 7.9 per cent of the global number of tourists in comparison with 7 per cent in 2007, notwithstanding the shrinking of tourism worldwide as a result of the global financial crisis. The increase in some Arab countries was the result of the increase of Arab intraregional tourism as in the case of Lebanon, the Syrian Arab Republic, the United Arab Emirates and other Arab countries.

Arab countries also deal well in international trade, with their share growing from 4.3 per cent in 2007 to 4.9 per cent in 2008, due to higher oil prices in the first half of 2008 or prior to the breakout of the global financial crisis which negatively affected to the volume of world trade in the second half of the same year.

In terms of world foreign currency reserves, Arab countries saw a remarkable improvement as their share rose from 7.5 per cent in 2007 to about 10.5 per cent in 2008, mainly due to higher oil revenues in the first half of 2008.

The other indicators remained stable in 2008, with Arab countries accounting form 2.7 per cent of world GDP, 54 per cent of world oil reserves, 30 per cent of world natural gas, and 8.5 per cent of refining capacity worldwide.

In general, the economic performance in 2008 of Arab countries, especially the major oil-exporting countries which account for the larger part of the Arab economy, was batter than the performance of the world economy which was hit harder by the global financial and economic crisis. The foreign currency reserves of Arab countries offer insight on their performance and have helped them reduce the impact of the global financial crisis at the macroeconomic level.

While not making progress in GDP, migrant worker remittances, and production of oil and natural gas, the Arab World did see improvement in other indicators which measure relations between Arab economies and the world economy such as tourism, foreign trade, and FDI. But figures for these indicators may drop in the coming years in case of improvement at the global level in tourism, foreign trade and FDI. Therefore, the substantial increase in some indicators in 2008 should be viewed with caution, for the reported improvement resulted from the fact that economies and the other developing and cannot be directly attributed to better economic performance as such.

TABLE 1. SHARE OF THE ESCWA* REGION AND ARAB WORLD** IN THE GLOBAL ECONOMY, 2003 AND 2007-2008 SELECTED INDICATORS

	ESCWA region	Arab world	World	ESCWA region	Arab world	World	Arab world share of world total (percentage)			ESCWA region share of world total (percentage)		
	2003			2008			2003	2007	2008	2003	2007	2008
Area (millions of square miles)	1.8	5.3	51.8	1.8	5.3	51.8	3.5	3.5	3.5	10.2	10.2	10.2
Population (millions)	174.9	302.0	6 271.7	239.6	335.8	6705	2.8	3.56	3.57	4. 8	5.01	5.01
GDP (billion of dollars)a/	590	755	32 866	1 199	1601	60 115	1.8	2.10	1.99	2.30	68.2	2.66
Total foreign currency reserves (billions of dollars)b/	97.2	166.9	3108.3	246.4	512.6	4 898.6	3.13	3.98	5.03	5.37	7.45	10.46
Total trade (billions of dollars)c/	374.3	479.7	15 277.6	1 305.1	1 614.8	32 746.3	2.45	3.46	3.99	3.14	4.30	4.93
Total number of tourist arrivals (millions)d/	28.9	40.1	694.5	55.6	72.8	922.0	4.16	5.20	6.03	5.78	7.00	7.90
Revenue from tourism (billions of dollars)e/	21.2	27.3	643.0	45.6	56.3	944.0	3.30	4.08	4.83	4.25	5.27	5.96
FDI (millions of dollars)	12 193	16 210	557869	67 567	79 905	1 679 353	2.19	3.50	3.98	2.91	3.97	4.71
Labour remittances (millions of dollars)	13.8	20.5	207.3	24.4	35.2	433.1	6.66	5.74	5.62	9.87	8.53	8.13
Oil production (millions of barrels per day)	20.4	23.8	77.0	23.2	27.2	81.8	26.4	27.2	28.4	30.9	32.1	33.2
Known year-end oil reserves (billions of barrels)	625	677	1206	630	686	1258	51.8	49.9	50.1	56.1	54.4	54.6
Natural gas production (billions of cubic metres)	210.8	301.3	2 615.5	319.6	422.0	3 065.6	8.1	10.2	10.4	11.5	13.7	13.8
Year-end natural gas reserves (billions of cubic metres)	47	58	172	49	55	185	27.4	2.27	26.3	33.6	30.1	29.6
Current refining capacity (m/b/d)	5.9	7.2	83.6	6.5	7.6	88.6	7.1	2.7	7.3	8.6	8.4	8.5
ODA (millions dollars)f/	6 783	8 388	78 060	15 752	18 466	105 056	0.09	0.14	0.15	0.11	0.16	0.18

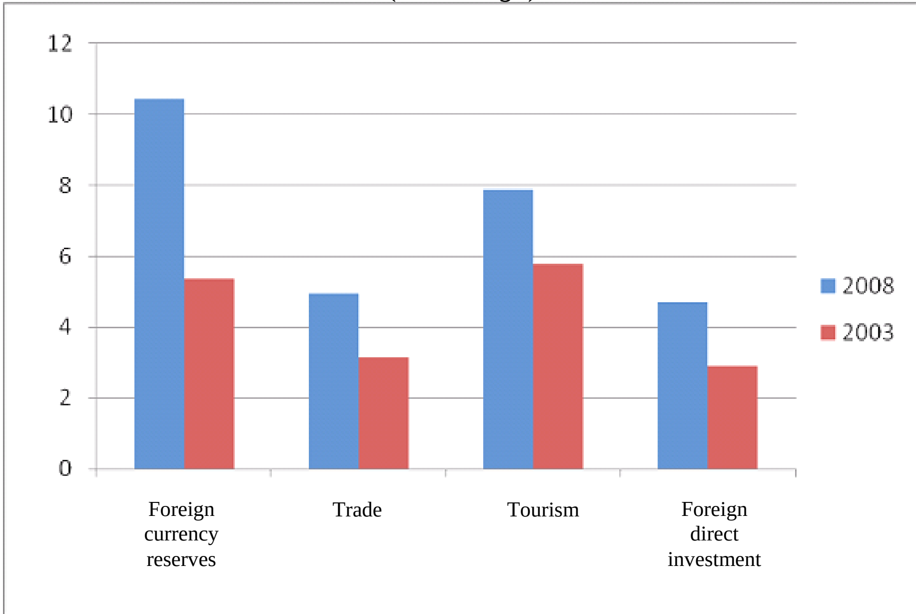
Source: ESCWA, based on regional and international sources.

* ESCWA has 14 member countries. These are, in alphabetical order: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, the Sudan, Syrian Arab Republic, United Arab Emirates and Yemen.

** The group of Arab countries includes, in adding to ESCWA members, the following countries in alphabetical order: Algeria, the Comoros, Djibouti, The Libyan Arab Jamahiriya, Mauritania, Morocco, and Tunisia.

a/ With the exception of the Comoros and Somalia for lack of data.
b/ With the exception of Somalia and Palestine for lack of data.
c/ With the exception of Palestine for lack of data.
d/ The figures do not include all Arab countries for lack of precise data.
e/ The figures do not include all Arab countries for lack of precise data.
f/ The figures listed under the years 2006-2007 refer to 2005-2006, respectively.

Figure 1. Arab countries' share of total world foreign currency reserves, trade, tourism and FDI (2003 and 2008)
(*Percentage*)



Source: ESCWA calculations, based on table 1.

B. FOREIGN DIRECT INVESTMENT

1. *FDI in the Arab region and the world*

FDI flows worldwide to $1.7 billion in 2008, falling by 14.2 per cent from the 2007 level under the impact of the global financial and economic crisis on world capital movement. The crisis led to fluctuations in liquidity available for financing investment. The economic recession in numerous countries contributed to the contraction of investment by major corporations, particularly transnational corporations (TNCs), in mergers and acquisitions as well as in new enterprises.[1]

Developed countries were most affected by the crisis, experiencing a fall in their FDI inflows exceeding 29 per cent due to their close links to the United States economy, where the crisis had started, and in view of their being the scene of TNC investments and of mergers and acquisitions. FDI inflows to developing countries increased by 17.3 per cent in 2008. In the Arab countries, FDI inflows totalled about $80 billion in 2008, at a modest growth rate of 1.8 per cent in comparison with 10.5 per cent in 2007. Such modest rate was mainly due to falling oil prices in late 2008 and their negative impact on oil investments in the oil-exporting Arab countries as well as to the declining real estate market in several Arab countries, particularly in the GCC countries.[2]

TABLE 2. FDI FLOWS TO THE ARAB COUNTRIES AND THE WORLD, 2006-2008

	FDI flows (*millions of dollars*)			Growth rate (*percentage*)	
	2006	2007	2008	2007	2008
Algeria	1 795	1 662	2 646	(7.41)	59.21
Bahrain	2 915	1 756	1 794	(39.76)	2.16
The Comoros	1	8	8	700.00	0
Djibouti	164	195	234	18.90	20.00
Egypt	10 043	11 578	9 494	15.28	(18.00)

1 UNCTAD, *World Investment Report 2009*. Available at: www.unctad/wir.

2 ESCWA, Foreign Direct Investment Report 2009 (E/ESCWA/EDGD/2009/Technical Paper.2).

TABLE 2 (*continued*)

	FDI flows (*millions of dollars*)			Growth rate (*percentage*)	
	2006	2007	2008	2007	2008
Iraq	383	485	488	26.36	0.62
Jordan	3 268	1 950	1 954	(40.33)	0.21
Kuwait	121	121	57	0	(52.89)
Lebanon	2 675	2 731	3 606	2.09	32.04
Libyan Arab Jamahiriya	2 013	4 689	4 111	33.58	52.88
Mauritania	155	153*	103*	(1.29)	(32.68)
Morocco	2 450	2 803	2 388*	14.41	(14.81)
Oman	1 686	3 124	2 928	85.29	(6.27)
Palestine	19	28	29*	47.37	3.57
Qatar	3 500	4 700	6 700	34.29	42.55
Saudi Arabia	18 293	24 315	22 486	32.92	(7.52)
Somalia	96	141	87	(1.90)	(38.3)
The Sudan	3 541	2 436	2 601	(31.21)	6.77
Syrian Arab Republic	603	897	1 282	48.76	42.92
Tunisia	3 312	1 618	2 761	(51.15)	70.64
United Arab Emirates	12 408	14 184	13 733	10.78	(3.18)
Yemen	155	153	103	(1.29)	(32.68)
Arab countries	71 048	78 491	79 905	10.48	1.80
World	1 461 074	1 978 838	1 697 353	35.44	(14.22)
Developed countries	972 762	1 358 628	962 259	39.67	(29.17)
Developing countries	433 764	529 344	620 733	22.04	17.26

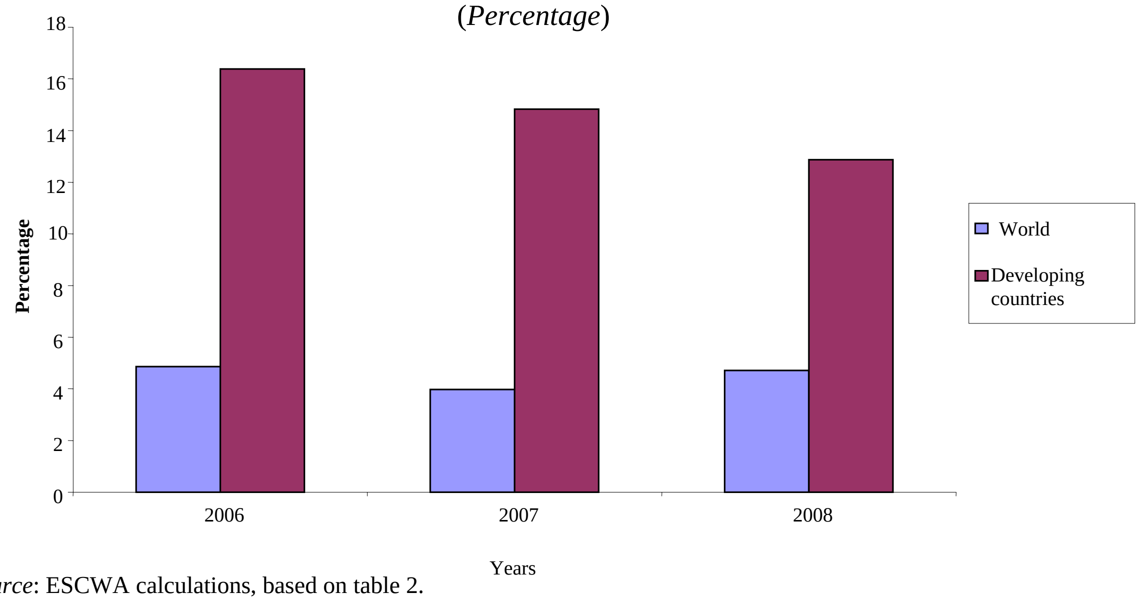
Sources: UNCTAD, *World Investment Report 2009*, Annex table B.1, Available at: www.unctad.org/wir; ESCWA, Foreign Direct Investment Perport 2009 (E/ESCWA/EDGD/2009/Technical Paper.2).

Notes: Parentheses ( ) indicate a negative figure; an asterisk (*) indicates that data are estimated.

FDI inflows to the Arab countries as a percentage of the world total rose from 4 per cent in 2007 to 4.7 per cent in 2008 due to substantial decline in the volume of FDI in the developed countries. However, as a percentage of FDI to the developing countries continued to retreat, falling to 12.9 per cent in 2008 from 14.8 per cent in 2007 and 16.4 per cent in 2006 notwithstanding the growth of FDI inflows to the Arab countries during the last two years as FDI inflows to developing countries grew at a rate faster than the corresponding rate to the Arab countries.

Figure 2. Total FDI flows to the Arab countries as a percentage of the corresponding flows to the developing countries and the world

(*Percentage*)

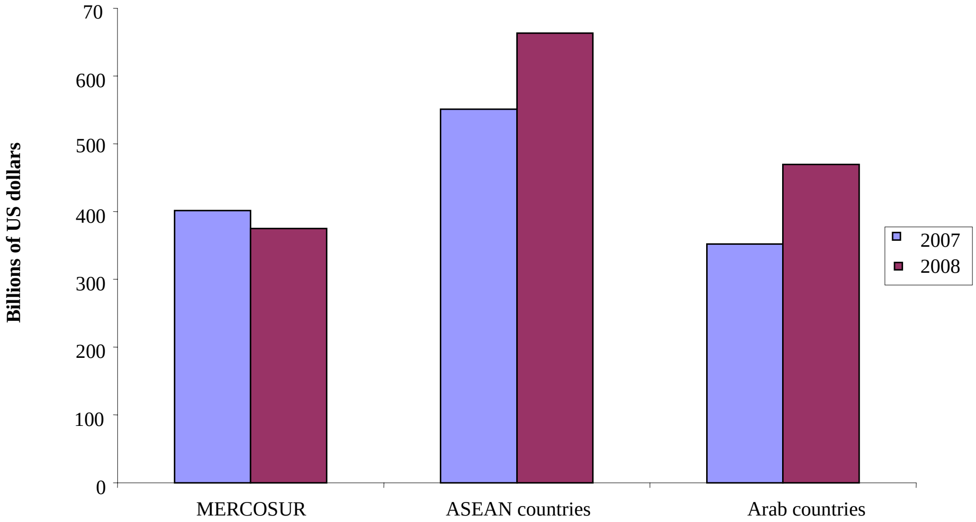


Source: ESCWA calculations, based on table 2.

FDI stock of the Arab countries increased from $352 billion in 2007 to $469 billion in 2008, mainly due to oil investments which grew remarkably in the Arab oil-exporting countries. As a result, the share of the Arab countries in the world FDI stock increased from 2.3 per cent in 2007 to 3.1 per cent in 2008; it also amounted in 2008 to 11 per cent of the FDI stock of the developing countries.

The FDI stock of the Arab countries as a group in 2008 was greater than that of ASEAN and MERCOSUR, as seen in figure 3.

Figure 3. FDI stock in MERCOSUR, ASEAN and Arab countries
(*Billions of dollars*)



Source: UNCTAD, *World Investment Report 2008*, and 2009. Available at: www.unctad.org/wir.

Notes: ASEAN (Association of Southeast Asian Nations) comprises 10 countries: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

MERCOSUR (Southern Cone Common Market) comprises 4 countries: Argentina, Brazil, Paraguay and Uruguay (Venezuela's membership is awaiting ratification).

2. *FDI flows to the Arab countries*

FDI flows to the countries of the Arab Maghreb were the highest among the Arab countries, with Tunisia ranking first at 70.6 per cent, followed by Algeria at 59.2 per cent, due to increased investment in oil and natural gas as well as due to the privatization of some enterprises operating in the oil industries.[3] FDI inflows to the Syrian Arab Republic and Qatar saw a remarkable increase of 42.9 per cent and 42.5 per cent respectively. In the case of the Syrian Arab Republic, the increase was due to efforts made to improve the investment environment; those efforts notably included launching a single window system to facilitate all the administrative dealings for investors, creation of industrial processing zones, development of the basic framework legislation, reduction of controls on foreign currency and making it more available to investors. In parallel with the increasing FDI inflows (concentrated on gas), Qatar attained the highest economic growth rate of the region. However, other countries experienced a notable decline in FDI inflows in 2008 as a result of the sharp fall in oil prices. For example, FDI inflows dropped by 59.9 per cent in Kuwait and 54.7 per cent in Yemen.[4]

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[3] UNCTAD, *World Investment Report 2009*. Available at: www.unctad.org/wir.

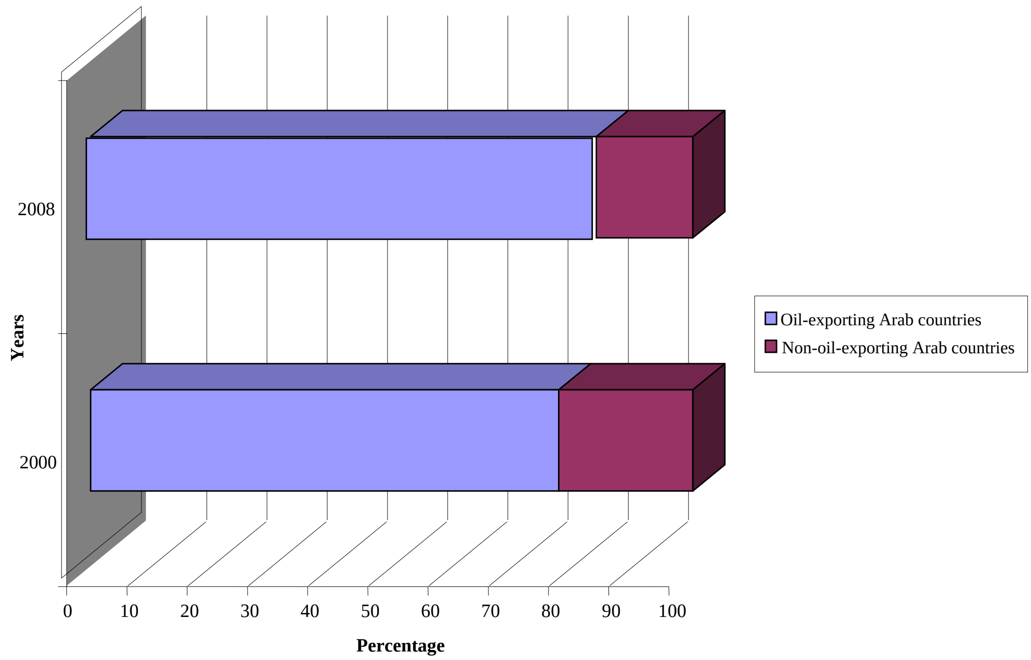
[4] ESCWA, Foreign Direct Investment Report (E/ESCWA/EDGD/2009/Technical Paper.2).

Egypt, Saudi Arabia and the United Arab Emirates accounted for nearly 57.2 per cent of the total FDI inflows to the Arab countries in 2008. Despite the impact of the global financial and economic crisis on the flow of FDI to the oil sector, an amount of $22.5 billion in FDI inflows went to the real estate sector (20.8 per cent), the chemical and petrochemical industries (16.4 per cent) and refined petrol products (14.9 per cent). However, in the United Arab Emirates FDI inflows fell from their 2007 level by 3.2 per cent to about $13.7 billion in 2008, due to the sharp fall in oil prices and as a result of the real estate crisis of Dubai. In the same period, Egypt experienced a decline of 18 per cent from its 2007 level to $9.5 billion in 2008 under the impact of the global financial crisis on its economy; these inflows were concentrated in the oil sector which received about 57 per cent of total FDI inflows to the country.[5]

The volume of FDI inflows to Egypt, Saudi Arabia, and the United Arab Emirates reflected the favourable business environment and encouragement of investment provided by those countries. For example, Egypt and Saudi Arabia had adopted action to improve the investment environment, including the streamlining of procedures required for involvement in business and of administrative formalities for export and import.

In 2008, the oil-exporting countries accounted for 84 per cent of the Arab region's FDI stock, up from the 77.7 per cent in 2000; the remaining 16 per cent was the share of the non-oil exporting countries. Significant investments were clearly attracted by the GCC countries, especially Saudi Arabia and the United Arab Emirates, as a result of increasing oil prices in recent years.

Figure 4. FDI stock in oil-exporting and non-oil exporting Arab countries, 2000 and 2008
(*Percentage*)



Source: UNCTAD, *World Investment Report 2008, and 2009*. Available at: www.untcad.org/wir.

Notes: The oil-exporting countries are: United Arab Emirates, Bahrain, Algeria, Libyan Arab Jamahiriya, Syrian Arab Republic, the Sudan, Iraq, Oman, Qatar, Kuwait, Egypt, Morocco, Saudi Arabia and Yemen.

The non-oil-exporting countries are: Jordan, Tunisia, Comoros, Djibouti, Somalia, Palestine, Lebanon and Mauritania.

[5] Ibid.

The FDI stock has a percentage of GDP was very high in 2008 in the following Arab countries: Jordan (90 per cent), Lebanon (83.5 per cent), Djibouti (76.5 per cent), Tunisia (70.3 per cent), Bahrain (70 per cent), and Mauritania (63.5 per cent). The significance of FDI in the economics of those countries is highlighted by such rates. Moreover, FDI stock as a percentage of GDP exceeded the world average of 24.5 per cent of the following countries: Morocco (47.5 per cent), the Sudan (28.1 per cent), the United Arab Emirates (26.7 per cent) and Saudi Arabia (close to the world average).

TABLE 3. FDI STOCK AS A PERCENTAGE OF GDP AND OF GROSS FIXED CAPITAL FORMATION IN THE ARAB COUNTIES, THE DEVELOPING COUNTRIES AND THE WORLD, 2006-2008
(*Percentage*)

	FDI stock as a percentage of fixed capital formation			FDI stock as a percentage of GDP		
	2006	2007	2008	2006	2007	2008
Algeria	8.9	9.0	9.1	6.7	5	6.8
Bahrain	71.0	65.9	69.9	74.4	40.1	35.6
The Comoros	6.3	5.8	7.6	1.4	11.9	11.2
Djibouti	30.0	61.6	76.5	72.4	63.2	65.4
Egypt	36.4	39.6	37	47.9	44.3	29.2
Iraq	3.0	2.2	2.3	3.5	4.1	2.9
Jordan	114.2	91.9	89.9	77.8	38.5	31.8
Kuwait	0.8	0.8	0.6	0.8	0.5	0.2
Lebanon	80.9	85.7	83.5	82.8	74.6	85.2
Libyan Arab Jamahiriya	7.5	11.5	12.8	45.1	91.8	56.2
Mauritania	61.7	69.1	63.5	25.5	26.4	15.9
Morocco	52.0	44.3	47.5	13.0	12.2	9.1
Oman	10.8	14.7	22.8	18.9	24.6	17.7
Palestine	25.2	23.4	20.0	1.4	2.2	2.2
Qatar	14.4	10.7	21.6	19.2	24.2	25.6
Saudi Arabia	14.9	20.2	24.4	29.4	31.8	46.1
Somalia	5.1	9.7	13	18.7	27.5	16.1
The Sudan	30.3	30.0	28.1	39.6	23.1	19.8
Syrian Arab Republic	28.7	25.6	18.9	9.4	14.2	17.8
Tunisia	71.0	74.9	70.3	45.5	19	27
United Arab Emirates	22.0	25.5	26.7	38.9	37.2	24.9
Yemen	3.0	11.0	12.2	34.2	16.7	6.7
World	24.8	27.9	24.5	13.4	16	12.3
Developing Countries	26.7	29.8	24.8	13.0	13.1	12.8

Source: UNCTAD, *World Investment Report 2008*, and *2009*, annex table B.3. Available at: www.unctad.org/wir.

In terms of FDI inflows as a percentage of fixed capital formation in 2008, Lebanon came in first (85.2 per cent), followed by Djibouti (65.4 per cent), the Libyan Arab Jamahiriya (56.2 per cent), Saudi Arabia (46.1 per cent), and significantly by Bahrain (35.6 per cent), Jordan (31.8 per cent), and Egypt (29.2 per cent).

3. *Business environment in Arab countries*

It is likely that the reform measures adopted by a number of Arab countries in recent years have created a positive dynamism driving other countries of the region to proceed with the process of business facilitation and of improving the investment climate. Most of the reforms focussed on simplifying and streamlining the procedures for foreign trade, starting enterprises and enforcing contracts.

The World Bank's Doing Business in the Arab World 2010[6] noted that the Arab region has become one of the most active regions of the world in implementing reforms aimed at improving the business environment. In 2008-2009, Egypt and the United Arab Emirates were among the countries of the region

[6] The report covers the period ranging from July 2008 to May 2009, and is available at: http://www.doingbusiness.org.

most active in reform affecting their national economies as was clearly reflected in their higher ranking globally on the in order of making it easier to do business, with moving from 114 to 106 and the United Arab Emirates from 46 to 33.

TABLE 4. SELECTED VARIABLES IN THE BUSINESS ENVIRONMENT IN ARAB COUNTRIES FOR 2010

	Ease of doing business index		Starting a business			Enforcing contracts		Investor Protection	
Country	Arab ranking	World ranking	Number of procedures	Duration (days)	Cost (percentage of income per capita)	Number of procedures	Duration (days)	World Ranking	Investor protection* (0-10)
Algeria	13	136	14	24	12.1	46	630	73	5.3
Bahrain	2	20	7	9	0.5	48	635	57	5.7
Comoros	17	162	11	24	182.1	43	506	132	4
Djibouti	18	163	11	37	195.1	40	1225	178	2.3
Egypt	10	106	6	7	16.1	41	1010	73	5.3
Iraq	15	153	11	77	75.9	51	520	119	4.3
Jordan	9	100	8	13	49.5	38	689	119	4.3
Kuwait	5	61	13	35	1	50	566	27	6.3
Lebanon	11	114	5	9	78.2	37	721	93	5
Mauritania	19	166	9	19	34.7	46	370	147	3.7
Morocco	12	128	6	12	16.1	40	615	165	3
Oman	6	65	5	12	2.2	51	598	93	5
Qatar	3	39	6	6	7.1	43	570	93	5
Saudi Arabia	1	13	4	5	7.7	43	635	16	7
Syrian Arab Republic	14	143	7	17	27.8	55	872	119	4.3
The Sudan	16	154	10	36	36	53	810	154	3.3
Tunisia	7	69	10	11	5.7	39	565	73	5.3
United Arab Emirates	3	33	8	15	6.2	49	537	119	4.3
Yemen	8	99	6	12	83	36	520	132	4

Source: Word Bank, International Finance Corporation, *Doing Business in the Arab World 2010*. Available at: www.doingbusiness.org.

* The investor protection index is a compound index which measures the extent of small investor protection against directors' misuse of corporate assets. The index ranges from 0 (almost no protection) to 10 (maximum protection).

The GCC countries led the other Arab countries on the ease of doing business index, with Saudi Arabia, Bahrain and the United Arab Emirates ranking first, second and third respectively. In spite of the notable reforms implemented by the Arab countries, numerous constraints continue to hinder making it easier to do business, particularly for investors. As table 4 shows, with the exception of Saudi Arabia and Kuwait, the Arab countries did not score well on the scale measuring investor protection, which signifies their weakness in attracting FDI and the need for them to complete reforms intended to encourage doing business and investment. In view of such a situation, those countries should, in particular, do the following:

(a) Quick removal of administrative and bureaucratic obstacles that add to the cost of doing business;

(b) Effective functioning of official institutions and enhancing good governance, especially through the effective enforcement of law;

(c) Improving the communication and transportation infrastructure by widely opening the doors to the formation of partnership, with the private sector;

(d) Strengthening investor protection, especially for small investors;

(e) Completion of the liberalization of Arab intraregional trade and deepening of Arab economic integration through liberalization of trade in services;

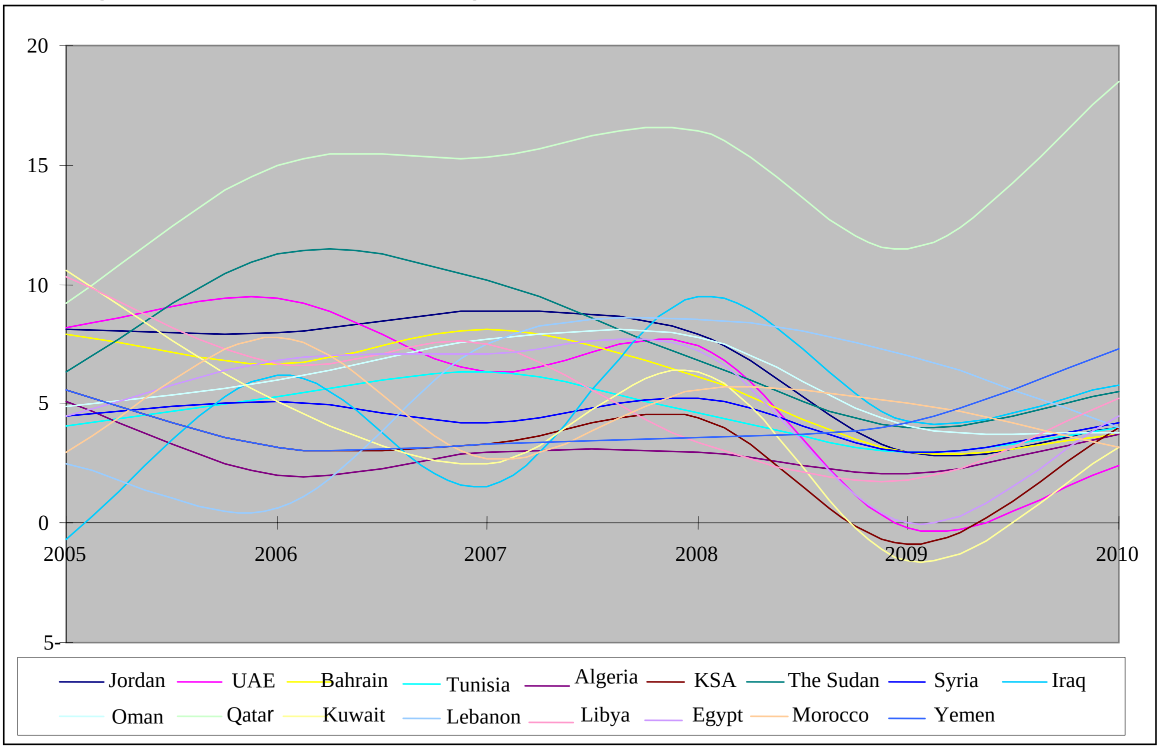
(f) Completion of reforms in legislation not consistent with current economic changes and greatly hindering the creation and facilitation of investment projects;

(g) Promoting the concept of public-sector collaboration, allowing greater space for private sector investment in all economic sectors, and removing the ban imposed by some countries on private sector entry into some sectors deemed of great importance to their economies.

C. Impact of the global economic crisis on Arab countries

In the last quarter of 2008, the world witnessed the worst global financial crisis since the 1930s. It started in the industrial countries and soon spread to the developing countries in general and the Arab countries in particular, with various direct and indirect effects. Arab economies saw deteriorating growth rates and increasing unemployment. According to projections by the International Monetary Fund (IMF), growth in the region could slow down to 2.6 per cent in 2009 from 5.7 per cent in 2008 before recovering to about 3.6 per cent in 2010.[7] Specifically, growth in the GCC countries is projected to fall from 6.4 per cent in 2008 to about 0.7 per cent in 2009, but it will rise again to nearly 5.2 per cent in 2010.[8]

Figure 5. Actual and projected growth rates for some Arab countries, 2005-2010



Source: IMF, *Regional Economic Outlook, Middle East and Central Asia*, October 2009. Available at: http://www.imf.org/external/pubs/ft/reo/2009/MCD/eng/mreo1009.pdf.

Several sectors of the economy have been affected by the global financial crisis: tourism declined; migrant worker remittances dropped; and construction shrank significantly after years of prosperity in numerous Arab countries, particularly among GCC members. The financial crisis has had a major impact on investment in general and portfolio investment in particular. Arab stock markets lost hundreds of millions of dollars within days. Arab investments in developed countries, especially sovereign wealth funds, and FDI inflows to Arab countries have both been affected by the crisis. In this chapter, the focus will not be on the numerous sectors affected by the crisis but rather on a few strongly affected ones for which data are available, namely oil, tourism, foreign trade, and financial markets. The other sectors will be addressed briefly in other chapters.

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7 IMF Survey Magazine, *Middle East, North Africa Weathering Global Crisis*. Available at: http://www.imf.org/external/pubs/ft/survey/so/2009/car051009a.htm.

8 IMF, *Regional Economic Outlook, Middle East and Central Asia*, October 2009. Available at: http://www.imf.org/external/pubs/ft/reo/2009/MCD/eng/mreo1009.pdf.

1. *Oil*

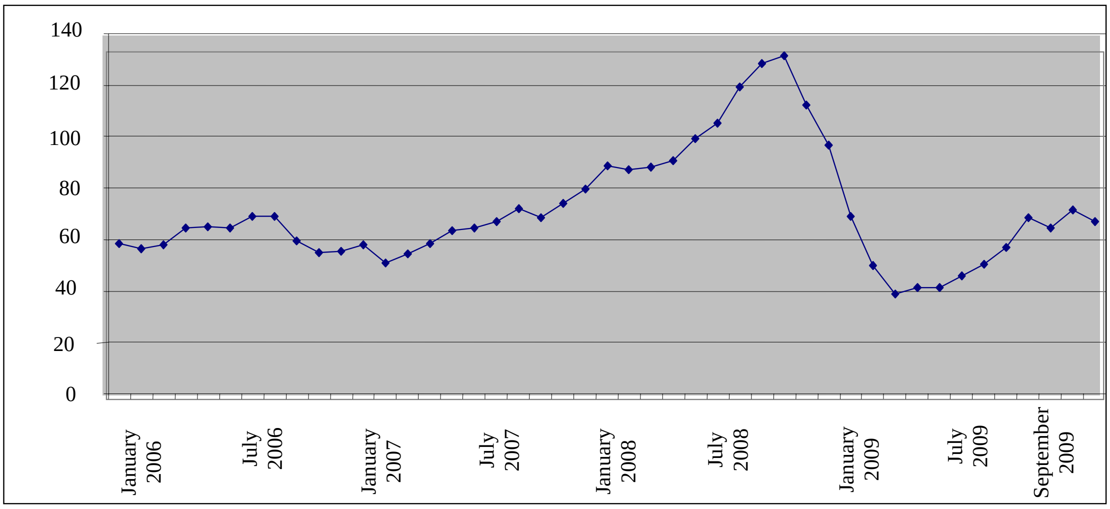
The greatest impact of the global financial crisis was perhaps felt the most in the oil sector which in 2007 contributed more than 47 per cent of GDP in the GCC countries together. Table 5 shows the significance of the oil sector in each one of those countries. In 2007 and during the first half of 2008, oil prices followed a rising pattern, soaring from nearly $50 per barrel in January 2007 to about $140 per barrel in July 2008. During the same period, the Arab oil-exporting countries made significant gains, greatly raising their foreign currency reserves. But oil prices began to fall with the onset of the global financial crisis, hitting the lowest level of $33 per barrel in December 2008. They continued to fluctuate since that time, reaching $65 per barrel by the end of September 2009.

TABLE 5. GDP BY ECONOMIC SECTOR, 2007
(*Percentage*)

	Extractive industries (including oil and gas)	Manufacturing	Tourism	Financial Services
Algeria	47.01	3.97	9.00	0.38
Bahrain	36.32	12.22	13.72	11.63
Egypt	14.18	15.71	13.99	6.59
Iraq	66.90	2.08	8.06	0.29
Jordan	2.79	16.83	9.06	9.05
Kuwait	54.61	4.98	4.13	7.65
Lebanon	0.00	9.09	28.79	6.23
Libyan Arab Jamahiriya	76.17	4.97	4.08	1.13
Morocco	1.74	14.95	13.48	5.70
Oman	45.56	10.04	13.30	1.07
Qatar	55.68	7.76	4.72	2.42
Saudi Arabia	51.13	9.62	5.22	2.62
The Sudan	14.99	6.58	14.25	6.50
Syrian Arab Republic	23.40	7.07	29.59	5.73
Tunisia	5.74	17.12	15.28	3.24
United Arab Emirates	34.72	13.01	12.11	4.35
Yemen	33.81	7.63	13.27	0.46

Source: Joint Arab Economic Report, prepared by the Arab Monetary Fund (AMF) with the participation of the Secretariat-General of the League of Arab States, the Arab Fund for Economic and Social Development (AFESD) and the Organization of Arab Petroleum Exporting Countries (OPEC). Available at: http://www.arabmonetaryfund.org/ar/jointrep.

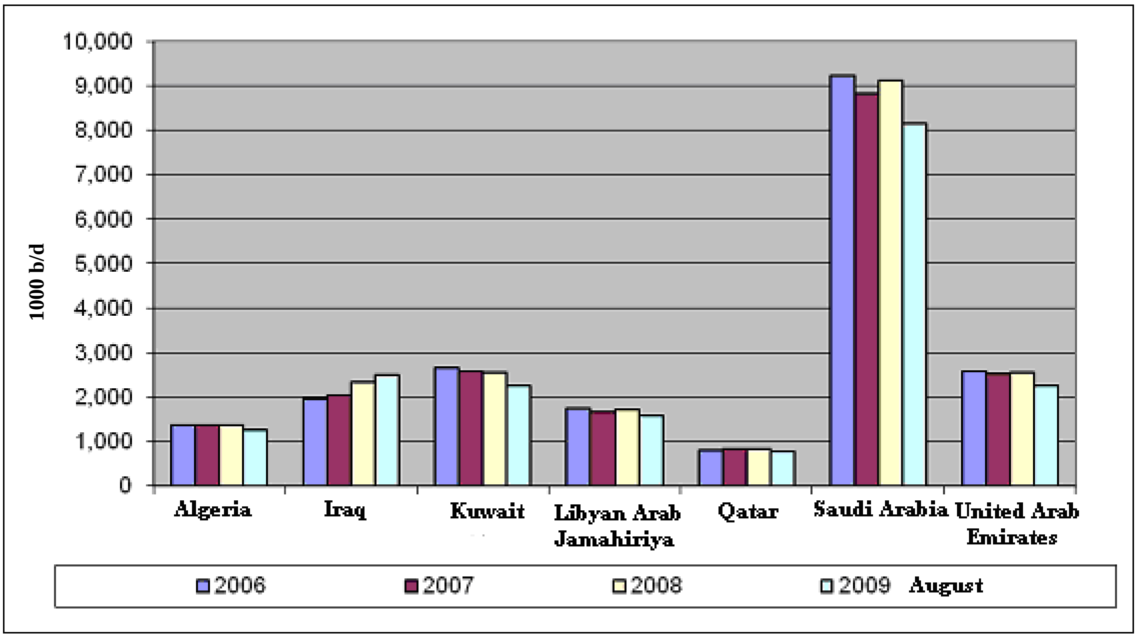
Figure 6. OPEC Reference Basket Prices (January 2006 – September 2009)



Source: OPEC, *Annual Statistical Bulletin 2008*. Available at: http://www.opec.org/library/Annual%20Statistical%20Bulletin/pdf/ASB2008.pdf.

From the third quarter of 2008 until August 2009, oil production declined by 6 per cent in the Libyan Arab Jamahiriya, 9 per cent each in Algeria and Qatar, 13 per cent each in Kuwait and the United Arab Emirates, and 14 per cent in Saudi Arabia.[9]

Figure 7. Crude oil production in selected countries (2006 – August 2009)



Source: OPEC, *Annual Statistical Bulletin 2008*. Available at: http://www.opec.org/library/Annual 20Statistical%20Bulletin/df/ASB2008.pdf.

The decline in both oil production and world oil prices played a major role in the decline of exports from Arab countries and in widening of the gap in the balance of payments of the oil-exporting countries and in widening the gap in the balance of payments of the oil-exporting countries in particular; it also had a negative affect on the foreign currency reserves of those Arab countries.

2. *Tourism*

In September 2008, the tourism sector began to feel the impact of the global financial crisis. Preliminary statistical data for 2009 point to a decline of 7 per cent in the first seven months of 2009, due to both the worsening financial crisis and the swine flu epidemic. IATA statistical data show a 5 per cent decline in the number of air passengers in the first eight months of 2009, while World Tourism Ogranization (UNWTO) sources refer to an 8 per cent fall in hotel occupancy rate during the same period.[10] The great challenges facing corporations caused a decline in business travel which in turn contributed to the overall decline of air travel and hotel occupancy.

In the Arab countries, tourism grew in 2008 by 18 per cent in comparison with 2007, and tourism revenues grew by 17 per cent during the same period. However, preliminary statistical data for 2009 show a decline of 8 per cent in inbound tourism in the ESCWA member countries during the period from January to August 2009, but other Arab countries in North Africa experienced a slight increase of 1.4 per cent during

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[9] OPEC, *Monthly Oil Report*, September 2009. Available at: http://www.opec.org/home/Monthly%0Oil%20Market%0Reports/2009/pdf/MR092009.pdf.

[10] World Tourism Organization, *UNWTO World Tourism Barometer*. Volume 7, Issue 3, October 2009. Available at: www.unwto.org/facts/eng/barometer.htm.

the same period.[11] Although there was a decline in tourism in the Arab countries in general, some countries saw higher rates such as, Bahrain, Jordan, Lebanon, Morocco and the Syrian Arab Republic.

In anticipation of a decline in tourism in general, some Arab countries have taken measures to encourage tourism.[12] In Morocco, the Ministry of Tourism has issued a plan of action to rescue the tourism sector, keep the trust of investors in great touristic projects and maintain Morocco's share of world tourism. The Ministry intensified its efforts to promote Morocco as a tourist destination, especially in Europe, the Arab Gulf, and the Russian Federation. At the same time, it continued to promote domestic tourism and new touristic attractions within Morocco. The action plan was supported with a 10 per cent increase in allocations for tourism in the public budget of 2009. In Tunisia, the Government also increased budget allocations for promotion and advertising, particularly in the European markets.

Egypt adopted a strategy to reduce the impact of the global financial crisis on the tourism in the country by strengthening partnerships with a scheduled airlines and reducing landing and take-off fees. The strategy also focuses on supporting modern promotional methods such as advertising in in-flight magazines, supporting charter flights and low-cost carriers, focusing on training, skills, and human resource development within tourism sector, and refraining from imposing additional new taxes on that sector.

In Jordan, the Government announced a reduction of Royal Jordanian Airlines ticket prices as well as hotel rate sales tax cuts of 8-14 per cent. Jordan seeks to attract tourists from Latin American countries through cooperation and intensive promotion. Moreover, the Jordan Tourism Board launched two sites on the Internet, one in Chinese and the other in Hindi, to attract tourists from China and India.

On 22 February 2009, the Ministry of Tourism in Oman, jointly with Oman Air and major hotels, launched an extensive marketing campaign in GCC countries under the banner "Partnership Oman". Similarly, the Qatar Tourism Authority introduced a new strategy to increase the number of tourists coming to Qatar by 20 per cent over the next five years, involving the investment of nearly $17 billion in building luxury hotels and tourist resorts. In the Kingdom of Saudi Arabia, Saudi Arabian Airlines reduced its fares by 30-50 per cent and increased by 11 per cent allocations from tourism in the 2009 budget.

In the Syrian Arab Republic, three basic measures were taken to mitigate the impact of the global financial crisis: first, easing entry visa restrictions to Iraqis entering the Syrian Arab Republic, second, increasing Syrian Air flights to and from the Arab countries to attract greater numbers of tourists; and finally, making efforts to promote and market the Syrian Arab Republic as a tourist destination. In the United Arab Emirates, the Government announced the establishment in January 2009 of a federal tourism body charged with promoting and improving domestic tourism. Furthermore, Emirates Airlines launched, jointly with the Department of Tourism and Commercial Marketing in Dubai, an international campaign to promote Dubai tourism covering about 60 countries at a cost of $14 million. Dubai also took part in numerous travel and tourism events, while Abu Dhabi sought to intensify its promotional efforts. At their meeting of May 2009 in Yemen, Arab Ministers of Tourism proposed the adoption a common visa to foreigners willing to visit any Arab country, similar to the Schengen visa in Europe.

3. *Foreign trade*

The trade openness index[13] shows the significance of foreign trade in most of the Arab countries, particularly the oil-exporting countries (see figure 8); it was 246 per cent in Bahrain, 125 per cent in Iraq, 83 per cent in Saudi Arabia, and 40 per cent in the Sudan. However, for 17 Arab countries it was 93 per cent in comparison with the world average of 54 per cent in 2008.

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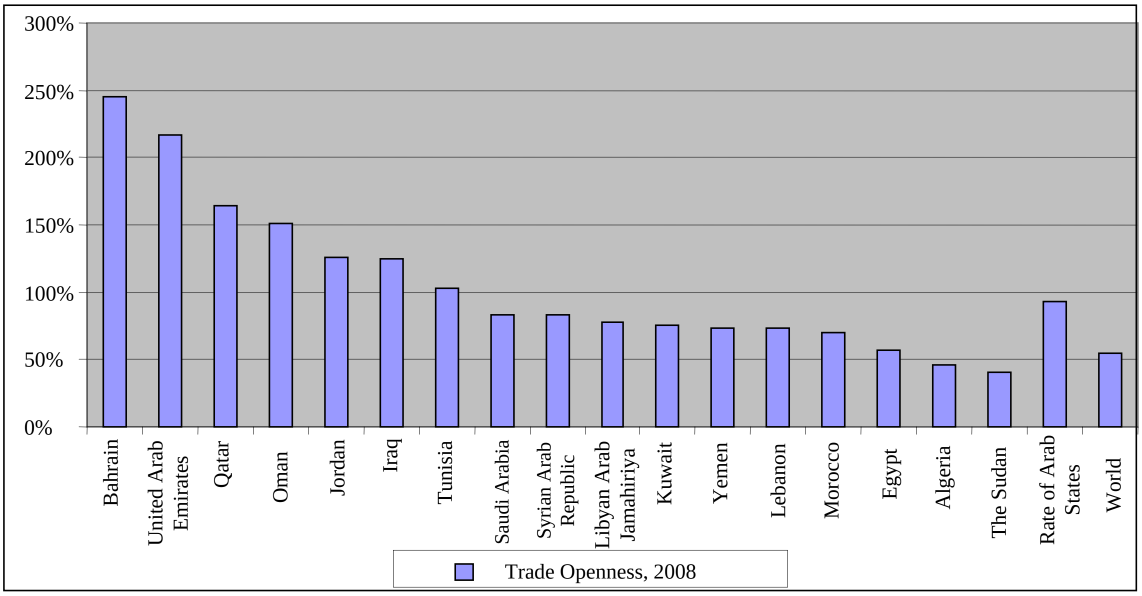
[11] Ibid.

[12] World Tourism Organization, *Tourism and Economic Stimulus: Initial Assessment*, Update 01 July 2009. Available at: http://www.unwto.org/trc/response/en/pdf/UNWTO_TRC_Tourism_Economi_Stimulus_Jul01.pdf.

[13] The ratio of a country's trade (exports and imports) of its GDP.

Figure 8. Trade openness in selected Arab countries in the world (2008)



Source: ESCWA calculations, based on IMF statistics, June 2009.

Table 6 shows the major foreign trade partners of the Arab countries. It is notable that diversified economies depend on intraregional trade. Exports to other Arab countries range between 64 per cent in the Syrian Arab Republic, and 3 per cent in Morocco; 11 per cent in Oman and 2 per cent in Iraq. On the other hand, as a percentage of total exports, 48 per cent of Iraq's went to Canada and the United States of America, 78 per cent of Libyan Arab Jamahiriya's to countries of the European Union, and 63 per cent of the Sudan's to Asian countries in 2008. As to imports, table 6 shows that the main partners are countries of the European Union accounting for 67 per cent, 31 per cent, and 12 per cent of the total imports of Tunisia, Saudi Arabia, and Iraq respectively. Asian developing countries are the second major source of imports to Arab counties.

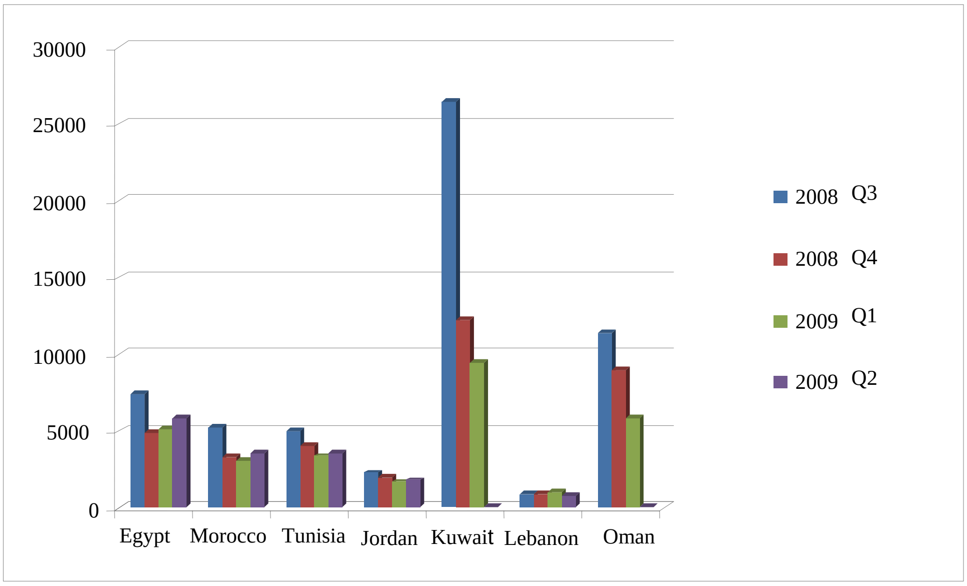
TABLE 6. ARAB EXPORTS AND IMPORTS, BY MAJOR TRADING PARTNERS, 2008
(*Percentage*)

	Exports				Imports			
	Arab Countries	European Union	North America	Asian Emerging Economies	Arab Countries	European Union	North America	Asian Emerging Economies
Algeria	2.49	49.77	3.49	2.34	3.84	54.62	5.11	12.13
Bahrain	10.21	3.28	0.54	3.91	3.77	21.38	4.62	12.51
Egypt	21.68	36.58	8.13	4.50	10.11	31.10	11.57	15.95
Iraq	2.17	25.70	38.02	2.41	30.43	12.47	11.57	12.00
Jordan	44.62	5.83	16.24	14.82	31.15	25.43	6.04	16.39
Kuwait	3.86	10.63	10.18	17.81	16.33	28.21	12.23	15.02
Lebanon	60.66	11.19	2.69	2.27	21.78	35.16	10.18	9.60
Libyan Arab Jamahiriya	3.47	77.51	6.66	4.82	11.56	58.90	4.94	12.57
Morocco	3.45	56.45	5.04	7.99	11.34	57.59	4.93	7.80
Oman	11.01	2.27	2.58	42.22	20.47	24.05	7.54	12.46
Qatar	4.60	6.52	0.81	13.79	16.67	38.85	12.68	10.19
Saudi Arabia	9.12	10.15	19.33	19.60	8.43	30.71	13.35	18.51
The Sudan	4.22	1.27	0.54	62.57	22.57	18.71	3.64	34.38
Syrian Arab Republic	64.44	27.36	2.28	0.21	35.62	18.15	1.83	12.90
Tunisia	9.89	72.66	3.74	2.27	8.99	66.93	2.67	4.80
United Arab Emirates	8.31	4.63	0.93	18.89	5.71	26.67	10.01	30.02
Yemen	11.00	1.05	0.09	74.88	34.51	14.25	5.19	21.01

Source: IMF, *Direction of Trade Statistics*, June 2009. Available at: www.imfbookstore.org.

In the last quarter of 2008, exports of Arab counties declined mainly as a result of the significant fall in global prices of oil. Figure 9 shows that the greatest decline in exports by oil-exporting and other Arab countries occurred between the third and fourth quarter of 2008, during which exports fell by 54 per cent in Kuwait (from $27 billion to $12 billion), 34 per cent in Egypt, 21 per cent in Oman, and 7 per cent in Lebanon.

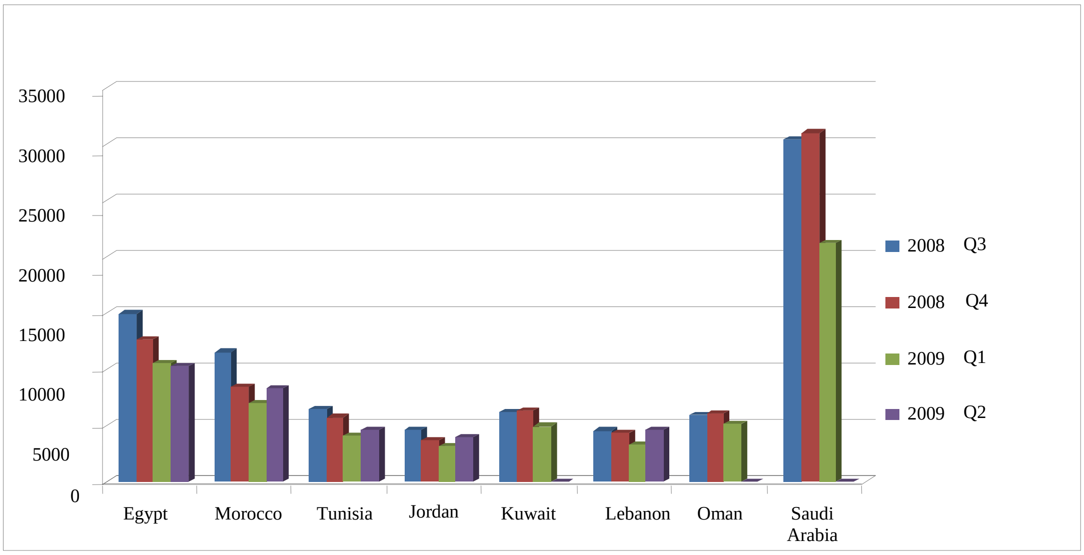
Figure 9. Exports by selected Arab countries, 2008 Q3 – 2009 Q2
(*Millions of dollars*)



Source: UN Comtrade. Available at: http://comtrade.org.

Figure 10 shows that merchandise imports by oil-exporting countries did not decline from the third to the fourth quarters of 2008, but did so from the last quarters of 2008 to the first quarter of 2009. During the second period, the decline was highest in Saudi Arabia (32 per cent), followed by Kuwait (25 per cent) and Oman (16 per cent).

Figure 10. Imports to selected Arab countries, 2008 Q3 – 2009 Q2
(*Millions of dollars*)



Source: UN Comtrade. Available at: http://comtrade.org.

The outlook for Arab trade in 2009-2010 is expected to be negative. Lower oil prices will affect exports from Arab oil-exporting countries, while the recession in the developed counties may affect those of Arab non-oil-exporting countries. On the other hand, the steady decline in the exchange rate of the US dollar against the other major currencies, especially the euro, will affect imports in all the Arab countries because most of them have their currency tied to the US dollar while European Union countries are their main trading partners.

4. *Financial markets*

Financial markets, both global and Arab, were the first economic sector to be affected by the global financial crisis. The Arab Monetary Fund Index (AMFI), a composite index 13 indices of Arab stock exchanges, fell from 345.4 points at the end of 2007 to 156.7 points at the end of 2008. Similarly, the market capitalization of those stock exchanges dropped by 39.5 per cent from $1 330 billion at the end of 2007 to $806 billion at he end of 2008. During the first quarter of 2009, these markets began to fluctuate, reaching their lowest point at a market value of $697 billion by the end of February 2009, but at the beginning of April of the same year they started to grow, reaching $954 billion by the end of the third quarter of 2009 (table 7).

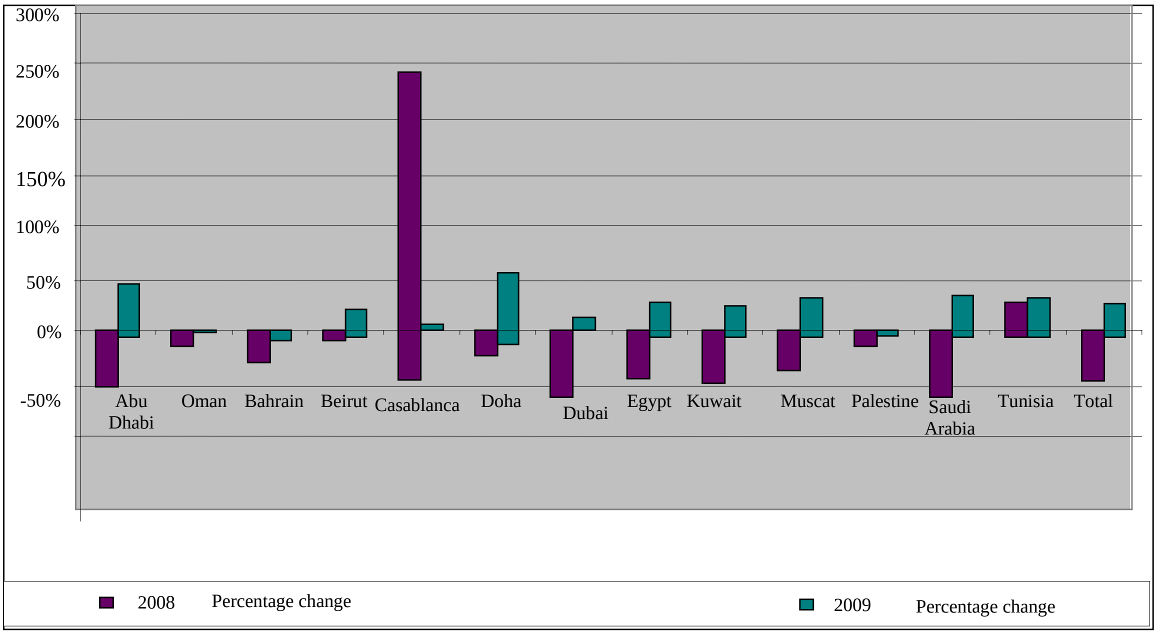
TABLE 7. MARKET CAPITALIZATION OF ARAB STOCK MARKETS, 2005 – SEPTEMBER 2009
(*Billions of dollars*)

	2005	2006	2007	2008	2009 Q1	2009 Q2	2009 Q3
Abu Dhabi securities	125.6	71.7	112.2	61.9	64.3	69.7	82.7
Amman stock exchange	37.6	29.8	41.3	35.0	32.7	34.3	33.8
Bahrain stock exchange	17.3	21.1	26.8	20.0	17.4	17.1	16.9
Beirut stock exchange	4.9	8.3	16.1	14.8	13.7	16.7	17.1
Casablanca stock exchange	5.6	11.9	18.5	63.4	60.6	66.1	62.2
Doha securities market	87.1	60.9	95.5	76.7	58.0	74.2	92.3
Dubai financial market	108.8	86.9	138.7	65.2	59.3	62.7	67.6
Egypt capital market	79.7	93.6	134.9	83.2	69.1	81.4	99.4
Kuwait stock exchange	139.5	141.9	193.5	113.5	97.0	120.8	122.8
Muscat securities exchange	10.9	13.0	22.8	15.6	14.6	17.0	19.1
Palestine Securities exchange	3.8	2.7	2.4	2.1	3.4	3.3	3.2
Saudi securities market	647.5	326.4	522.7	246.8	235.8	286.5	328.1
Tunis stock exchange	2.8	4.2	5.0	6.4	6.8	7.8	8.6
Total	1 271.2	872.4	1 330.4	805.6	732.7	857.6	954.0
AMFI (points)	394.1	247.9	345.4	156.7	142.5	163.1	180.4

Source: Arab Monetary Fund, Stock Market Performance, AMF Indices. Available at: http://www.arabmonetaryfund.org.

In 2008, market capitalization fell in all the Arab financial markets except for the Casablanca and Tunis Stock Exchange. The Dubai Financial Market, suffering the largest loss, declined by 53 per cent, followed by the Saudi Securities Market (52.8 per cent), the Abu Dhabi Securities Exchange (44.8 per cent) and the Kuwait Stock Exchange (41.3 per cent). The huge support extended by Arab governments to their stock exchanges restored the confidence of some investors in the financial markets. In 2009, invest Arab stock exchanges were up, with Qatar Exchange rising by 56.9 per cent during the period from January to September 2009, followed by Abu Dhabi Securities Exchange (41.9 per cent) and Saudi Securities Market (33.5 per cent). It is worth noting that Qatar Exchange managed to weather all the pressures of the financial crisis achieving a market capitalization level by the end of September 2009 equivalent to that registered at end of 2007 (figure 11).

Figure 11. Percentage change in market capitalization, 2009
(*Percentage*)



Source: Arab Monetary Fund, Performance of Arab Financial Markets. Available at: http://www.arabmonetaryfund.org.

Note: Change in 2009 covers the period from January to September 2009.

Following is a brief review of the impact of the global financial crisis on the Dubai Financial market and the Saudi Securities Market which sustained the greatest losses:

(a) *Dubai Financial Market*

Dubai Financial Market (DFM) index dropped 72 per cent from 5 931.95 points at the end of 2007 to 1 636.29 points at the end of 2008. The greatest fall occurred in the last quarter of 2008 as the global financial crisis broke out. In that two-year period there was a decline of 60 per cent in the Dubai Financial Market index, 43 per cent in market capitalization, and 41 per cent in the value of traded shares. DFM recovered slightly in the second quarter of 2009. But lack of investor confidence and willingness to offset some of the incurred losses in 2008 was among the factors that led to a decline in the DFM index in the third quarter of 2009 (table 8).

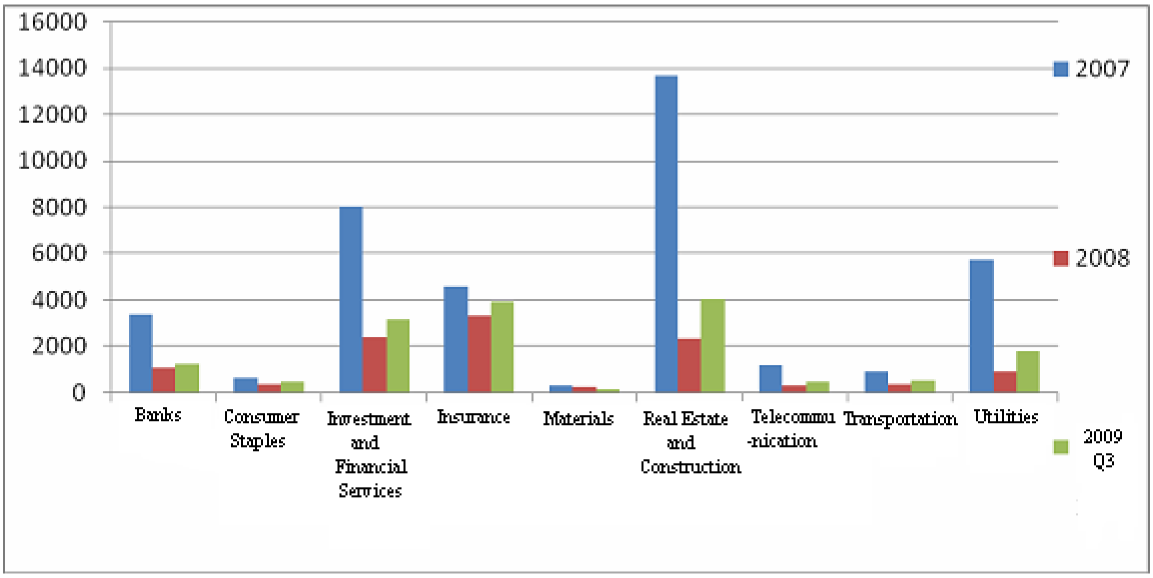
TABLE 8. SOME SPECIAL DFM INDICES, 2005-2009

Index	2006	2007	2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Number of traded shares (billion)	40	105	77	18.26	15.94	15.98	23	41	23
Value of traded share (billions of dollars)	94.8	103.4	83.2	21.3	17.4	10.2	7.5	16.0	10.6
Market capitalization (billions of dollars)	86.9	138.7	65.2	137.3	110.5	65.2	58.1	61.0	66.5
Number transactions (thousands)	2423	2252	2131	507	491	478	423	659	430
DFM general index (points)	4 127.33	5 931.95	1 636.29	5 443.78	4 127.62	1 636.29	1 568.46	1 784.45	2 191.03

Source: DFM, Annual and Quarterly Bulletins, various issues.

Figure 12 shows the sectors most affected by the global financial crisis between 2007 and 2008; sectors' indices declined as follows: utilities (83.7 per cent), real estate and construction (82.2 per cent) and telecommunication (70.7 per cent). In terms of the value of shares traded in 2008, the leading company was Emaar Properties P.J.S.C. (22.9 per cent of total value of share traded), followed by Dubai Financial Market P.J.S.C (13 per cent) and Air Arabia (7.7 per cent) which, in terms of the number of traded shares was the leading company (17.3 per cent), followed by Dubai Financial Market P.J.S.C. (11.2 per cent), and Emaar Properties P.J.S.C. (11 per cent).

Figure 12. Indices of sectors of DFM, 2007-2009



Source: DFM, Annual Bulletin, various issues.

(b) *Saudi Stock Exchange*

The index of the Saudi Stock Exchange fell 53 per cent from 11,039 points in 2007 to 4,803 points at the end of 2008. There was also a decline of 52.5 per cent in market capitalization and 23.3 per cent the value of traded shares (table 9). However the greatest decline was recorded in the last quarter of 2008 as 35.6 per cent in the index and 34.4 per cent in market capitalization.

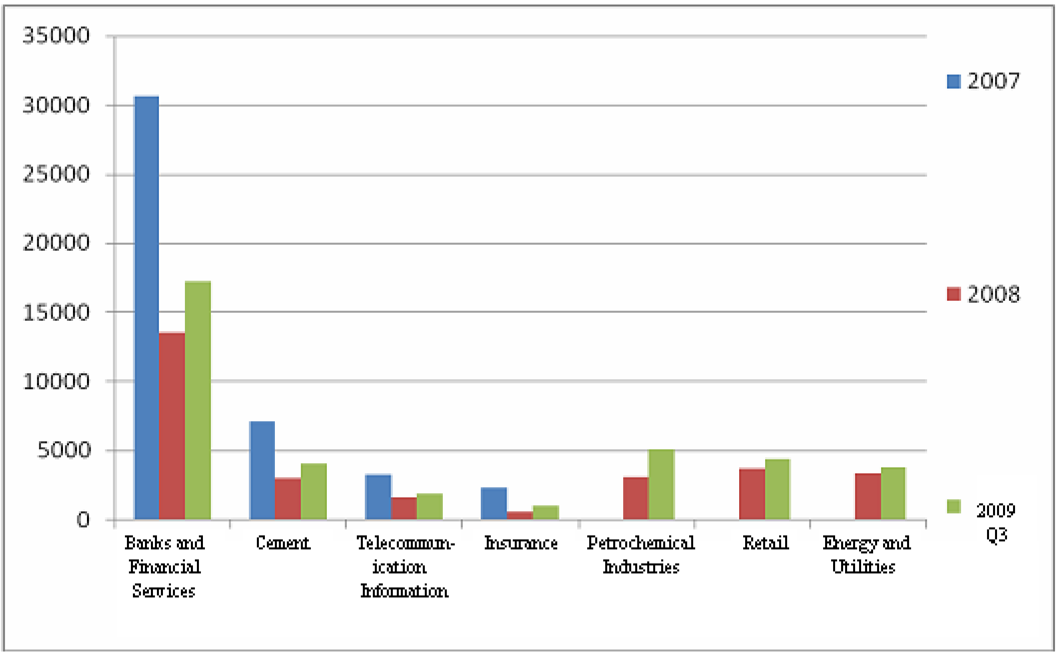
In terms of indices of sectors of the Saudi Stock Exchange, the mostly affected ones between 2007 and 2008 were insurance (74.1 per cent), followed by cement (57.3 per cent), and Banks and Financial Services (55.6 per cent) (figure 13).

TABLE 9. SOME INDICES OF SAUDI STOCK EXCHANGE, 2006-2009

Index	2006	2007	2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Volume of traded share (billions)	54.4	57.8	58.7	15.5	9.5	16.2	16.6	21.4	8.8
Value of traded shares (billions of dollars)	1403.2	682.1	523.5	155.1	93.3	87.0	81.3	126.8	63.9
Market capitalization (billions of dollars)	326.4	522.7	246.9	473	387	246	236	286	328
Trades (millions)	96.1	65.7	51.1	15.5	11.8	9.1	10.0	12.6	7.6
All share index of Saudi stock exchange (points)	7 933	11 039	4 803	9 352	7 459	4 803	4 704	5 596	6 322

Source: Saudi Arabian Monetary Agency, Quarterly Statistical Bulletin, various issues.

Figure 13. Indices of sectors of Saudi Stock Exchange, 2007-2009



Source: Saudi Arabian Monetary Agency, Quarterly Statistical Bulletin, various issues.

5. *Lessons learned from the global financial crisis*

Perhaps the most important lesson for the Arab countries to draw from the global financial crisis is the need to reconsider the management of their investments abroad, particularly sovereign wealthy funds. One important change that needs to be introduced in this regard is to diversify in such a way as to direct more investments to the real economy and reduce investment in the financial sector. In addition, geographical diversity needs to be considered with a view to seeking investment opportunities outside the United States of America and the European Union in Asian and Arab countries that provide good opportunities and adequate protection for investment.

II. REGIONAL INTEGRATION

A. INDEX OF REGIONAL INTEGRATION IN THE ARAB WORLD

The index of regional integration in the Arab world provides a measure of integration for 16 countries for which data are available. The index is based on the following four variables: (1) Arab intraregional trade; (2) Arab intraregional investment; (3) Arab intraregional workers' remittances; and (4) Arab intraregional tourism (table 10). The Principal Component Technique was used to calculate the index and rank the countries, while the weightiness used were 38.22 per cent, 12.82 per cent, 34.07 per cent and 14.89 per cent for the four variables (1), (2), (3) and (4) respectively.[14]

TABLE 10. VARIABLES USED IN THE REGIONAL INTEGRATION INDEX

Variable	Description	Source
Arab intraregional trade	Total inter-Arab exports from and imports into all Arab countries as a percentage of GDP	(1) ESCWA, based on the international Monetary Fund (IMF): "Direction of Trade Statistics Yearbook, 2009" (June 2009);
Arab intraregional investment	Total Arab investment inflows of outflows for all the Arab countries as a percentage of GDP	(1) Arab Investment Guarantee Corporation, "Investment Climate in the Arab Countries", annual reports: 2005, 2006, 2007 and 2008; (2) ESCWA, Foreign Direct Investment Report, 2008 and 2009.
Arab intraregional workers' remittances	Total inter-Arab inflows and outflows of remittances as a percentage of GDP	(1) IMF, International Financial Statistics (IFS), Balance of Payments Statistics, 2008; (2) United Nations Expert Group Meeting on International Migration and Development in the Arab Region (Lebanon, 15-17 May 2006).
Arab intraregional tourism	Number of Arab tourists as a percentage of the total population of the Arab countries	(1) World Tourism Organization (WTO), Tourism Market Trends, Middle East, 2004 and 2006; annual reports 2007, 2008, and 2009; (2) ESCWA estimates.

Table 11 shows the ranking in 2004-2008 of the 16 Arab countries in terms of their regional economic integration from the highest to the lowest level. In 2008, Jordan continued for the third year in a row to rank first, with Arab intraregional trade representing roughly 37 per cent of its foreign trade total, and Arab intraregional tourism accounting for some 62 per cent of its tourism total. Bahrain moved up from fourth place in 2007 to second place in 2008. On the other hand, there was retreat in Lebanon from second to third place. The greatest progress was achieved by Oman and the United Arab Emirates, with the former improving its Arab intraregional tourism and the latter making and hosting larger Arab intraregional investments. Saudi Arabia dropped from 10th place in 2007 to 14th place in 2008, reflecting the decrease in its regional integration index which, in turn, was the result of both the considerable growth in GDP brought about by the huge increase in global oil prices and the growth of external trade at a rate faster than that Arab intraregional trade. But Morocco and Algeria remained at the bottom of the list.

[14] For details on computation of the four variables, see chapter IV, "Annual Review of Development in Globalization and Regional Integration in the Arab Countries, 2006" (E/ESCWA/GRID/2006/3). Available at: www.escwa.un.org.

TABLE 11. RANKING OF ARAB COUNTRIES BY THE REGIONAL INTEGRATION INDEX, 2004-2008

	2008		2007		2006		2007		2008	
	Ranking	Index	Ranking	Index	Ranking	Index	Ranking	Index	Ranking	Index
Algeria	16	0.1882	16	0.2134	16	0.2610	16	0.0445	16	0.0232
Bahrain	2	6.0436	4	5.2313	3	5.1860	4	3.8627	3	4.7914
Egypt	11	1.3556	8	1.4958	8	1.45334	8	1.0301	8	1.3038
Jordan	1	8.0085	1	7.9948	1	8.6849	3	4.8190	1	6.0676
Kuwait	8	2.3792	5	2.5105	5	2.3161	2	5.1627	5	2.9530
Lebanon	3	5.0940	2	7.6863	2	6.6518	1	5.3524	2	5.7334
Libyan Arab Jamahiriya	13	0.8082	14	0.7520	14	0.6886	15	0.2270	15	0.3571
Morocco	15	0.5794	15	0.5829	15	0.5056	13	0.4711	14	0.4182
Oman	4	4.9726	6	2.2313	6	2.1113	9	0.9066	9	1.2212
Qatar	9	1.9050	7	2.0681	7	2.0316	12	0.6307	11	0.8842
Saudi Arabia	14	0.7935	10	1.1291	11	0.9517	11	0.7987	12	0.5441
The Sudan	10	1.7731	11	0.9839	12	0.9404	6	1.7505	6	1.8204
Syrian Arab Republic	5	3.8282	3	5.4287	4	5.4281	5	3.7489	4	4.5415
Tunisia	12	1.1649	12	0.9599	9	1.3075	14	0.4051	13	0.4668
United Arab Emirates	6	3.0545	9	1.2797	10	1.2056	7	1.2187	7	1.3591
Yemen	7	2.3948	5	2.5105	5	2.3161	2	5.12627	5	2.9530

Source: ESCWA calculated the regional integration index based on sources from table 10.

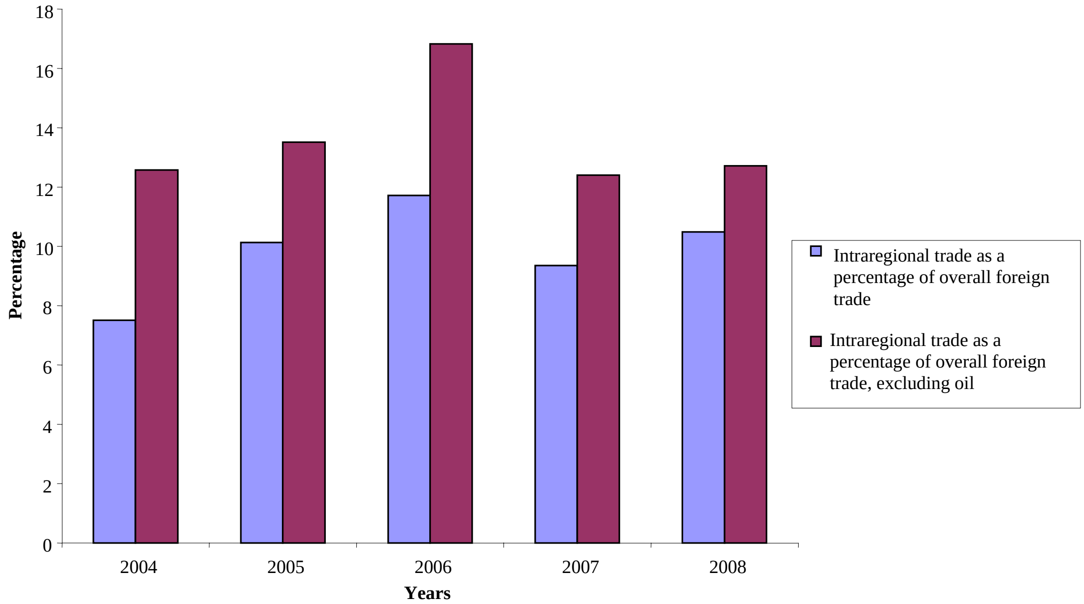
Notwithstanding the deteriorating global financial crisis, performance of the Arab countries in regional integration is expected to improve as they seek to develop their intraregional trade, improve the investment environment with a view to promoting inter-Arab investment, and attract Arab tourists through the offer of incentives and the launch of promotion campaigns.

B. ARAB INTRAREGIONAL TRADE

1. *State of Arab intraregional trade*

Arab intraregional trade as a percentage of total Arab foreign trade, including oil, averaged 10 per cent in 2004-2008; it increased from 9.3 per cent in 2007 to 10.5 per cent in 2008.

Figure 14. Intraregional trade as a percentage of overall Arab foreign trade, including and excluding oil, 2004-2008

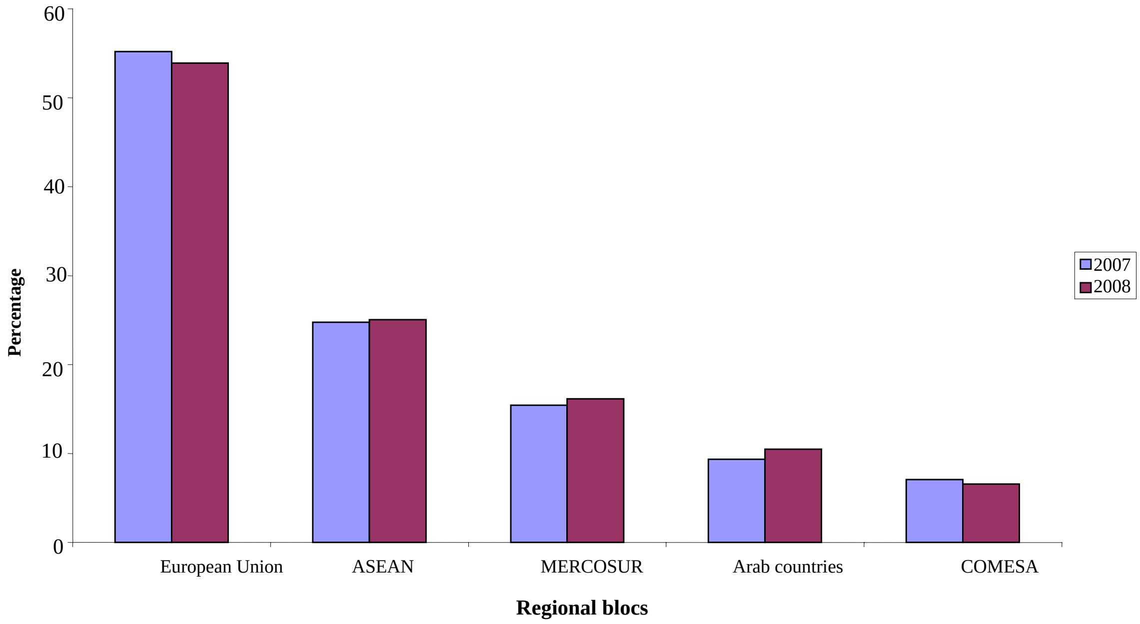


Source: ESCWA calculations based on the UN Comtrade statistical database available at: http://comtrade.un.org.

Trade among the Arab counties is clearly weak in comparison with trade in other regional blocs. In 2008, intraregional trade as a percentage of overall foreign trade was 16.1 per cent for MERCOSUR, and about 25 per cent for ASEAN. (It should be noted that such percentages correlate with the number of members and the size of the economy in the particular region).[15]

It would be more meaningful to exclude oil when calculating intraregional trade as a percentage of overall foreign trade of the Arab region. For one thing, oil constitutes a major share of Arab foreign trade; for another, it is exported mainly to markets outside the region. In the period 2004-2008, intraregional trade, as a percentage of overall Arab foreign trade averaged about 13.6 per cent. Clearly, the small size of the industrial base in most Arab countries as well as the predominant part of oil and its derivates in Arab exports are considered a main impediment to the growth of Arab intraregional trade. As a percentage of overall Arab trade, intraregional trade stabilized for two consecutive years at 12.4 per cent in 2007 and 12.7 per cent in 2008. It had peaked at 16.8 per cent in 2006, notably the highest since the start of its liberalization under the Greater Arab Trade Area (GAFTA); it is attributed to the completion of the tariff reduction process undertaken in 2005 by member countries.

Figure 15. Intraregional trade as a percentage of overall trade in some regional blocs, 2007-2008



Source: ESCWA calculations based on the UN Comtrade database available at: http://comtrade.un.org.

Notes: The European Union is composed of 27 Member States: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

ASEAN (Association of Southeast Asian Nations) is composed of Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

MERCOSUR (Southern Common Market) encompasses Argentina, Brazil, Paraguay, and Uruguay (Venezuela's membership awaiting ratification.

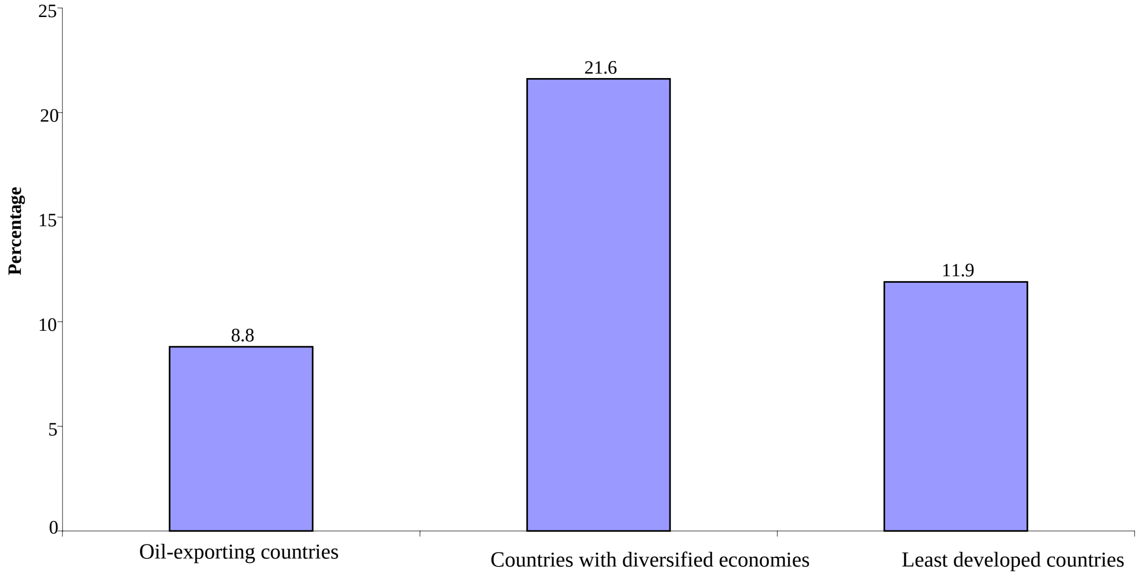
COMESA (Common Market for Eastern and Southern Africa) is composed of Angola, Burundi, Comoros, D.R. of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, the Libyan Arab Jamahiriya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, the Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

[15] Lelio Iapadre, *Regional Integration Agreements and the Geography of World Trade: Statistical Indicators and Empirical Evidence*, 2004. University of L'Aquila and CIDEI, University of Rome "La Sapienza", Italy.

(a) *Arab economies with significant intraregional trade*

Figure 16 shows that regional trade is of great importance to countries with diversified economies, in which inter-Arab trade, as a percentage of their overall trade averaged 21.6 per cent in 2006-2008. What accounts for this situation is the following: diversity of production structures and consequent exports as well as the high purchasing power which constitutes an incentive to import. In this respect, the least developed Arab countries came in second at an average approximating 12 per cent in the same period. With an average of roughly 8.8 per cent, the oil-exporting countries came in last.

Figure 16. Intraregional trade as an average percentage of overall trade in three types of Arab economies, 2006-2008



Source: ESCWA, calculated on the basis of data from UN Comtrade available at: http://comtrade.un.org.

Notes: Least developed Arab countries: Palestine, the Sudan and Yemen.

Arab countries with diversified economies: Egypt, Jordan, Lebanon, Morocco, the Syrian Arab Republic, and Tunisia.

Arab oil-exporting countries with diversified economies: Algeria, Bahrain, Kuwait, the Libyan Arab Jamahiriya, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

As shown in table 12, the performance of individual Arab counties reflects the importance of their Arab trading partners in relation to them. In the period 2004-2008, intraregional trade as a percentage of the overall trade of Egypt, Jordan, Lebanon, the Syrian Arab Republic, and the Sudan roughly averaged 16.7 per cent, 36.8 per cent, 19.8 per cent, 20.1 per cent, 19.3 per cent and 24.8 per cent respectively.

TABLE 12. INTRAREGIONAL TRADE AS A PERCENTAGE OF OVERALL TRADE OF ARAB COUNTRIES, 2004-2008

	2004	2005	2006	2007	2008
Algeria	3.21	2.53	2.41	2.44	3.30
Bahrain	10.62	9.76	9.15	9.98	..
Egypt	14.24	17.02	17.91	16.95	17.63
Jordan	34.77	36.65	38.23	37.43	37.00
Kuwait	6.94	8.55	7.32	5.31	5.07
Lebanon	20.96	21.49	17.67	19.02	..
Libyan Arab Jamahiriya	3.59	5.49	4.34	5.14	4.96
Morocco	6.83	8.63	8.96	8.72	8.81
Oman	21.10	17.94	18.93	21.18	21.60

TABLE 12 (*continued*)

	2004	2005	2006	2007	2008
Palestine	3.07	3.11	3.38	3.10	-
Qatar	9.52	9.20	8.87	8.91	7.20
Saudi Arabia	6.15	11.01	11.48	7.44	5.80
The Sudan	20.51	18.72	17.92	16.69	22.95
Syrian Arab Republic	22.36	19.79	27.12	29.83	..
Tunisia	6.64	8.29	9.24	8.55	10.46
United Arab Emirates	6.72	6.92	9.51	6.75	6.34
Yemen	10.02	11.43	11.80	12.75	15.42

Sources: ESCWA, calculated on the basis of the data from UN Comtrade available at: http://comtrade.un.org; IMF, Direction of Trade Statistics, available at: http: //www.imfbookstore.org.

Notes: (-) indicates that data are not available; Two dots (..) indicate that data are not accurate.

Given the importance of Arab intraregional trade in the economies of the region, table 13 shows that inter-Arab trade has made a remarkable contribution to GDP. As a percentage of GDP, Arab intraregional trade in 2004-2008, in Jordan, Oman, the Syrian Arab Republic, Bahrain, and Yemen roughly averaged 41.8 per cent, 19.7 per cent, 14.6 per cent, 13.3 per cent and 12.3 per cent respectively; but the average for Lebanon and the United Arab Emirates was low at about 10 per cent.

TABLE 13. INTRAREGIONAL TRADE AS A PERCENTAGE OF GDP IN THE ARAB COUNTRIES, 2004-2008

	2004	2005	2006	2007	2008
Algeria	1.90	1.63	1.57	1.58	1.44
Bahrain	13.33	14.20	11.91	13.62	..
Egypt	3.84	5.77	5.70	5.58	7.68
Jordan	36.21	42.76	41.99	43.22	45.10
Kuwait	4.81	5.60	5.04	3.99	2.90
Lebanon	10.37	10.56	7.97	10.91	..
Libyan Arab Jamahiriya	2.91	4.66	3.93	4.24	3.66
Morocco	3.32	4.63	4.88	5.37	6.13
Oman	18.86	16.02	27.17	21.31	24.87
Palestine	1.96	2.00	2.16	2.42	-
Qatar	7.40	7.76	7.86	8.20	5.83
Saudi Arabia	4.17	8.34	9.02	6.00	4.44
The Sudan	7.16	8.04	6.98	6.50	10.27
Syrian Arab Republic	11.12	9.94	18.14	19.27	..
Tunisia	5.26	6.75	7.93	8.34	11.39
United Arab Emirates	8.01	9.60	12.12	10.07	8.81
Yemen	8.68	11.18	11.64	13.70	16.24

Sources: UN Comtrade available at: http://comtrade.un.org; IMF, Direction of Trade Statistics, available at: http://www.imfbookstore.org; World Economic Outlook, available at: http://www.imf.org/external/pubs/ft/weo/2009/01/weodata/weoselgr.aspx; Palestine Central Bureau of Statistics, National Accounts at Current at Constant Prices, 2004-2008; available at: http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1547.pdf.

Notes: (-) indicate that data are not available; two dots (..) indicate that data are not accurate.

Tables 12 and 13 clearly show that intraregional trade constitutes high percentages of both GDP and overall foreign trade in Jordan, the Syrian Arab Republic, Oman, and to a lesser degree Lebanon.

(b) *Major country exporters in Arab intraregional export trade*

Table 14 shows that Saudi Arabia and the United Arab Emirates accounted for the greatest part of total Arab intraregional exports in 2007 and 2008. Their exports to other Arab countries, as a percentage of total intraregional exports, amounted to 48.1 per cent in 2007 and roughly 56.4 per cent in 2008. In contrast, the corresponding percentage was not high in the countries with a substantial share of their total exports going to the Arab region. Taken together, Jordan, Lebanon, Oman and the Syrian Arab Republic represented only 30.8 per cent of total intraregional exports in 2007. Such a paradox may be an additional reason for not pursuing liberalization of intraregional trade, as countries with a substantial position in it see no need to speed up a process of liberalizing the other Arab markets that has no potential of increasing their total exports significantly.[16]

TABLE 14. COUNTRY EXPORTS AS A PERCENTAGE OF INTRA-ARAB EXPORTS, 2007-2008

	2007	2008
Algeria	2.51	2.93
Bahrain	2.94	8.46
Egypt	8.52	15.85
Jordan	8.37	11.50
Kuwait	5.22	5.84
Lebanon	3.20	..
Libyan Arab Jamahiriya	3.47	4.66
Morocco	4.72	6.74
Oman	10.08	16.64
Palestine	0.13	-
Qatar	6.83	7.59
Saudi Arabia	26.83	27.21
The Sudan	3.54	7.57
Syrian Arab Republic	9.15	..
Tunisia	3.43	5.58
United Arab Emirates	21.25	29.18
Yemen	3.47	5.61

Source: ESCWA, calculated on the basis of UN Comtrade, available at: http://comtrade.un.org.

Notes: (-) indicates that data are not available; two dots (..) indicate that data are not accurate.

2. *Arab Free Trade Area (PAFTA): Prospects and challenges*

(a) *Pan-Arab Free Trade Area (PAFA)*[17] *and the prospects of Arab intraregional trade*

Although the volume of intra-Arab trade is small as a percentage of overall foreign trade of the Arab countries, there is a real possibility of growth in trade among them. For one thing, three highly integrated subregions stand out: Tunisia, Algeria, the Libyan Arab Jamahiriya Morocco and Mauritania; Mashreq countries: Jordan, the Syrian Arab Republic and Lebanon in addition to Egypt and the Sudan; and members of the GCC in addition to Yemen. During the trade liberalization period in the PAFTA member countries, intraregional trade exhibited high rates in the three subregions.[18] It is likely that greater economic and commercial cooperation among the countries of these subregions will strengthen their integration.

[16] Bernard Hoekman and Patrick Messerlin, *Initial Conditions and Incentives for Arab Economic Integration: Can the European Community's Success Be Emulated?*, in Arab Economic Integration Between Hope and Reality, Ahmed Galal and Bernard Hoekman, eds., Brookings Institution Press and Egyptian Center For Economic Studies 2003.

[17] Originally known in English translation as GAFTA (Greater Arab Free Trade Area), it was changed to PAFTA (Pan-Arab Free Trade Area) to match a later English translation of the same name.

[18] Georges Harb, *GAFTA and Intra-Arab Trade (1997-2004): An Analysis*, Journal of Development and Economic Policies, Arab Planning Institute, Volume 11, No. 1, 2009.

In addition, there is a possibility to increase trading among the three subregions, particularly between the GCC countries and those of the Mashreq, in which fuel, chemicals and clothing are the most important components of intraregional trade.[19] Turning this possibility into a reality by actually increasing the volume of intra-Arab trade primarily requires addressing the major obstacles that continue to improve full liberalization within PAFTA.

(b) *PAFTA and obstacles facing full trade liberalization*

After PAFTA came into force in 2005 and following the completion of the tariff-reduction process, non-tariff barriers emerged as one of the main obstacles to actual liberalization in PAFTA member countries. A recent firm-level survey conducted in nine PAFTA members regarding the most important factors preventing full liberalization of trade suggests that the high cost of using the infrastructure of overland and maritime transport is the first obstacle, the second being customs duties imposed on imported goods, followed by bureaucratic import/export procedures and the complex nature of inspection and testing of goods by customs authorites.[20]

Several studies have underlined the importance of "trade facilitation" in PAFTA member countries[21] for improving trade and deepening economic integration among those countries. The recommendations of those studies focused on the following points:

(a) Acceleration of customs administrative procedures by automation;

(b) Establishing links among custom services in neighbouring countries;

(c) Investment in transport and communication infrastructure through private capital and the provision of incentives for competition in the services sector;

(d) Acceleration of the process of trade liberalization in PAFTA member countries.

C. INTRA-ARAB INVESTMENT[22]

1. *Arab Intraregional investment flows*

In 2008, intraregional investment as a whole witnessed a remarkable growth rate of roughly 64.2 per cent, totalling $34 million compared to $20.7 million in 2007,[23] according to available data from 13 Arab countries receiving such investment.

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[19] Ibid.

[20] Bernard Hoekman and Jamel Zarrouk, Changes in cross-border trade costs in the Pan-Arab free trade area, 2001-2008, World Bank Policy Research Working Paper 5031, August 2009.

[21] Allen Dennis, *The Impact of Regional Trade Agreement and Trade Facilitation in the Middle East and North Africa Region*, World Bank Policy Research Working Paper 3837, February 2006; and Georges Harb, Trade Facilitation and Intra-Arab *Trade (1996-2002): An Empirical Assessment,* Journal of International Trade and Diplomacy, 2(2), Winter 2008.

[22] Data in this section covers both actual and authorized investments in the host countries. Adding authorized projects results in exaggeration.

[23] Arab Investment and Export Credit Guarantee Corporation, Investment Climate in the Arab countries, 2008. Available at: www.dhaman.org.

TABLE 15. ARAB FDI BY HOST COUNTRY AS A PERCENTAGE OF BOTH TOTAL ARAB FDI AND HOST COUNTRY'S GDP, 2007-2008
(*In millions of dollars*)

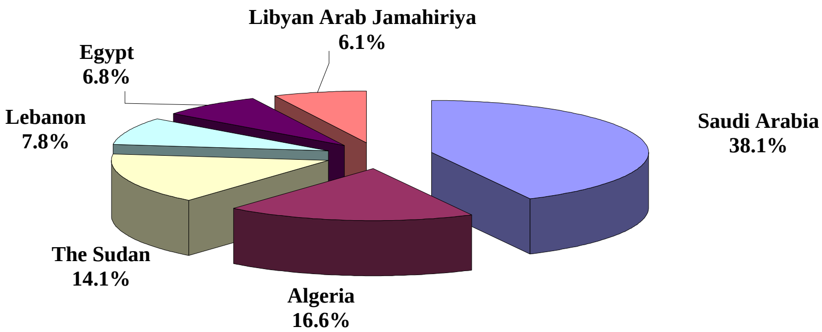
	2007			2008		
	Arab FDI	As % of total Arab FDI	As % of GDP	Arab FDI	As % of total Arab FDI	As % of GDP
Algeria	476.0	2.3	0.3	5666.0	16.6	3.5
Djibouti	7.2	0.03	0.8	5.1	0.01	0.5
Egypt	1874.6	9.1	1.4	2324.4	6.8	1.4
Jordan	816.5	3.9	4.9	433.6	1.3	2.2
Lebanon	3342.8	16.2	13.3	2661.1	7.8	9.2
Libyan Arab Jamahiriya	302.1	1.5	0.4	2079.9	6.1	2.1
Morocco	832.6	4	1.1	848.8	2.5	1.0
Oman	2653.3	12.8	6.6	-	-	-
Saudi Arabia	6388.0	30.9	1.7	12952.0	38.1	2.7
The Sudan	3339.8	16.2	7.2	4806.5	14.1	8.3
Syrian Arab Republic	370.0	1.8	0.9	1539.7	4.5	2.8
Tunisia	165.5	0.8	0.5	320.7	0.9	0.8
Yemen	92.0	0.4	0.4	393.1	1.2	1.4

Sources: Arab Investment and Export Credit Guarantee Corporation, Investment Climate in the Arab Countries, 2008. Available at: www.dhaman.org; IMF, World Economic Outlook, available at: http://www.imf.org/external/pubs/weo/2009/01/weodata/weoselgr.aspx.

Note: (-) indicates that no data are available.

In 2008, Saudi Arabia still topped the list of the recipients of Arab FDI in the region, attracting $12.9 billion or 38.1 per cent of total Arab intraregional FDI. Algeria came in second, attracting roughly $6 billion or 16.1 per cent of total Arab intraregional FDI, followed in the same order by the Sudan (14.1 per cent) and Lebanon (7.8 per cent).

Figure 17. Major country recipients of Arab FDI in 2008
(*Percentage*)



Source: Arab Investment and Export Credit Guarantee Corporation, Investment Climate in the Arab countries, 2008. Available at: www.dhaman.org.

Intra-Arab FDI in 2008 grew substantially in Algeria, the Libyan Arab Jamahiriya and the Syrian Arab Republic, while decreasing by 46.9 per cent, 29.2 per cent and 20.4 per cent in Jordan, Djibouti and Lebanon respectively.

As a percentage of GDP, intra-Arab FDI in 2008 was notably 9.2 per cent in Lebanon and 8.3 per cent in the Sudan. Remarkable growth in this respect was also seen in Algeria, the Libyan Arab Jamahiriya and the Syrian Arab Republic.

As far as investment sending Arab counties are concerned, the United Arab Emirates topped the list in 2008, with a total of nearly $10.7 billion or 44.6 per cent of total Arab FDI. Saudi Arabia, the Libyan Arab Jamahiriya and Lebanon received about 83.2 per cent of the total of the United Arab Emirates FDI in Arab countries in 2008.

TABLE 16. INTRA-ARAB INVESTMENT, BY SENDING COUNTRY AND MAIN HOST COUNTRIES, 2008
(*Percentage*)

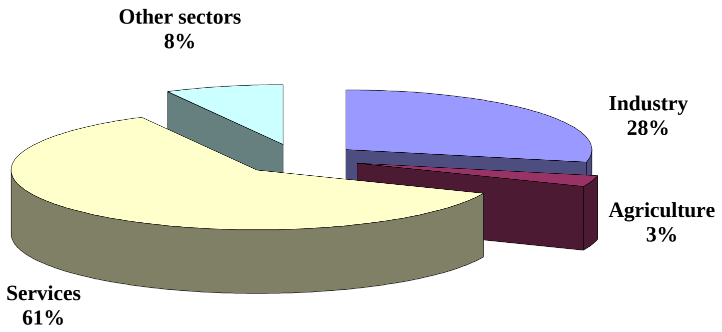
Sending country	Main host countries	Investment as a percentage of total intra-Arab investment of sending country
Bahrain	Saudi Arabia, Syrian Arab Republic, Lebanon	93.5
Egypt	Algeria, Syrian Arab Republic, Saudi Arabia	95.6
Kuwait	Saudi Arabia, the Sudan, Lebanon	88.9
Lebanon	The Sudan, Saudi Arabia, Yemen	97.6
Oman	Algeria, Yemen, Egypt	99.8
Qatar	The Sudan, Egypt, Lebanon	92.2
Saudi Arabia	Lebanon, Egypt, Syrian Arab Republic	67.9
United Arab Emirates	Saudi Arabia, Libyan Arab Jamahiriya, Lebanon	83.2

Source: Arab Investment and Export Credit Corporation, Investment Climate in the Arab Countries, 2008. Available at: www.dhaman.org.

Kuwait ranked second among Arab countries sending intra-Arab investment in 2008, with Saudi Arabia, the Sudan, and Lebanon together receiving 88.9 per cent of total Kuwaiti intra-Arab investment. Egypt came in third, with 95.6 per cent of its total intra-Arab investment going to Algeria, the Syrian Arab Republic, and Saudi Arabia. Investment by the United Arab Emirates, Kuwait and Egypt together approximated 61.2 per cent of total outward intra-Arab investment.

As to the distribution of intra-Arab investment by sector in 2008, the data show that the services industry and agriculture have received roughly 61 per cent, 28 per cent and 3 per cent of the total respectively (figure 18).

Figure 18. Distribution of intra-Arab investment by sector, 2008
(*Percentage*)



Source: Arab Investment and Expert Credit Guarantee Corporation, Investment Climate in the Arab Countries, 2008. Available at: www.dhaman.org.

Of total intra-Arab investment in the industrial sector, Algeria received nearly 67.7 per cent; in the agricultural sector, the Sudan received about 94.9 per cent, and in the services sector, Saudi Arabia received 62.9 per cent.

2. *Measures taken to encourage intra-Arab investment flows*

As part of regional efforts to stimulate intra-Arab investment, the Arab World investment Forum was held in early 2009 in Beirut with a view to increasing investment flows among the Arab countries through the removal of obstacles to investment and the promotion of investment opportunities in countries of the region. It should be noted, however, that the membership of the forum is open to all the domestic and regional institutions concerned with investment that and financing the private sector.[24]

Arab countries completed the process of reducing the cost of doing business and improving their business environment by undertaking various measures of reform including: simplifying the procedures of doing business in Saudi Arabia, Egypt, and Yemen' facilitation of investment procedures by establishing a single-window in the Sudan and the Syrian Arab Republic; revision of laws relating to investment and corporate profits in Qatar and Yemen; and simplification of import/export administrative procedures in Saudi Arabia and Egypt. Measures of this kind would reduce the cost of doing business which, in turn, would encourage domestic, Arab and foreign private capital to invest in various available opportunities.[25]

On the other hand, a number of agreements have been concluded to boost investment among the parties concerned, such as the Algeria-Mauritania and the Algeria-Kuwait investment promotion agreements as well as the Egypt-Saudi Arabia and the Algeria-Kuwait agreements on double taxation.[26]

Undoubtedly the Arab countries need to pursue their reform measures with a view to attracting greater intra-Arab investment. A recent study concluded that the following steps may positively add to the attractiveness of the Arab region to Arab investors[27] and of course, foreign investors:

- Strengthening efforts to improve the business environment;
- Continuing the policies of economic reform and of diversification of the industrial base;
- Exporting greater efforts to eradicate corruption from all official agencies and reduce investment risks;
- Upgrading the transportation and communication infrastructure;
- Promoting ways of enhancing intra-Arab trade.

D. INTRA-ARAB TOURISM

Since the deterioration of the global financial crisis in the last quarter of 2008, the world crisis in the last quarter of 2008, the world economy has gone into a recession, which results in a decline of international tourism. It is expected that the impact of the crisis on world tourism will get worse during 2009, particularly in view of the onset of the swine flu epidemic and the resulting panic in many countries.

[24] Arab Investment and Export Credit Guarantee Corporation, Investment Climate in the Arab Countries, 2008. Available at: www.dhaman.org.

[25] ESCWA, Foreign Direct Investment Report, 2009 (E/ESCWA/EDGD/2009/Technical Paper 2).

[26] Arab Investment and Export Credit Guarantee Corporation, Investment Climate in the Arab Countries, 2008. Available at: www.dhaman.org.

[27] Ibid.

However, in the Arab countries, not only did tourism in general grow by 14 per cent in 2008 in comparison with 2007, but intra-Arab tourism in particular increased by 18 per cent, with the number of tourists roughly reaching 20 million in 2008 against 24 million in 2007. Intra-Arab tourism in 2008 saw remarkable performance in Saudi Arabia, Egypt, Lebanon, and Oman in terms of increasing the number of tourists, but it declined in the Syrian Arab Republic (table 17). In past years, a number of Arab countries made great efforts to develop the tourism sector, especially those with comparative advantages in this respect. In addition to expanding and modernizing the infrastructure as well as building more hotels and touristic villages, they upgraded telecommunications and communications to facilitate the movement of tourists. Furthermore, those countries have, within the limits of available financial resources, intensified their promotion activities abroad by holding fairs and participating in conferences and meetings at the regional and international levels.

TABLE 17. INTRA-ARAB TOURISM, 2003-2007
(*Number of Arab tourists in thousands and as a percentage of total tourism*)

		2003	2004	2005	2006	2007	2008
Algeria	Number	100	119	151	156	172	176
	Percentage	8.54	9.65	10.43	9.54	9.87	9.95
Bahrain	Number	3589	4178	4716	3351	3661	4000
	Percentage	74.08	73.72	74.69	74.16	74.19	74.35
Egypt	Number	1259	1420	1625	1922	1960	2473
	Percentage	21.91	18.22	19.71	22.23	18.47	20.11
Jordan	Number	1476	1792	1847	2216	2140	2320
	Percentage	62.71	62.83	61.85	62.46	62.38	62.23
Lebanon	Number	421	520	437	427	404	464
	Percentage	41.46	40.69	38.31	40.15	39.72	33.17
Morocco	Number	57	64	75	80	90	97
	Percentage	1.21	1.16	1.28	1.21	1.22	1.24
Oman	Number	514	611	613	590	861	1350
	Percentage	67.80	61.32	57.32	52.27	61.48	75.00
Qatar	Number	283	295	365	413	398	409
	Percentage	50.72	40.35	39.98	43.68	41.33	41.66
Saudi Arabia	Number	4221	5139	5843	5460	7526	10285
	Percentage	57.56	59.76	72.71	63.34	65.27	69.70
Syrian Arab Republic	Number	1544	2349	2509	3530	3600	3311
	Percentage	74.04	77.54	74.49	79.83	78.85	60.98
Tunisia	Number	2173	2387	2366	2606	2630	2720
	Percentage	42.49	39.79	37.09	39.79	38.89	38.59
Yemen	Number	105	179	242	261	260	281
	Percentage	68.07	65.30	71.97	68.45	68.57	69.66

Source: ESCWA, data based on several national and international sources.

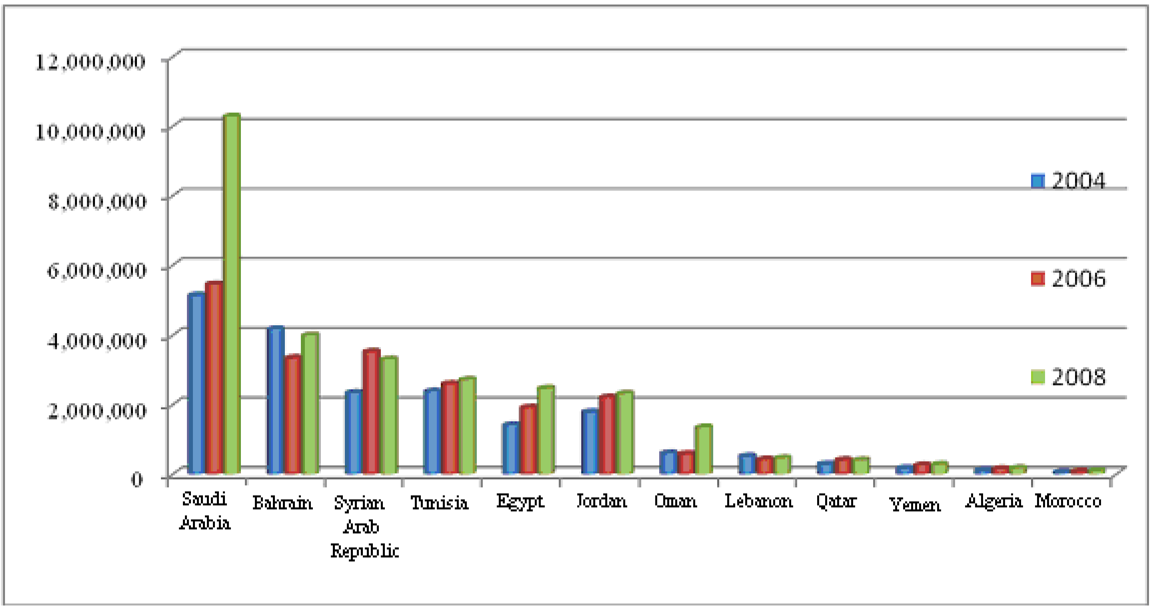
In Saudi Arabia, Arab intraregional tourism in 2008 grew by 37 per cent in comparison with 2007, while as a percentage of total tourism it grew from 65 per cent in 2007 to nearly 70 per cent in 2008. Saudi Arabia continued to lead the list of Arab tourist arrivals (figure 19). Kuwait ranked first among the Arab countries with its national visiting Saudi Arabia representing nearly 25 per cent of the total number of Arab tourists arriving in that country, followed by Egypt at 18 per cent, and the United Arab Emirates at 16 per cent. As to the purpose of visit to Saudi Arabia by Arab tourists, 39 per cent go for religious reasons, 21 per cent to do business and attend conferences, and only 9 per cent for vacations and shopping.[28]

[28] Saudi Commission for Tourism and Antiquities, Tourism Information and Research Centre, Main Tourism Indicators, 2004-2008. Available at: http://www.mas.gov.sa.

But the 2008 improvement in the Saudi tourism sector is expected to be slower in 2009 as Arab countries called on their citizen to postpone their visit to Mecca to perform Hajj (pilgrimage proper) or Omra (minor pilgrimage) for fear of exposure of swine flu. In the month of Ramadan last year, the occupancy rates of hotels in Medina fell below 10 per cent.[29] However, the spread of swine flu, which is likely to affect religious tourism, and the deteriorating global financial crisis, likely to affect business tourism and conferences, are expected to have a negative effect on international and Arab tourism, especially in Saudi Arabia in 2009.

In Egypt, the number of Arab tourist arrivals was unexpected in 2008, growing by 26 per cent over the previous year, and representing 20 per cent of total arrivals against nearly 18 per cent in 2007. Promotional efforts by Egypt's Ministry of Tourism contributed to this growth. In addition, cheaper tickets, reduced airport taxes, lower costs of accommodation, and a variety of activities made Egypt more attractive to tourists, especially those from Arab countries.

Figure 19. Intra-Arab tourism in selected countries, 2004, 2006 and 2008



Source: ESCWA calculations, based on table 17.

The Lebanese tourism sector flourished in 2008, with the number of visitors increasing by 38 per cent and that of Arab visitors by 15 per cent in comparison to 2007. The leading Arab countries in number of visitors to Lebanon, as a percentage of the total of Arab visitors to the country, were Jordan (30 per cent), Saudi Arabia (21 per cent), Kuwait (14 per cent), and Iraq (14 per cent).[30] However, as a percentage of the total number of tourists, the number of Arab visitors fell from nearly 40 per cent in 2007 to 33 per cent in 2008, because the number of non-Arab tourists grew at a greater rate than that of Arab tourists.

With regard to the performance of intra-Arab tourism in 2009, it is expected that the number of Arab tourists arriving in Lebanon will increase; but as a percentage of total arrivals it will decrease in view of the enormous growth in the number of non-Arab tourists arriving in the country. Preliminary figures for the first half of 2009 show that the number of all tourists visiting Lebanon has grown by 61 per cent to 461,000 compared with the corresponding period in 2008. In June 2009, Arab tourists visiting Lebanon numbered

[29] Middle East Business Resource: http://www.ameinfo.com/210416.html.

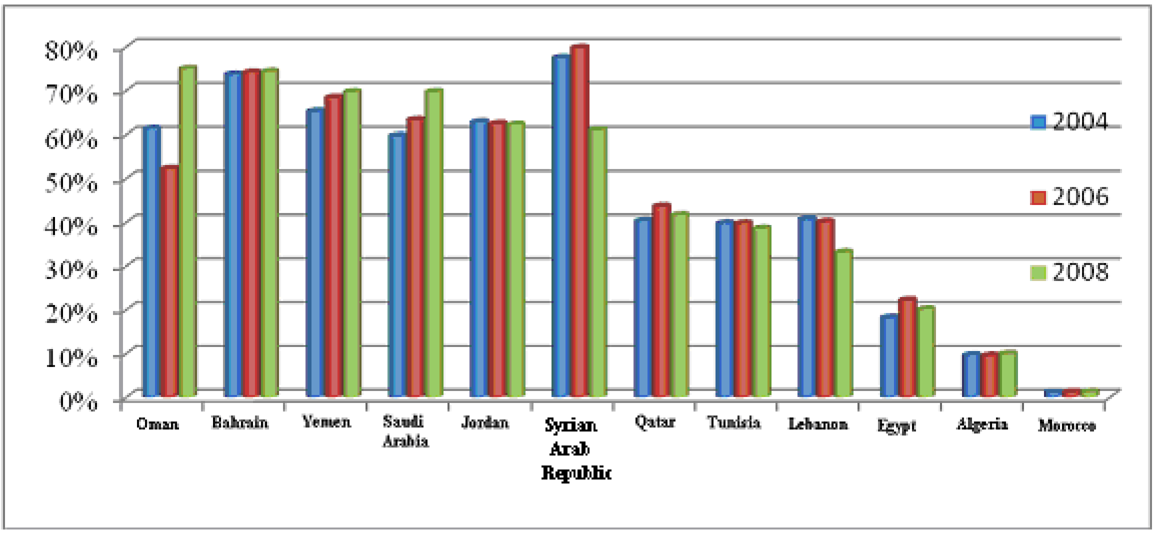
[30] Lebanon, Ministry of Tourism: http://www.lebanon-toursim.gov.lb.

59,000 or 31 per cent of the total number of arrivals, compared with 45,000 or 33 per cent in June 2008.[31] An increase was noted in the number of European visitors arriving from their Arab countries of residence, especially the GCC countries, as well as in the number of Lebanese emigrants, mostly dual citizens visiting from Europe, America and Australia in the summer of 2009.

In Oman, the tourism sector witnessed a marked boom in 2007 and 2008, which is expected to continue in 2009. The country received nearly 1.8 million tourists in 2008, an increase of 29 per cent over 2007; Arab tourists represented about 75 per cent of the total and an increase of 57 per cent.[32] The promotion activities and festivals organized by Oman have contributed to that boom. According to the site of the Oman Ministry of Tourism, Arab tourists come from the GCC countries; their numbers have increased since the start of the global financial crisis, particularly attracted by the variety of geographic locations and the diversity of touristic places and activities available, not to mention geographic proximity to the other Gulf countries.

In the Syrian Arab Republic, while tourism in general grew by 19 per cent in 2008 compared with 2007, intra-Arab tourism declined by 8 per cent to 3.3 million arrivals in 2008. Moreover, as a percentage of total tourism, intra-Arab tourism fell from 79 per cent in 2007 to roughly 61 per cent in 2008; as a result, the Syrian Arab Republic retreated to fifth place in the ranking of Arab countries by intra-Arab tourism as a percentage of total tourism (figure 20). Nonetheless, it should be noted here that although Arab tourists constituted 61 per cent of total tourism in 2008, their expenditures accounted for 77 per cent of the total expenditures of all tourists. As far as Arab tourist arrivals are concerned, in 2008 about 26 per cent came from Jordan, 22 per cent from Lebanon, and 20 per cent from GCC countries, accounting for 20 per cent, 21 per cent, and 40 per cent of total of Arab tourist expenditures in the country repectively.[33] Higher expenditures by tourists from GCC countries may be explained by the fact that they stay longer and do mostly shopping.

Figure 20. Intra-Arab tourism as a percentage of total tourism



Source: ESCWA calculations, based on table 17.

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[31] Ibid.

[32] Salah Al-Shaibany, *Oman Sees 11 per cent Rise in Tourist Arrivals*, available at: http://business.maktoob.com/20090000373186/0/PrintPage.htm; and http://www.mot.gov.om/, Oman Ministry of Tourism: Hussein Shehadeh, *Tourism in Oman: Rapid Global Recognition*, available at: www.alarabonline.org.

[33] Syrian Arab Republic, Ministry of Tourism, Tourism Statistics: http://www.syriatourism.org/index.php?module=subjects&func=listpages&subid=185&newlange=ara.

Intra-Arab tourism in 2008 grew in Morocco and Tunisia by 8 per cent and 3 per cent respectively, by virtue of increased efforts by both countries to attract Arab tourists; moreover, the strengthened Euro against the dollar and the deterioration of the global financial crisis have made North Africa more attractive to nationals of other Arab countries than Europe. The increasing growth may continue in Tunisia as the Government has increased budgetary allocation to the tourism sector in 2009 by 12 per cent.[34] Similarly, Jordan continued to attract Arab and non-Arab tourists; consequently intra-Arab tourism grew by 8 per cent in 2008, but as a percentage of total tourism, it remained around 62 per cent.

E. INTRA-ARAB MIGRANT WORKER REMITTANCES

The amount of intra-Arab worker remittances increased in 2008, compared with 2007, but varied from one country to another. In Egypt, it increased by 24 per cent in 2008, the highest percentage in the region. In Jordan, growth rate reached 9 per cent, increasing by $2,909 million in 2007 to $3,176 million in 2008. In Yemen, it grew by 7.5 per cent, from $1,123 million in 2007 to $1,207 million in 2008.

Intra-Arab worker remittances totalled nearly $14,251 million in 2008 against $12,896 million in 2007, at a growth rate of 10.5 per cent (table 18). It is noticeable that the total amount of intra-Arab worker remittance in 2008 was not affected by the financial crisis because it only began in the second half of the year and perhaps workers did not start returning to their home countries in that year. Even if they returned at that time they would have taken along their savings thus adding to the usual amount of remittances. Therefore, the return of those Arab workers would have a positive impact on remittances in the first year.

As a percentage of the GDP of various Arab countries in 2008, the amount of intra-Arab remittances was significant for the economies of Jordan, Lebanon, and Yemen at 16 per cent, 9.4 per cent and 4.5 per cent respectively.

As a percentage of FDI, intra-Arab remittances in 2008 were highest in Yemen at 291 per cent indicating a small share of FDI global inflows. Jordan followed Yemen at 163 per cent, also indicating that remittances were financially more significant than FDI inflows, notwithstanding the great success achieved by Jordan in increasing its share of FDI. But in Lebanon 75 per cent is considered high and points to the significance of remittances in the economy of Lebanon which, in this respect, came in third after Egypt and Jordan. In Egypt the percentage increased from about 31 per cent in 2007 to nearly 45 per cent in 2008, in view of the decline in FDI inflows as a consequence of the global financial crisis and the increase in the amount of remittances by roughly 24 per cent in 2008 – two factors which also apply in the case of Jordan.

In general, worker remittances continue to play an important role in the economies of the worker-sending countries, especially Jordan, Yemen, Egypt, Lebanon, the Sudan, and the Syrian Arab Republic, not to mention the contribution of such remittances to combating poverty, particularly in rural areas, and thus to the achievement of one of the main goals of the MDGs.

Intra-Arab worker remittances in the case of the countries of the Arab Maghreb are small, primarily because the number of their citizens working in Arab countries is smaller than that of those working in countries of the European Union. Intra-Arab worker remittances, as a percentage of total migrant worker remittances, do not exceed 8 per cent in Morocco and 10 per cent in Tunisia. Therefore, intra-Arab worker remittances in 2008 constituted only 1 per cent of GDP in each of Morocco and Tunisia. But as a percentage of FDI in Morocco and Tunisia, they were roughly 23 per cent and only 7 per cent respectively.

[34] World Tourism Organization, UNWTO World Tourism Barometer. Volume 7, No. 1 January 2009. Available at: www.unwto.org/facts/eng/barometer.htm.

TABLE 18. INTRA-ARAB MIGRANT WORKERS' REMITTANCES, 2004-2008
(*Millions of dollars and percentages*)

		2004	2005	2006	2007	2008
Algeria	Amount of remittances	172.2	136.5	176.9	148.4	154.1
	As percentage of GDP	0.2	0.1	0.2	0.1	0.1
	As percentage of FDI	19.52	12.63	9.85	8.93	5.83
Egypt	Amount of remittances	1503.5	2257.8	2398.3	3445.2	4264.2
	As percentage of GDP	1.9	2.5	2.2	2.7	2.6
	As percentage of FDI	69.57	42.02	23.88	29.76	44.9
Jordan	Amount of remittances	1981.4	2125.0	2450.9	2918.9	3176.45
	As percentage of GDP	17.2	16.5	17.2	18.4	15.9
	As percentage of FDI	244.31	120.6	75.53	150.69	162.6
Lebanon	Amount of remittances	2516.1	2215.8	2341.0	2596.1	2700
	As percentage of GDP	12.7	10.1	10.1	10.8	9.4
	As percentage of FDI	126.3	79.36	85.47	91.25	74.9
Morocco	Amount of remittances	337.7	367.1	436.3	538.4	538.4
	As percentage of GDP	0.7	0.7	0.7	0.7	0.7
	As percentage of FDI	31.6	12.5	17.81	20.89	22.6
Palestine	Amount of remittances	204.7	269.1	269.1	269.1	268.6
	As percentage of GDP	4.9	6.0	6.5	6.7	-
	As percentage of FDI	417.67	572.55	708.16	1281.4	926.4
The Sudan	Amount of remittances	912.0	660.4	751.6	1149.9	1202.5
	As percentage of GDP	4.1	2.3	1.7	2.4	2.06
	As percentage of FDI	60.35	28.65	21.23	47.20	46.2
Syrian Arab Republic	Amount of remittances	555.8	535.0	516.8	535.6	552.5
	As percentage of GDP	2.4	2.1	1.6	1.4	1
	As percentage of FDI	80.19	84.11	86.13	60.52	43.1
Tunisia	Amount of remittances	143.2	139.3	151.0	171.6	187
	As percentage of GDP	0.5	0.5	0.5	0.5	0.5
	As percentage of FDI	22.4	17.81	4.56	10.61	6.8
Yemen	Amount of remittances	1090.6	1090.6	1090.2	1122.8	1207
	As percentage of GDP	8.5	6.7	5.1	5	4.5
	As percentage of FDI	507.23	(421)	89.95	235.0	290.9
Total Arab countries	Amount of remittances	8764	9154	9818	12896	14250.8
	As percentage of GDP	2.8	2.6	2.3	2.5	2.2
	As percentage of FDI	93.94	56.08	36.52	48.44	52.44

Source: ESCWA estimates, based on World Development Indicators, 2009, available at: www.worldbank.org.

Notes: (-) indicates that data are not available; parentheses ( ) indicate negative figures.

F. INTRA-ARAB ODA

Intra-Arab ODA has helped recipient countries to private social services such as health, education, and other services; modernize and develop their intra-structure; and reduce poverty through ODA-financed national programmes to combat poverty.

Intra-Arab ODA fell sharply by 45 per cent in 2006, compared with 2005, but grew by 5.5 per cent in 2007. The 2006 decline was attributed to a decrease of 60 per cent in intra-Arab ODA extended to Iraq. In 2007, intra-Arab ODA to the Sudan, Iraq, the Syrian Arab Republic, Lebanon, and Egypt rose by 2.5 per cent, 3.5 per cent, over 200 per cent, 35 per cent, and 25.6 respectively.

TABLE 19. INTRA-ARAB ODA AMOUNT IN DOLLARS AND AS A PERCENTAGE OF GDP, 2005-2007

	2005		2006		2007	
	Amount in millions	As % of GDP	Amount in millions	As % of GDP	Amount in millions	As % of GDP
Egypt	597	0.67	523.8	0.49	657.6	0.51
Iraq	13227.6	41.7	5322	12.67	5505.6	9.93
Jordan	400.8	3.12	348	2.44	309.6	1.96
Lebanon	145.8	0.66	424.2	1.82	573.6	2.39
Morocco	415.8	0.80	626.4	0.95	643.2	0.88
The Sudan	1094.4	3.85	1230.6	2.8	1262.4	2.65
Syrian Arab Republic	46.8	0.19	15.6	0.05	49.2	0.13
Tunisia	218.4	0.76	259.2	0.83	193.8	0.55
Yemen	415.8	0.80	626.4	0.95	643.2	0.88
Total	16430.4	5.33	9033	2.35	9535.2	2.09

Source: Organization for Economic Cooperation and Development (OECD), available at: www.oecd.org.

The amount of intra-Arab ODA fell in a number of countries, including Jordan, Tunisia, and Yemen by 11 per cent, 25 per cent, and 20 per cent respectively. In terms of ranking by the amount of assistance received, Iraq came in first in 2007, with $5,506 million or roughly 58 per cent of total intra-Arab ODA; but the amount in this case covered several forms, including the reduction of the effects of war, debt forgiveness, and technical assistance. The Sudan came in second with $1 262 million or 13 per cent of the total, followed by Egypt with about $658 million, and Morocco with $633 million or 6.7 per cent of the total.

There has been a downward trend in intra-Arab ODA as a percentage of GDP in most of its recipient countries, as the latter grew at a rate faster than that of the former. For example, in Morocco, the percentage fell from 0.95 per cent in 2006 to 0.88 per cent in 2007 in spite the increase of intra-Arab ODA in absolute terms. Similarly, in the case of Iraq, the percentage fell from 12.7 per cent in 2006 to 9.9 per cent in 2007.

It is expected that the global economic crisis which shook the world economy in the second half of 2008 will affect the flow of ODA to the region, including the flow of intra-Arab ODA. It is therefore expected that the amount of ODA will decrease in 2008 and 2009, which will have a negative impact on the ability of recipient countries to finance numerous projects, including those aimed at combating poverty and unemployment as well as developing the infrastructure called upon to make an effort not to reduce the ODA they offer. Similarly, Arab funds, especially development funds, are encouraged to continue to extend financial and technical assistance to Arab countries, especially the least developed ones adversely affected by the global financial crisis which may hinder their ability to achieve the MDGs, particularly the reduction of poverty by half by the middle of 2015.

III. SECTORAL APPROACH TO ARAB REGIONAL INTERGRATION

A. TRANSPORT SECTOR

1. *Developments in the transport sector in the Arab world, 2008-2009*

(a) *Agreement on international roads in the Arab Mashreq*

The agreement entered into force on 19 October 2003; its ratifications increased to 12 following its ratification by Iraq (17 March 2008) and the Sudan (30 July 2009). Upon the request of the Secretariat-General of the League of Arab States, and within the framework of drawing up a joint Arab strategy to develop transport in the Arab region as part of the larger context of the joint Arab strategy for Arab economic and social action, ESCWA prepared in September 2008 a working paper, "Condition of the transport system and ways to develop it in the Arab region", providing a detailed description of the actual condition, issues and problems of the regional transport system as well as a proposed comprehensive and integrated strategy fro its development. The working paper also presented a proposed draft map of road axes to link the Arab countries as well as meet the technical specifications and conform to the numbering system contained in the Agreement; east-west routes will have the same numbers in the countries of the Mashreq and the Maghreb. The numbers assigned to north-south routes of the Arab countries in Africa serially followed those of the routes of the Asian Arab countries.

(b) *Agreement on International Railway in the Arab Mashreq*

The agreement entered into force on 23 May 2005; the number of ratifications reached nine upon the Sudan's ratification of the Agreement on 30 July 2009. ESCWA made a significant contribution to drafting a plan to link up the Arab countries by railway in cooperation with the Department of Transport and Tourism at the League of Arab States in an effort to have all the Arab countries join the Agreement. The plan was approved by the Arab Economic Development and Social Summit under the rubric "Railway Project to link the Arab countries". The project adopts the technical specifications and numbering system contained in the Agreement such that east-west axes will have the same numbers in the Mashreq and the Maghreb. North-South axes in the Arab countries of Africa will follow the series of numbers used in the Arab countries of Asia. At the present time, the Secretariat-General of the League of Arab States and the secretariat of ESCWA coordinate the follow-up of steps taken by the Arab countries to amend their existing regulatory measures and legislation regarding railway with a view to making them compatible with the implementation of the trans-Arab railway project.

(c) *Memorandum of Understanding Concerning Cooperation in the Field of Martine Transport in the Arab Mashreq*

The memorandum of understanding entered into force in September 2006. Following ratification by Iraq (17 March 2008), Oman (25 February 2009), the Sudan (30 July 2009) and Yemen (5 March 2009), its number of ratifications reached 10.

(d) *Agreement on Multimodal Transport of Goods between the Arab Countries*

ESCWA cooperated with the League of Arab States in 2008 to prepare a common draft of this Agreement. At its 21st session (Port Said, 29 October 2008), the Council of Arab Ministers of Transport approved the draft Agreement and agreed to present it for approval by the competent authorities at the Secretariat-General of the League of Arab States in a step preliminary to its ratification by Arab countries. At its 22nd session (28-29 October 2009), the Council authorized its technical secretariat to initiate contacts with the Secretariat of ESCWA to conclude a memorandum of understanding between the Council and ESCWA on laying the foundations for their cooperation on implementing the Agreement.[35]

(e) *Technical Committee on Facilitation of Transport and Trade between Arab Countries*

The Council of Arab Ministers of Transport held a consultation meeting (Amman, 2 July 2009) in which they discussed and adopted draft common document on the goals, tasks and machinery of the Technical Committee; the document was prepared by the Jordanian Ministry of Transport in collaboration with the secretariat of ESCWA. The meeting was held pursuant to the results of the Arab Economic, Development, and Social Summit (Kuwait, 19-20 January 2009); the Kuwait Declaration which provided policies and directions for raising the standard of living of citizens of the Arab countries as well as a plan of action indicating the areas and steps needed for their implementation for their implementations; the decision of the Summit to launch the Arab railway interconnection project to strengthen regional network links, with a view enhancing Arab economic integration; and the decision to establish the Technical Committee taken by the Council Arab Ministers of Transport (Cairo, 7 May 2009). In accordance with the recommendation contained in the final statement of the Amman Consultation Meeting which created the Technical Committee, it soon held its first meeting on 7 August 2009 in Damascus. ESCWA secretariat participated in the meeting which following a discussion of the observations and proposal made by some Arab countries as well as the remarks of participants regarding the common draft document, reached agreement on a revised version of the document which was later submitted to the Economic and Social Council of the League of Arab States for consideration at its 84th session (3 September 2009). The Economic and Social Council adopted resolution 1870 inviting the current chairman of the Council of Arab Ministers of Transport to submit the revised final document to the following session of the Economic and Social Council held in February 2010 in order to taken action there on with prejudice to the tasks of other Committees of the Council of Arab Ministers of Transport considered the draft document and adopted a resolution charging the Secretariat-General with the task of circulating the draft document among the Arab countries for their comments as a preliminary step toward submitting it to the next session of he Economic and Social Council of the League of Arab States.[36]

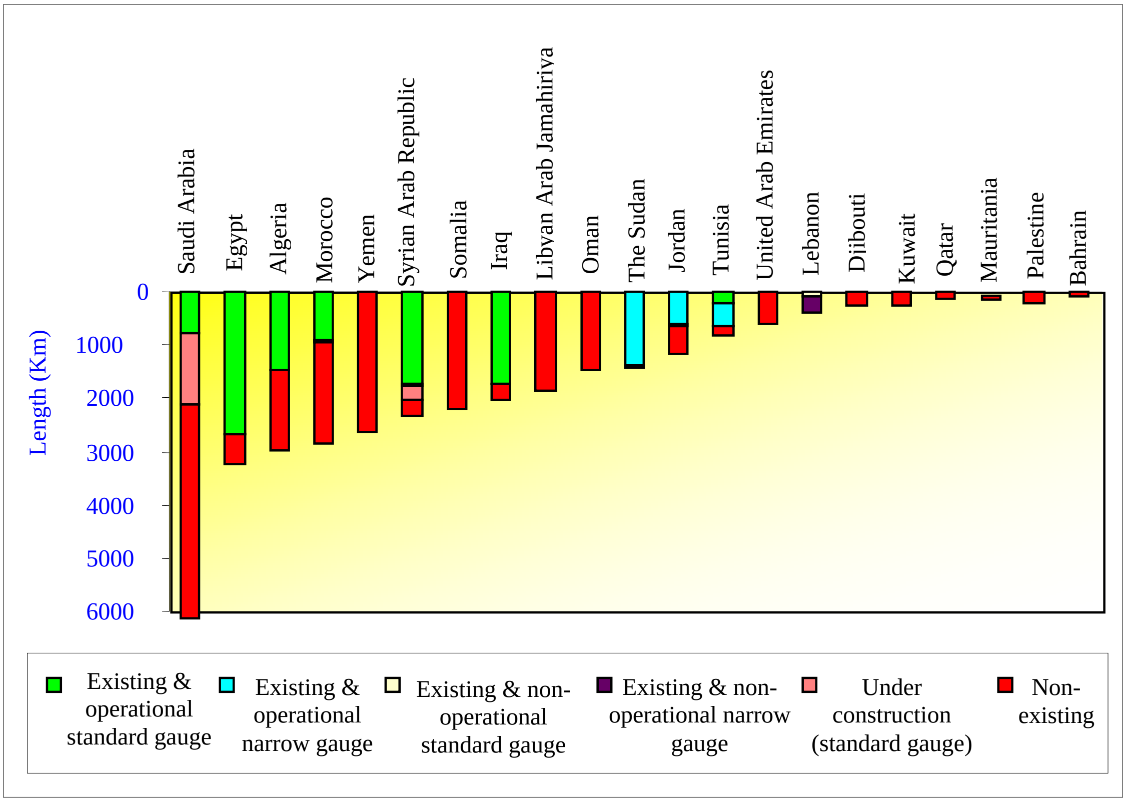
2. *Railway transport*

Railway transport is considered a major land transport sector in view of its effective role in the economy in terms of cost as well as a high degree of safety and security. Consequently, it has received great attention in the Arab countries which dedicated budgetary outlays to the development and expansion of both domestic and international railway networks. A number of those countries have implemented railway projects and developed plans to interconnect railway networks of the countries of the Arab region. The Arab Economic, Development, and Social Summit (Kuwait, 19-20 January 2009) approved the Arab railways interconnection project.

[35] League of Arab States, Council of Arab Ministers of Transport, Twenty-Second Session, 28-29 October 2009, Resolution 329, xxll Ordinary Session, 28 October 2009.

[36] League of Arab States, Council Arab Ministers of Transport, Twenty-Second Session, 28-29 October 2009, Resolution 323, xxll Ordinary Session, 28 October 2009.

Figure 21. Railway situation, by Arab country



Source: Arab Union of Railways: http://www.au-railways.org.

Jordan[37]

Since May 2008, Jordan's Ministry of Transport has been seeking the implement action of a project to establish a 1 100 km along National Railway Network at an estimated cost of nearly $5 billion; bidding will take place in 2010. The goal of the Network is to turn Jordan into a regional interconnections and links between major cities, not to mention interregional trade. Building this network will involve the establishment of inland ports in Mafraq and Amman as well as along the Amman development road will b a launch, manufacturing, export and link-up centre between the Syrian Arab Republic and Turkey. The proposed railway network is made up of a north-south axis extending from the Syrian border to Aqaba and an east-west axis from Mediterranean parts, through Irbid, to the Iraqi border, with a branch running from Azrag to Al-Oman area on the Saudi border. Moreover, the two main axes may be affected by secondary axes such as the secondary axis Dead Sea-Road Sea-Batn al-Ghoul/Saudi border (in the Modawara area and its link with Egypt via Aqaba.

The United Arab Emirates[38]

The United Arab Emirates National Transport Authority (NTA) is currently developing railway regulations that would govern the country's emerging railways including the newly created Union Railway Company. In May 2009, NTA called for the submission of tenders and received responses for the submission of tenders and received responses from more than 12 international railway consultants and entrepreneurs. The regulations cover trade, economic aspects, health and safety, and systems in order to

[37] Jordan's Ministry of Transport link: http://www.mot.gov.jo/news_item/628

[38] National Transport Authority: http://www.nta.gov.ae.

develop this industry in all its phases. It has already set 30 obligatory and representing the minimum standards needed for planning, design, construction and maintenance of railway in the United Arab Emirates.

For its part, the GCC Secretarial General conducted in January 2008 an economic feasibility study of a railway network project for its member countries, namely the United Arab Emirates, Bahrain, Oman, Qatar, Kuwait and Saudi Arabia. The study concluded that it was necessary to have compatible institutional frameworks for railway to ensure interoperability among all the GCC countries.

Bahrain[39]

Bahrain on 18 May 2007 ratified the Agreement on International Railway in the Arab Mashreq which went into force on 23 May 2005. The GCC Secretariat General in July 2007 commissioned a specialized consulting firm to conduct an economic feasibility study of the construction of railways to link up the GCC countries (in a manner of consistent with the Agreement).

Tunisia[40]

Société Nationale des Chemins de Fer Tunisiens (SNCFT – Tunisian Railways) manages, operates and develops the Tunisian railway network which is made up of 2,153 kilometres of railway, according to 2005 statistics and data available until 2007. Only 3 per cent of the network is electrified and 77.8 per cent have narrow gauge lines. SNCFT concentrates its activities on passenger transport along the Ahwaz lines and on the transport of phosphates and chemical fertilizers along the southern lines. It designed a plan to develop the Tunisian railway network to make it consistent with its main activities as well as with international standards in preparation for joining the Arab railway interconnection project.

Algeria[41]

The Government of Algeria in 2008 allocated $18 billion to upgrading and extending its railway network. The Ministry of Transport developed a plan to study, equip and modernize more than 6,000 kilometres of railway lines. The plan covers the areas of Tlemcen, Saïda, El-Affroun, Khemis Meliana, and Chelef in the west of Algeria; as well as the areas of Theniet, Tizi Ouzou, and Bordj Bou Arreridj in the east. Russian Railway won the tender to build a railway network in the capital of Algeria worth about $1,200 billion. All the Algerian railway projects fall within the scope of modernizing and building axes meeting the international specifications required for railway links between the Arab countries which were approved by the Arab Economic, Development and Social Summit (Kuwait, 19-20 January 2009).

Saudi Arabia[42]

Saudi Railways Organization (SRO), which falls under the Ministry of Transport, operates and maintains the railways, including modern wagons. It has 2,227 wagons for passengers as well as solid, liquid and bulk goods. The organization has undertaken the following: building three modern terminals in Riyadh, Dammam, and Hafouf; upgrading passenger and cargo wagons; constructing a wagon maintenance centre; and the inauguration of the Dry Part in Riyadh. The Ministry of Transport undertook studies on the expansion project of the railway network, which the Higher Economic Council approved for implementation. Financial, technical and legal consultants were engaged to prepare the project documents, a step towards

[39] Bahrain, Ministry of Transportation, Report to the Expert Group Meeting on the Harmonization of Transport Legislation and Institutional Structures in the ESCWA Region (Damascus 12-13 November 2008). Regarding ITSAM, particularly the Agreement on International Railway in the Arab Mashreq.

[40] Tunisian Railway Network report submitted to the Arab Union of Railways, November 2007.

[41] Aljazeerah new page: http://www.aljazeera.net/NR/exeres/3F156538-8E86-4C1F-BAF7-7D10BDBD79CA.htm.

[42] Saudi Railway Organization, Ministry of Transport: http://www.mot.gov.sa/R_Sekat_7aded.asp.

presenting the project for building by international private sector investors. The network expansion studies included:

- *East-West Line*: A 950 km railway which connects Jeddah Islamic Port on the Red Sea with the seaports of King Adul Aziz in Dammam and King Fahd in Jabail on the Gulf through the existing network between Dammam and Riyadh;
- *North-South Line*: A 1,408 km line which connects Riyadh with the northern region of Hazm al-Jalamid. Work now is underway on a project to build a 115 km line connecting al-Jubail and Dammam as well as a 570 km line connecting Jeddah with Mecca and Medina, with a link to Yanbu. This line will serve passengers on pilgrimage, umra (minor hajj) or a visit.

The Sudan[43]

The Sudan acceded to the Agreement on International Railways in the Arab Mashreq on 30 July 2009. Currently, the Sudan Railways Corporation (SRC) is concerned with the execution of several projects aimed at the reactivation and construction of railways in accordance with international specifications and standards. Following are two of the most important of those projects: (a) construction of 942 km, 1,435 mm standard gauge railway line extending from Khartoum to Port Sudan (including embankments, ballast, bridges, culverts, modern stations, distance markers, modern signalling and communications systems); (b) and the construction, in accordance with international specifications, of a 280 km, standard gauge line extending form Khartoum to Sannar, which in its first phase will run parallel to the existing Khartoum-Mushallamah over a distance of 160 kilometres.

The Syrian Arab Republic[44]

The Syrian Railways Public Enterprise in 2008 reviewed the situation of the international railway links covered by the Agreement on International Railways in the Arab Mashreq; existing links totalled 1,847 kilometres and were in conformity with the requirements of the Agreement, except for 408 kilometres. The length of links not yet implemented totalled 494 km, but their feasibility studies were completed. Surplus at Syrian Railways Public Enterprise and government budget allocations are used to finance studies, construction and improvement.

Iraq[45]

In 2007, 2008 and 2009, Iraqi Railways Public Corporation (Ministry of Transport) executed several projects to build, develop and modernize a number of axes and lines as part of the domestic and international railway network in Iraq, making sure that they were in conformity with standards provided for an International agreements, including the Agreement on International Railways in the Arab Mashreq, International, which Iraq expects to accede to in the near future.

Oman[46]

Although by November 2008 Oman had still not acceded to the Agreement on International Railways in the Arab Mashreq, its Ministry of Transport and Communications took part in the examination of the

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[43] See current projects on the Sudan railway site: http://www.sudanrailways.gov.sd/ar/current_pro.htm.

[44] State Planning Commission, the Syrian Arab Republic, report to ESCWA, 22 March 2008, as part of the preparations for the tenth session of the Transport Committee.

[45] Iraqi Railway Public Corporation: http://www.iraqrailways.com/.

[46] Ministry of Transport and Communications, Oman. Report on ITSAM implementation, Particularly the Agreement on International Railways in the Arab Mashreq Expert Group Meeting on Institutional and Legislative Harmonization of Transport in the ESCWA Region, Damascus, 12-13 November 2008.

feasibility study on a project for construction of a GCC railway network. Bids were called for the contract to conduct an economic feasibility study of the design requirements for the railway project of the Batinah region in Oman.

Palestine[47]

The technical specifications for the linking railway axes in Palestine were included in the terms of reference proposed by Palestine for the detailed study which deals with drafting a comprehensive scheme for a railway network. It is presumed that standardized specifications will be adopted for that network to which Palestine belongs. Moreover, most of the proposed specifications conform to those of the Agreement on International Railway in the Arab Mashreq. According to data available to the Palestinian Ministry of Transport and Communications on presently existing and operational railway networks in the Arab countries, out of the total length of 11,594 km, about 696 km (or 6 per cent) are single track, non-operational lines. As to maximum speed, it is considered low on a substantial part of the railway of the present network, being 220 km/h for passenger locomotives and 120 km/h for cargo locomotives.

Qatar[48]

Qatar Diar Real Estate Investment Company, owned by Qatar Investment Authority, signed in August 2008 a memorandum of understanding with the German rail operator Deutsche Bahn to draw up a railway project plan for Qatar. The project involves the development of a conceptual design for integrating Qatar’s various planned railways into a comprehensive and consolidated railway system at both the national and regional levels. Deutsche Bahn will undertake financial and technical assessment studies.

A high speed train line is planned to connect Doha with neighbouring Bahrain via one of the longest bridges in the world. Qatar also plans to establish cargo and passengers services across the country within the framework of the wider GCC railway network as well as a metro system for the capital Doha.

The Libyan Arab Jamahiriya[49]

The Railway Executive Board, pursuant to a decision taken by the People’s General Committee in 2006, assumes responsibility for the execution of the railway network project in stages. The project consists of two main lines. A northern 2,178 km coastal line extends from Emsaid at the Egyptian border in the east to Ras Ejdeer at the Tunisian border in the west, with branch lines. A southern 992 km line extends from Eishah to Brak and Sebha.

According to information received by ESCWA until January 2008, studies and designs relating to all the links on the coastal line between Emsaid and Ras Ejdeer had been completed, except that the Tobruk-Derneh-El Beyda-Benghazi section is still under study. Execution of earthworks and foundations is currently underway for the section between the Libyan-Tunisian border and Sert.

Egypt[50]

On 3 May 2004, Egypt ratified the Agreement on International Railways in the Arab Mashreq. Following are the rail links still lacking, arranged according to priority of feasibility study and construction:

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[47] Ministry of Transport and Communication, Palestine. Report on the Technical Specifications of Railways in Palestine, sent to ESCWA by e-mail, 13 December 2008.

[48] Aljazeera news page: http://www.aljazeera.net/NR/exerces/7E1BE628-6020-47E3-9672-7BF78652CCDE.htm.

[49] “Transport in the Libyan Arab Jamahiriya”, on Wikipedia: www.wikipedia.org.

[50] Egyptian Ministry of Transportation, “Follow-up Report on the Implementation of ITSAM components and Transportation Developments in Egypt in 2008”, November 2008.

Priority of study of construction	Axis no.	From	To	Length (km)	Current status of feasibility studies
1	R 50	Beer Al-Abd	Rafah	135	Preliminary feasibility study of 77 km of total link completed (Beer AL-Abd-El Arish)
2	R 45	Aswan	Wadi Halfa	500	Feasibility study underway
3	R 60	Nweiba	Nakhl	150	No action on study taken yet
4	R 60	Nakhal	Verdun Bridge	250	No action on study taken yet

Specifications of the 260 km section from Salium to Matrouh not in conformity with the Agreement have been identified; this section needs rehabilitation at a total cost of EGP 750 million, not including mine removal. The year 2000 was set as the expected date of completion of the whole line, in accordance with the timetable proposed for the implementation of the Agreement.

Morocco[51]

Preparations are currently underway to transform the National Office for Railway of Morocco (the official railway operator) into a limited company in order to make its institutional structure consistent with new market developments, which will enhance efficiency and enable the formation of new partnerships with other operators aimed at raising more funds, establishing new railway installations, and diversifying the sources of financing.

Passenger transportation grew significantly by roughly 60 per cent, from 14.7 million in 2002 to 23.6 million in 2006,[52] and transportation of goods increased by 19 per cent in the same period from 29.9 million tons to 35.5 million tons.

Moroccan railways have notably carried the largest volume of goods in the Arab world-roughly 35 million tons in 2005 or nearly 44 per cent of the total for all the Arab railways. The railways of Morocco also achieved the highest productivity – about 5.9 billion tons/km in 2005 or 30 per cent of the total railway productivity in the Arab world. But they ranked second to Egypt in terms of passenger transport.

Yemen[53]

In 2008, Yemen deposited with the Secretary-General of the United Nations its instrument of ratification of the Agreement on International Railways in the Arab Mashreq. At the present time, the Ministry of Transportation has been undertaking various surveys as well as technical and economic feasibility studies to build railways. In collaboration with ESCWA and GCC, initial practical steps were taken in 2007 to carry out economic feasibility studies for the construction of international and domestic railway lines. An expert team from ESCWA undertook an initial field visit to Yemen from 26 July to 1 August 2008 during which an agreement was reached on the data needed for the study. The team held discuss with Yemen officials on the proposed content and course of the study which is expected to be completed by the end of 2009.

In addition to the agreement signed on 4 December 2006 by the Yemen Ministry of Transport and ESCWA concerning the conduct of an economic feasibility study on the construction of international railway lines in Yemen, the two sides signed on 16 February 2009 an annex thereto to carry out anther feasibility

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[51] Railway Installations in Morocco, Report to Arab Railways Union, November 2007.

[52] League of Arab States, Division of Statistics and Databases, Statistical Series for the Arab Countries, No.11, 2005. Available at: www.arabstatistics.org/Activities.aspx.

[53] Yemen Ministry of Transport Action Report on ITSAM Implementation, Particularly the Agreement on International Railway in the Arab Mashreq, Expert Group Meeting on Institutional and Legislative Harmonization of Transport in the ESCWA Region, Damascus, 12-13 November 2008.

study of a project to construct a railway line for the transport of minerals (Al Jawf/Maarib/Shabwa/Belhaf) and another line to link densely populated cities with part cities, including Al-Makha, Taiz and Aden.

B. ENERGY SECTOR

The Arab countries continued their efforts to establish power grid interconnections, taking into account the vital role of the electricity sector in development as well as the technical, economic and environmental advantages of enhanced power grid interconnections. The most important of those advantages are: emergence of a single, expanded network that provides greater balance, stability and security, thus paving the way for the creation of a regional electrical power market which would reduce investment in reserve generation units in linked individual countries; and transmission of electrical power from lower-cost to higher cost power generation efficiency and using renewable sources of energy involving fewer CO_2 emissions consistent with relevant international standards.

According to information made available at the eighth of the Council of Arab Ministers Responsible for Electricity (Cairo, 20 May 2009), the most important developments of 2008 and 2009 in Arab electrical interconnection may be summarized as follows:

(a) *Eight Country Interconnection Project*

Upon approval by the ministerial meeting of the member states of the Seven Country Interconnection Project (Amman, 27 October 2008), Palestine signed an agreement to join the project which henceforth became an eight country project linking the grids of Egypt, Iraq, Jordan, Lebanon, Palestine, the Libyan Arab Jamahiriya, the Syrian Arab Republic, and Turkey at a voltage level of 400-500 KV. The following table shows the progress of the project:

<table>
<tr><th>Interconnection line</th><th>Progress</th></tr>
<tr><td>Syrian Arab Republic - Lebanon</td><td>As of 27 April 2009, Lebanon began to receive electrical power from the Syrian Arab Republic at a level of 400 KV, with asynchronous connection; a section of the Lebanese grid was separated and linked to the Syrian grid.</td></tr>
<tr><td>Syrian Arab Republic - Iraq</td><td>Following the completion of the required studies, operation is expected to start in 2010.</td></tr>
<tr><td>Syrian Arab Republic - Turkey</td><td rowspan="2">Interconnection is expected to be operational upon UCTE approval of Turkey's joining its common electrical network.</td></tr>
<tr><td>Iraq - Turkey</td></tr>
<tr><td>Egypt - Libyan Arab Jamahiriya</td><td>Interconnection at a level of 400 KV is expected in 2012.</td></tr>
</table>

Work was completed on operational studies on connecting Lebanon with the system of interconnected countries; the studies were conducted in Tripoli, the Libyan Arab Jamahiriya during the period from 22 June to 11 July 2008. The findings showed that it was possible to supply Lebanon with a 260 MW capacity via a 400 KV line as well as with a 100 MW capacity via the existing Syrian 220 KV and 66 KV lines. It was stressed that the studies needed to be periodically reviewed and that it was necessary to have contingency plans in place critical situations on those lines.

According to a contract signed on 21 February 2009, Egypt will supply Lebanon with electricity, using power exchange formulas based on the global oil prices and applying the usual method. Egypt would provide Jordan, Lebanon and the Syrian Arab Republic with 150 MW each during off-peak times. If Jordan and/or the Syrian Arab Republic have excess capacity, they transmit electricity to Lebanon.

Box 1. An update on the work of the committees of the Eight Country Interconnection Project

(a) *General Committee Operations*

- A workshop was held by the Committee in Cairo, from 21 to 22 January 2009, to activate the Monitoring Center for coordination, which is headquartered at the Egyptian Electric Holding Company;
- The ministerial meeting of the member States of the Eight Country Interconnection Project recommended that the relevant authorities of Iraq, the Syrian Arab Republic and Turkey hold a meeting timeframe for the completion of all the requirements for the operation of Iraq - Syrian Arab Republic, Syrian Arab Republic – Iraq, and Iraq - Turkey links, and that on report thereon be submitted to the next ministerial meeting;
- The Committee held a meeting (Damascus, 23-24 February 2009) to discuss: (i) the formation of a working group composed of representatives of the countries concerned to study the problem of frequency instability on the interconnection lines and its adverse effects; (ii) to entrust the General Committee on Operations to review the operational instructions of the interconnected countries; (iii) and other matters relating to strengthening cooperation.

(b) *Committee on Optic Fibers*

The Committee prepared a consolidated report summarizing laws and legislation governing the use of optic fibers on lines of the interconnection project.

(c) *Committee on Electric Power Transit Fees*

At its meeting (Libyan Arab Jamahiriya, 14-15 March 2009), the Committee adopted the final version of the terms of reference for the selection of a consultant to study electric power transit fees among the countries of the Eight Country Interconnection Project.

(d) *General Committee on Planning*

At its meeting held in (Cairo, from 28 to 29 January 2009), the Committee agreed to convene in Turkey, on 16-17 May 2009, a workshop on modern technologies used in the electric power systems of the countries participating in the power interconnection project.

(e) *Steering Committee*

The Steering Committee composed of currently interconnected countries within the Eight Country Interconnection Project – Egypt, Jordan, and the Syrian Arab Republic, the Libyan Arab Jamahiriya, and Lebanon – was formed to address through discussion and follow up work matters relating to strengthening and supporting its members' links. It held its first meeting in Cairo on 28-29 May 2009.

According to statistics from the secretariat general of the Eight Country Interconnection Project, the amounts of electricity exchanged in 2008 (in GW hrs) were as follows:

Egypt to Jordan:	534
Syrian Arab Republic to Jordan:	13
Egypt to Syrian Arab Republic:	206
Syrian Arab Republic to Egypt:	502
Jordan to Syrian Arab Republic:	8.244
Jordan to Egypt:	8.6
Egypt to Libyan Arab Jamahiriya:	49
Libyan Arab Jamahiriya to Egypt:	87

(b) *Arab Maghreb Power Grid Interconnection Project*

The following table shows the latest developments in the project:

Interconnection line	Expected date of operation of project
Algeria – Morocco (400 KV)	The project is ready on the Algerian side and is scheduled to be completed during 2009.
Libyan Arab Jamahiriya – Tunisia (220 KV)	The synchronization test carried out (unsuccessfully) in 2005 will be repeated in 2009, as its success means interconnection between the eight-country project and the Maghreb countries which are connected to UCTE.
Algeria – Tunisia (400 KV)	The project is ready on the Algerian side as it has since 2008 been a part of the project to strengthen the domestic network operating at 400 KV; work is underway to strengthen this network with other stations and lines which will be operational during the period 2009-2012.
Algeria – Libyan Arab Jamahiriya (400 KV)	Work is underway on the Algerian side to strengthen the domestic network operating at 400 KV, which is expected to cover the south-eastern part of the country in 2012, thus facilitating the completion of the 400 KV line linking Algeria and the Libyan Arab Jamahiriya.

Amounts of electricity exchanged in 2008 were as follows (GW/hrs):

Morocco to Algeria: 130
Algeria to Morocco: 186
Algeria to Tunisia: 137
Tunisia to Algeria: 144

(c) *GCC Power Grid Interconnection Project*

(i) Phase I: Initial operation of the interconnection networks of Saudi Arabia, Qatar and Kuwait began according to plan. The 400 KV main transmission station also in Bahrain was made operational for the initial activation of the line liking Bahrain with the GCC interconnection network;

(ii) Interconnection network with the United Arab Emirates (Phase III): the United Arab Emirates decided in 2008 to enter this phase in order to link up with the countries of phase I of the GCC interconnection project. Bids were submitted and contracts were awarded to construct the overhead line (part 6) connecting Salaa station in the United Arab Emirates with Salwa station in Saudi Arabia. The United Arab Emirates network is expected to be connected with the network of the Phase I countries in 2011;

(iii) Electrical Interconnection Agreement: Saudi Arabia, Bahrain, Qatar, Kuwait and the United Arab Emirates signed the General Agreement on Electrical interconnection which entered into force on 23 March 2009. To ensure its implementation, work is underway to form three committees: the Regulatory and Advisory Committee, the planning committee, and the operations committee.

(d) *Project for Electrical interconnection between Saudi Arabia and Yemen*

The aim of this project is to construct of 400 KV, 416 km long (316 km in Yemen territory, and 100 km in Saudi territory) to link the Yemen conversion station of Bani Hoshish and the Saudi conversion station of Kudmi, at an estimated total cost of $234 million. The project also includes the construction of a 250-MW a back-to-back station on Saudi territory at an estimated total cost of $169 million. It will be implemented in three stages, starting in 2009.

(e) *Electrical interconnection of Saudi Arabia and Egypt*

The electrical networks of Saudi Arabia and Egypt are the largest in the Arab region; both countries, along with their neighbours, are participants in the regional electrical interconnection networks. The distinctive geographical situation of each of them makes their interconnection the most significant step toward pan-Arab interconnection as that would allow linking up the GCC, the eight-country, and the Arab Maghreb interconnection networks and ultimately linking up the European network which is connected to Morocco via Spain. Such a development would mean a single network from the Arab Gulf to the Atlantic Ocean. It is to be noted that the Saudi – Egyptian interconnection would provide an exchange capacity of roughly 3,000 MW. It will be implemented in two phases: one with a capacity of 1,500 MW in 2013 at an estimated cost of about $1 090 million and the other with a capacity of 1,500 MW in 2015 at an estimated cost of $415 million. The interconnection involves a –/+ 500 K, double-pole, direct current 1,345-kilometre-long line (450 km on Egyptian territory, 895 km on Saudi territory), along with a 25 kilometre submarine cable under the Gulf of Aqaba (common section) which brings the total length of the line to 1,370 kilometres. Consistent with the resolution of Arab Economic, Development and Social Summit (Kuwait, 19-20 January 2009), the two countries, on 12 February 2009, invited bids for contracts to undertake consultancy services involving the preparation of documents to be used for bids to implement the project.

(f) *Electrical Interconnection Project for the Countries of the East Nile Basin (Egypt, the Sudan, Ethiopia)*

The thirteenth meeting of the Technical Committee and the sixth meeting of the Steering Committee on energy trade in the countries of the East Nile Basin were held from 31 March to 3 April 2008 to select an interconnection line for the three countries of Egypt, the Sudan, and Ethiopia; agreement was reached on a mixed AC/DC interconnection line that would allow the export by Ethiopia of 3,200 MW-2,000 MW to Egypt and 1,200 MW to the Sudan.

(g) *East African Power Pool (EAPP)*

The East African Power Pool (EAPP) was established as an arrangement for the interconnection of East African power grids; it has seven members, namely Ethiopia, Burundi, the Democratic Republic of Congo, Rwanda, the Sudan, Kenya and Egypt. Four other counties are expected to join it: Uganda, Tanzania, Djibouti, and Somalia.

2. *Arab Gas Pipeline Project*

This project is considered one of the major strategic projects for economic and environmental integration. Its first phases were completed with the supply of Egyptian gas to Jordan and the Syrian Arab Republic. It is also expected that, before the end of 2009; the Deir Ammar power generation station near Tripoli, north Lebanon, will be fuelled with Egyptian and/or Syrian gas instead of the currently used diesel.

Iraq has joined the project in order to link the Iraqi gas pipeline to the Arab Gas Pipeline at a point north of Homs, the Syrian Arab Republic, from where gas could be carried to the Syrian-Lebanese border as well as to the Syrian-Turkish border and thence to Turkey and Europe in the future.

3. *Peaceful uses of nuclear energy*

The Atomic Energy Agency of the League of Arab States developed the "Arab Strategy for Peaceful Use of Atomic Energy up to 2020" and presented it at the twenty-first Arab Summit Conference (Doha, 30-31 March 2009). The Summit adapted two resolutions regarding that strategy: Resolution 471 on the development of the peaceful uses on nuclear energy in the Arab countries, and Resolution 472 on developing a joint Arab programme for the peaceful uses of atomic energy. Such action is expected to have a positive impact on the possibility of using nuclear energy in electrical power generation and sea-water desalination; it would also expand areas of regional cooperation in this field through construction of joint stations and taking advantage of electrical grid interconnection.

4. *Uniform Arab Code for rationalization of energy consumption in residential buildings*

Following a resolution by the League of Arab States Council of Arab Ministers of Housing and Construction calling for the development of common principles to facilitate interaction and exchange of expertise among stakeholders in the construction sector in the Arab countries, work is underway to develop "The Uniform Arab Code". In order to promote joint action and develop common standards for the rationalization of energy consumption in the Arab countries, a select group of Arab experts are currently working under the supervision of the League of Arab States to prepare an "Arab Code for the rationalization and improvement of efficiency of the use of energy in residential buildings". The purpose of the code is the provision of Arab standards and specifications for the use and rational consumption of energy in residential buildings, especially building envelope, ventilation installation, air-conditioning installation, water heating installation, lighting installation and electrical installation. The code includes the minimum requirements to be met in the absence of a national code; it basically represents a reference for building designs in the Arab countries. In fact, a draft code was completed and it was sent in July 2009 to ESCWA to review it and make observations regarding possible improvement, classification, amendment and addition thereto.

5. *Arab strategy for uses of renewable energy*

In implementation of resolution 155 adopted by the League of Arab States Council of Arab Ministers Responsible for Electrical Power at the twenty-third meeting of its Executive Bureau held on 7 February 2008, the League of Arab States is supervising the drafting of a common Arab strategy for the uses of renewable energy. The first draft of the strategy was issued in August 2008 and was later discussed at a meeting held at the headquarters of the League of Arab States from 14 to 16 April 2009, by experts from the Arab countries, the Arab Industrial Development and Mining Organization, the Arab Atomic Energy Agency, OAPEC, ALESCO, and ESCWA; the meeting was also attended by representatives of the European Union in Cairo and the Euro-Mediterranean Energy Marhet Integration Project. At the meeting, substantive comments on the first draft strategy were made and a specific methodology for the preparation of the required strategy was adopted in order to: (a) obtain the required data on renewable energy from each Arab country, using a questionnaire developed for that purpose by experts from ESCWA, one expert from the Arab Mashreq and one from the Arab Maghreb; and (b) to form a working group of experts from the Arab countries and relevant Arab and regional organizations to discuss collected data and draft a report addressing new and renewable energy from an Arab perspective as a step forward to the finalization of the strategy. The final strategy will include the vision, goals and means of their achievement; it will also cover all the techniques used in the field of new and renewable energy in the Arab region. Another meeting was held at the League of Arab States headquarters from 12 to 14 October 2009 to discuss the progress made in the preparation of the strategy.

C. WATER IN THE CONTEXT OF GLOBALIZATION AND REGIONAL INTEGRATION

1. *Mitigation of the impact of climate change on water resources*

Many social, economic and environmental effects result from climate change. In the ESCWA region, however, the impact of climate change on the quantity and quality of water resources is expected to be critical in the economy of the region and the life of its people. The effects of climate change on water resources will potentially impinge upon wide social, economic and environmental sectors, including agriculture, health, public safety, biodiversity, the water desalination industry, tourism, hydropower generation, and river navigation.

The major impacts of climate change on water resources in the ESCWA region may theoretically be attributed to rising temperatures, lower soil moisture, increased evaporation, transformation of patterns of precipitation in terms of time and geography, severe annual and seasonal variability, recurrent drought and desertification, receding snow cover on the high mountains (in Lebanon, the Syrian Arab Republic and to lesser extent Iraq), the adverse effects of rising sea levels in the future and salt water intrusion into coastal aquifers. Moreover, climate change will potentially have negative effects on water quality (pollution of surface water and seepage of seawater into aquifers). There is no doubt that the predicted changes will affect the social, economic, and environmental services which directly or indirectly depend on those variables. Such effects will be far-reaching in the ESCWA region, and will likely be most severe among the vulnerable groups such as women, the elderly, children, the poor and the marginalized.

TABLE 20. POTENTIAL RISKS AND EFFECTS OF CLIMATE CHANGE IN ESCWA MEMBER COUNTRIES

Jordan	- Increased demand on irrigation water; - Greater pressure on already scarce water resources resulting from reduced precipitation.
United Arab Emirates	- Seawater intrusion into freshwater aquifers; - Climate turbulence causing storms which may have an impact on oil production in coastal areas.
Bahrain	Exposure of lower areas of Bahrain to the risks of rising sea levels.
Syria	- Potential impacts on the flow and quality of the waters of the Tigris and the Euphrates; - Increased demand on irrigation water.
The Sudan	- Reduced aquifer recharge as a result of reduced precipitation, higher temperatures, and increased evaporation; - Deterioration of the problem of water shortage; - Greater dependence on water from outside the country; - Projected decline in production of cereals.
Iraq	- Potential impact on the flow and quality of the waters on the Tigris and the Euphrates; - Increased demand on irrigation water.
Oman	- Seawater intrusion into freshwater aquifers; - Climate turbulence causing storms which may have an impact on oil production in coastal areas; - Reduced level of underground water.
Qatar	- Deterioration of the water shortage problem; - Climate turbulence causing storms which may have an impact on oil production in coastal areas.
Kuwait	- Exposure of low coastal areas to risks of rising sea levels; - Climate turbulence causing storms which may have an impact on oil production in coastal areas.
Lebanon	- Increased pressure on water resources; - Reduced areas of arable land; - Negative effects on the production of citrus fruit, olives, apples, and sugar beets.
Egypt	- Decrease in crop production and increase in water requirements; - Exposure of the overcrowded Nile Delta to risks of rising sea levels.
Saudi Arabia	Deterioration of the problem of water shortage resulting from rising temperature.
Yemen	- Growing risks of desertification; - Growing demand on irrigation water.

The League of Arab States Council of Arab Ministers Responsible for the Environment, at its nineteenth session (Cairo, 5-6 December 2007), adopted the Arab Ministerial Declaration on Climate Change as a basis for future action, reflecting the Arab perspective on addressing issues of climate change. Among the main points of agreement at that meeting are: (a) introducing policies to address issues of climate change in all fields into national and regional sustainable development policies; (b) adopting national and regional plans of action to address issues of climate change, and develop mitigation and adaptation programs; (c) ensuring that adaptation measures that address climate change shall be fully consistent with economic and social development so much so as to serve the achievement of sustainable economic growth as well as the eradication of poverty; (d) having adaptation programs with a particular focus on the infrastructure needed to reduce potential risks, improvement of the management efficiency of natural resources through the use of appropriate techniques as well as adequate monitoring, observation and early warning systems, preparedness for disasters resulting from climate change, capacity-building, improved access to and sharing of information (including climate information), raising public awareness, and establishing partnerships; (e) creation of research and study centers on climate change in areas of the developing world, including the Arab region, to examine the impacts and challenges of climate change confronting the population of the developing countries.

ESCWA prepared a working paper on the potential impacts of climate change on water resources and adaptation measures in the ESCWA region in the context of the application of the principles of the integrated management of water resources at the national level.[6] The paper pointed out that, at present, the ESCWA member countries choose the local adaptation approach known as spontaneous or autonomous adaptation which does not constitute climate change awareness induced adaptation, but rather a response to changes in natural hydrological systems and human systems. The paper was presented to the Committee on Water Resources at its eighth session (Beirut, 17-19 December 2008). The Committee reviewed the potential impacts of climate change on water resources in the ESCWA region; it also identified practical adaptation measures and an approach to enhancing the ability of member countries to face the negative impacts that may be produced by climate change in the water resources sector and to minimize those impacts. Agreement was reached on the importance of finding a coordination mechanism to provide reliable data needed to carry out relevant activities in the assessment of the impact of climate change on water resources.

Member of the Arab Integrated Water Resources Management Network (AWARENET) created a working group on issues relating to the impact of climate change on water resources, composed of representatives of R&D institutes, NGOs, governments, and experts in climate change. A programme of work for the biennium 2009-2010 was adopted by the working group at its first meeting (Beirut, 29-30 July 2009).

Box 2. Regional Adaptation Activities in the Water Resources Sector

In collaboration with ESCWA, its member countries carried out numerous adaptation activities in the water resources sector as follows:

1. *Studies and reports on the assessment of climate change were prepared dealing with the following topics*:

- Trans-border environment in the ESCWA region;
- Socio-economic impacts of drought in the ESCWA region;
- Assessment of water quality deterioration in the countries of the region;
- Issues in water quality management in the countries of the region.

2. *The following climate change adaptation measures were taken*:

- Promotion of the methods of the integrated water resources management;
- Assisting member countries in developing strategies for the integrated water resources management;
- Capacity-building for common water resources management;
- Enforcement of environmental legislation in the water sector.

Member countries cooperate, through the League of Arab States, ESCWA and other regional organizations, to implement the Arab initiative on sustainable development; they also participate in the programs of the sub-committee on climate change of the Arab Council of Ministers Responsible for the Environment.

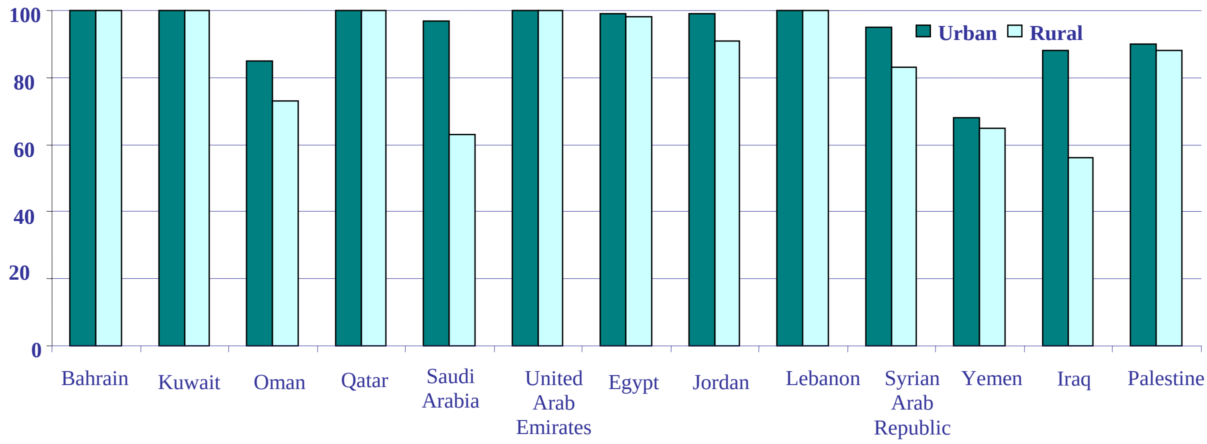
2. *Access to safe drinking-water and to sanitation, improvement of water quality, and protection of water resources*

ESCWA conducted a regional survey to assess the progress made by its member countries towards the achievement of the MDG targets of access to safe drinking water and to sanitation. Although progress was made in this connection, efforts to establish an adequate infrastructure for the management of water

[6] E/ESCWA/SDPD/2008/IG.1/3.

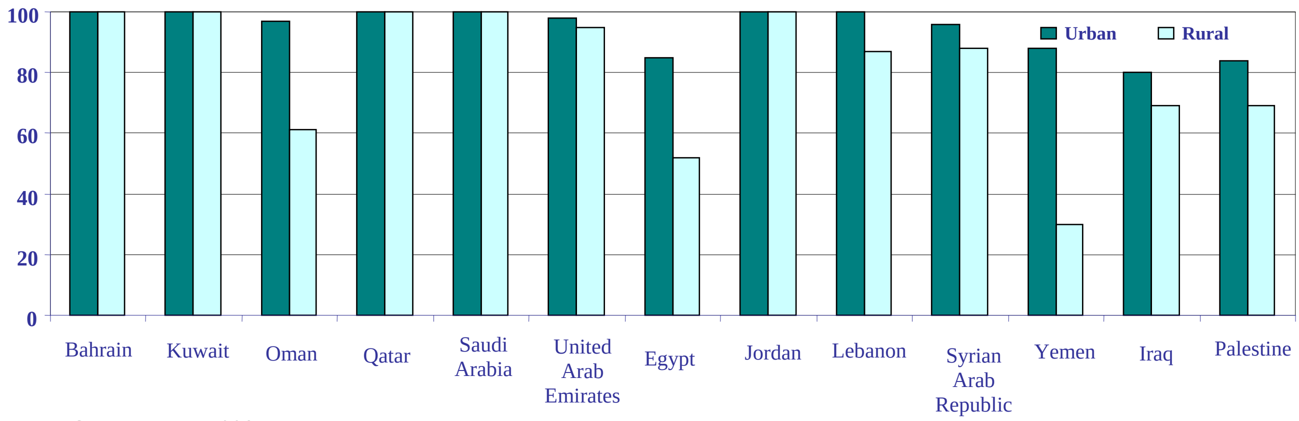
resources continue to be modest. Each of the member countries adopts a different approach to the integrated management of water resources aimed at improving the water sector, reflecting the wide social, economic, cultural, legislative and administrative variation of these countries, notwithstanding the similarity in the policy challenges and issues confronting them.

Figure 22. Urban and rural water supply coverage



Source: Joint Monitoring Programme for Water Supply and Sanitation (JMP), 2008 report. Available at: www.wssinfo.org.

Figure 23. Urban and rural sanitation coverage



Source: JMP, 2008 report.

The survey shows that all the member countries have adopted measures to reform their institutions dealing with water supply and sanitation; one such measure is decentralization which has led to devolution of responsibility to sub-national levels. However, poor coordination mechanisms make it difficult for local authorities to keep and maintain water supply and sanitation facilities, attract necessary finance or skilled personnel, and leaves them dependent on the central governments to fund their new investments. Coordination among water sector stakeholders through joint councils for water resources management, joint activities and shared investment still needs to be activated, in addition to the pooling of financial resources on the national and local levels.

The role of stakeholders in the planning and allocation of water supply and sanitation gained strength in most of the ESCWA member countries, but it still needs to be strengthened in order to provide more effective management of water resources and make further progress towards the achievement of goal 7 of the MDGs. Greater efforts need to be made to encourage participation of users through local councils, raise public awareness of the need to conserve water and prevent its pollution, and develop civic habits of observing public laws, regulations and legislation.

There is a dominant trend in most member countries to increase the involvement of the private sector in water supply and sanitation projects. A key feature of the reform is to engage the private sector in the construction and operation of water supply and sanitation facilities through public-private partnerships. These partnerships have succeeded in breaking new ground and producing innovations in areas where prior experience is scant or non-existent. Although the gained experience and achieved results are still preliminary in many countries, they provide valuable lessons for a rapidly growing portfolio of projects which support public-private partnerships.

Box 3. Expert Group Meeting on the Review and Promotion of Water Supply and Sanitation Policies

In collaboration with the League of Arab States and the German Agency for Technical Cooperation (GTZ), ESCWA held a high-level meeting to review and promote water supply and sanitation policies and relevant institutional reforms in western Asia (Cairo, 15 July 2008) with the aim of identifying the problems and challenges which hamper the achievement of the MDGs; as well as making proposals regarding the policies, legislative and regulatory reforms, and measures required for capacity-building, upgrading skills and strengthening national mechanisms to ensure the expeditions' provision of water supply and sanitation. The meeting was attended by a number of decision makers and representatives of authorities, bodies and ministries concerned with potable water and sanitation in the countries of the ESCWA region. The main proposals adopted by the meeting regarding policy options that member countries may implement in order to make practical progress towards the achievement of the MDGs include: introduction of institutional and legal amendments required for incorporating potable water and sanitation policies into the national plans for the integrated water resources management; effective implementation of measures to reduce the loss of drinking water; improvement of the management of demand on water resources in order to maximize water uses and increase their socio-economic benefits; finding the investments needed for the execution of sanitation projects, particularly in rural areas; using the appropriate low-cost wastewater treatment technology; decentralization; involvement of the private sector; and capacity-building to upgrade drinking water and sanitation services.

Box 4. Regional Workshop on the Protection of Drinking Water from Pollution

In collaboration with the Federal Institute for Geosciences and Natural Resources in Germany (BGR), and with financial support from the German Federal Ministry of Economic Cooperation and Development, ESCWA held a regional workshop on "Protection of the Sources of Drinking Water from Pollution: Choice of Policies and Practical Solutions" (Dead Sea, Jordan, 2-4 June 2008). The workshop aimed at exchanging opinions, reviewing successful experiences, and sharing expertise in the protection of water sources against pollution; identifying areas of possible cooperation among the countries of the region at the national and regional levels; and selecting practical solutions and policies capable of overcoming water pollution problems in general. Participants from water ministries/bodies, the private sector, regional organizations, NGOs, and academic institutions in 12 Arab countries attended the workshop. Participants in the workshop underscored the significance of achieving widespread social consensus to protect water resources, considering the interests of all the parties concerned; including water protection measures in national and regional development plans; enacting modern laws that are enforceable and based on scientific foundations; and providing updated information on water quality and the prevailing attitudes of the principal bodies responsible for water resources in order to determine the effects of pollution and evaluate the effectiveness of pollution control measures, as well as making that information available to all. In its recommendations, the workshop stressed the need to apply principles of economics to the evaluation of the costs of pollution and the recovery of those costs from the various sectors, as well as the need to raise public awareness of the issue of protection of the sources of drinking water from pollution so that every citizen would feel responsible for the presentation and prudent use of water resources.

3. *Sharing expertise and technical cooperation in the area of drinking water and wastewater services*

The Arab Countries Water Utilities Association (ACWUA), with membership including representatives of a number of drinking water and wastewater utilities of the countries of the ESCWA region as well as representatives of the private sector, NGOs, civil society and other stakeholders, established a machinery for sharing expertise, consultation and interaction among governments, the private sector, international lending and donor organizations for the common benefit of all parties. ACWUA aims at representing the interests of its members at the local and Arab levels with a view to enhancing the efficiency of utilities by standardizing performance benchmarks and service indicators through the development of technical, managerial, legal, scientific, and economic frameworks needed for upgrading both utility performance and service delivery in accordance with proper economic techniques and high standards. ACWUA will undertake those tasks through the dissemination of appropriate international technical/service standards in close cooperation with the regulators of the water and sanitation sectors as well as municipalities, local councils, civil society and NGOs. It will also conduct studies and provide consultancy services in the areas of legislation, sectoral policies, and planning institutional reform. Furthermore, it will develop programs for the evaluation and comparison of the performance of water and sanitation utilities.

The most significant activities undertaken by ACWUA are the following: workshop on water and wastewater treatment and reuse in the Arab countries (Munich, 4-9 May 2008), which reviewed the experience of some Arab countries, including Jordan and Egypt, as well as the experience of some developed countries in order to exchange views and knowledge; a conference on standard procedures to operate and maintain water systems in the Arab countries, (Dead Sea, Jordan, 15-16 October 2008) which was convened in collaboration with Jordan's Ministry of Water and Irrigation to review and discuss new methods for the efficient operation and maintenance of water systems, share experiences and lessons learned in the development of relevant applications as well as in the collection and documentation of best practices in the Arab region; and a conference on the development of the capability of personnel working in drinking water and wastewater utilities in the Arab world, held jointly with the Alexandria Drinking Water Company (18-19 November 2008).

4. *Strengthening cooperation in the management of shared water resources*

Experts in water resources agree on the principle of cooperation regarding international water resources as a means not only to prevent conflict and eschew instability but also to intensify efforts toward integration among riparian states with a view to improving management of those resources and maximizing their benefits. Therefore, ESCWA has attached utmost importance to encouraging regional cooperation among its member states in the management of shared water resources, drawing up environmentally sound plans for their management in accordance with the integrated management of water resources. Some countries of the ESCWA region share water resources such as rivers, underground aquifers, and other resources with countries inside and outside the region. However, holding a dialogue among the riparian countries or those with shared rivers and underground aquifers may be difficult in many cases, which requires finding a competent party to help them build the capacity for the conduct of a technical dialogue involving consultation and negotiation with a view to achieving integrated management of shared water resources.

(a) *Capacity-building for the international management, protection, and use of shared underground water resources in a sustainable manner in the Middle East region*

The main activities undertaken by ESCWA in its efforts to enhance institutional capacity in water management in the Mediterranean or Euro-Mediterranean region, with a view to achieving sustainable use of shared underground water resources, included the organization of two consultative workshops on the management of shared underground water in the region of the Euro-Mediterranean partnership – one dealing with Nubian sandstone aquifer system and the other with the basin of Nahr El-Kabir El-Janoubi (Cairo, 14-17 January 2008). Participants in both workshops stressed the significance of drawing lessons from the results of the projects to manage the aforementioned aquifer and basin as well as disseminating those lessons to the member states as that may make it possible to adopt the proposed common vision and bring benefits to all parties concerned. They also underscored the importance in this respect of the provision of information through the Geographic Information System and its exchange via the Internet among the countries involved in the management of the shared aquifer. They recommended the establishment of data based for each shared aquifer including authorized referential data measured by common monitoring systems.

(b) *Capacities of member States in the management of shared water resources*

ESCWA prepared a study assessing national capacities in the management of shared water resources, reviewing experiences and best practices at the regional and international levels, and making proposals regarding policies needed to provide national institutions and bodies with technical, institutional and legal support, with a view to strengthening capacities of member states in the formulation of policies on the management of shared water resources in the region in accordance with the principles of the integrated management of water resources. The study examines the experience of ministries and authorities in charge of water resources in some countries of the region relating to management of shared water resources and warp of coordinating and collaborating with other national sectors which have a role and specific tasks in regional negotiations and projects of mutual benefit (such as ministries of foreign affairs, agriculture, energy, electricity and environment). The study considers the participation and responsibility of NGOs and civil society in the management of shared water resources; reviews the problems and challenges confronting countries in their efforts to build and strengthen the technical, institutional, and legal capacities they need; and introduces proposals regarding possible solutions and measures to improve the management of shared water resources in the countries of the region.

Preliminary results of the study refer to the significance of creating an entity or body to manage shared water resources within the structures of ministries and authorities dealing with water, making sure it is capable of effective coordination with other sectors in governments and in the region; providing special expertise and capacities in reaching agreements, negotiating and resolving disputes, such as experts in international water law, international relations, economics, environment and social issues; building capacities needed for data and information production and exchange between the relevant management and other sectors within the same country and between riparian countries; providing mechanisms and tools that facilitate that exchange (such as regional institutional mechanisms, committees and national focal points); creating regional investment projects in other areas (such as agriculture, energy and electricity) to achieve mutual benefits to all countries; and giving political support.

(c) *Legal and legislative aspects of the protection of Arab interests in water resources shared with non-Arab countries*

As part of efforts to reach a coordinated common Arab position in world fora and in preparation for the Fifth World Water Forum (Istanbul, 16-22 March 2009), ESCWA conducted, in collaboration with the League of Arab States, a study on this subject, including an assessment of the regional situation of shared surface water resources in terms of agreements, management, practices and adequacy of international water law that would protect Arab interests in shared waters. The study addressed institutional and legal measures needed to manage and protect Arab interests in shared waters, drawing on the successful experience of other regions. It also assessed the legal skills available to the Arab countries in the management, prevention and settlement of shared water disputes.

The study pointed out the lack of comprehensive legal frameworks needed to order relations between Arab and non-Arab countries with a single shared basin (surface water), where it is found sufficient to have a set of bilateral agreements between those countries not amounting to comprehensive agreements including all the countries of the basin, and where Arab countries in general prefer to deal politically with crises relating to water resources shared with non-Arab countries and to avoid the legal approach to the resolution of those crises. The study, furthermore, recommended intensification of efforts to conclude comprehensive international agreements involving all the countries of the basin on shared surface water resources (or shared underground reservoirs); it also recommended that such agreements be based on the principles rules and provisions of international law governing water, most importantly the obligation not to cause harm, equitable and fair sharing of water resources, international cooperation, prior notification of planned measures, peaceful settlement of disputes that arise between countries of the basin, or restoration of missing balance to existing relevant agreements. The study called for the formation of a permanent committee of Arab experts in international water, the mobilization of Arab and international legal cadres to further study the legal issues and problems relating to shared surface water, and provision of adequate incentives in this connection.

(d) *Enhancing negotiating skills regarding the management of shared water resources*

Lack of negotiation capabilities in member states is one of the main impediments to the possibility of reaching regional agreements and starting joint ventures. Thus it is imperative to focus on upgrading the executive and practical skills of water experts, decision makers, legal experts, foreign affairs officials and planners, even the private sector for the purpose of dealing with negotiations relating to national and international water resources, conflict resolution and sustainable management of shared water resources.

ESCWA, United Nations bodies and NGOs were requested by some countries to provide them with training to improve the negotiation and conflict resolution skills of their employees. Intensified rivalry over water resources even within the same country (different regions using the same river, for example) between sectors – irrigation and industry – municipalities, stakeholders and some institutions has given rise to the need for improvement of national capabilities to deal with conflict within and between countries; such improvement would lead to gains at both the national and regional levels. Moreover, a number of member states requested assistance to strengthen their national capabilities for the development of regional agreements and improvement of their skills to negotiate with countries outside the region on shared water resources.

In 2008, ESCWA and the Federal Institute for Geosciences and Natural Resources (BGR) jointly held a training course, in collaboration with the Iraqi Ministry of Water Resources, on strengthening negotiating skills, with a view to enhancing the capability for developing strategies needed for the conduct of international negotiations on shared water resources. Participants included senior officials from various ministries dealing with shared water resources in Iraq. The course reviewed subjects of international water law as well as international decisions and norms regarding the management of international waters. Participants also received training on the actual negotiating process based on successful case studies from various regions.

Box 5. Arab Ministerial Water Council

The Economic and Social Council of the League of Arab States in July 2008 adopted a proposal to establish an Arab Ministerial Water Council to coordinate Arab positions on how to deal with the numerous challenges confronting the Arab region especially that 54-60 per cent of shared surface water comes from outside the Arab world. The new council assumes the tasks of following-up, supervising, and coordinating Arab position in order to come out with a common Arab vision on the subject of water. It had approved the agenda of its first meeting which was held in Algiers on 29-30 June 2009. It will also seek to support national institutions as well as Arab and international organizations, providing them with assistance to achieve the following objectives:

1. *Integrated management of water resources*

- Integrated network of information on water resources;
- Formulation of development and investment plans as well as prediction regarding the quality and quantity of the water system;
- Supporting the adoption of a comprehensive participatory, integrated approach in the formulation of national water plans and in the creation of central institutional structures;
- Enactment of effective water legislation;
- Development of manpower.

2. *Development of water resources and their preservation quantitatively and qualitatively*

- Development of water resources, using alternative techniques such as rainwater harvesting, surface runoff harvesting, and artificial recharge of aquifers;
- Development of non-traditional water resources such as wastewater reuse, agricultural wastewater, sewer system water, treatment and desalination of water, while seeking to cut costs;
- Protection of water resources from pollution;
- Supporting scientific research.

Box 5 (*continued*)

3. *Management of water demand*

- Shifting water use from areas of limited economic effectiveness to more important and urgent areas;
- Reducing waste in the various uses;
- Determining needs that can be met by other means;
- Drawing up long-term and short-term water strategies with a legal framework to ensure their implementation;
- Integrated planning for use of water resources, relying on a database and other information to ensure improved irrigation efficiency;
- Maximizing the differential benefit of a unit of water on the basis of marginal utility for irrigation within the production system;
- Introducing new techniques to agriculture and genetically manipulated seeds for high economic productivity and desired requirements;
- Increasing extension services;
- Formulating the required procedures and following up their implementation.

4. *Protection of Arab water rights*

- Strengthening Arab negotiating capacity as well as providing studies, research, legislation, laws, and information relating to water resources shared with non-Arab parties;
- Analysing relevant international agreements proposed by international organization to determine their implications for Arab interests;
- Analysing existing international agreements on the management of water resources with a view to determining the institutional and legal measures appropriate to the management and protection of Arab interests.

D. INFORMATION AND COMMUNICATIONS TECHNOLOGY

1. *ICT indicators in the region*

In 2008, the countries of the region continued to make progress in the dissemination of ICT service and in the development of the ICT sector. However, they still need to make additional efforts to catch up with global progress in this field.

Table 21 shows selected ICT indicators for the Arab countries in comparison with the Arab and global averages. In terms of the number fixed telephone lines per 100 persons only three Arab countries were able to exceed the global average, namely United Arab Emirates, Bahrain and Qatar, while ten Arab countries exceeded the Arab average, namely United Arab Emirates, Bahrain, Tunisia, Libyan Arab Jamahiriya, Syrian Arab Republic, Qatar, Kuwait, Lebanon, Egypt and Saudi Arabia. In terms of the number mobile cellular telephones per 100 persons, the number of Arab countries exceeding both the global and Arab averages rose to 12: Jordan, United Arab Emirates, Bahrain, Tunisia, Algeria, Libya, Oman, Qatar, Kuwait, Morocco, Saudi Arabia, and Mauritania. It is to be noted that the Arab average number of mobile cellular telephones per 100 persons exceed the global average in 2008.

Four Arab countries – United Arab Emirates, Bahrain, Qatar and Kuwait – exceeded the global average number of Internet subscriptions per 100 persons. However, the corresponding Arab average was exceeded by Jordan, Bahrain, Tunisia, Syrian Arab Republic, Oman, Lebanon and Saudi Arabia. Moreover, the global average number of Internet users per 100 persons was exceeded by the following nine Arab countries: Jordan, United Arab Emirates, Bahrain, Tunisia, Qatar, Kuwait, Lebanon, Morocco, and Saudi Arabia. In addition to those countries, Syria and Oman exceeding the corresponding Arab average.

With regard to the number of broadband subscriptions per 100 persons, three countries – United Arab Emirates, Bahrain and Qatar – exceeded the global average. In addition to those countries, seven others only were able to exceed the Arab average, namely Jordan, Tunisia, Oman, Palestine, Lebanon, Morocco and Saudi Arabia.

Table 21 compares the averages of ICT indicators for the Arab region with those of the world and sheds light on the progress of the region in this field.

TABLE 21. SELECTED ICT INDICATORS FOR THE ARAB COUNTRIES, 2008

	No. of fixed telephone lines per 100 persons	No. of mobile cellular telephones per 100 persons	No. of Internet subscriptions per 100 persons	No. of Internet users per 100 persons	No. of broadband subscriptions per 100 persons
Algeria	9.64	92.72	0.58	11.93	0.85
Bahrain	28.37	180.51	16.63	51.95	16.12
The Comoros	3.53	6.36	0.28	3.48	..
Djibouti	1.27	5.47	0.43	1.53	0.01
Egypt	14.73	50.62	3.64	15.42	0.94
Iraq	3.6	58.24	..	1.00	..
Jordan	8.46	86.6	3.73	24.46	2.09
Kuwait	18.53	99.59	10.49	34.26	0.93
Lebanon	17.03	34.1	6.25	52.22	4.8
The Libyan Arab Jamahiriya	16.41	76.71	1.36	5.13	0.16
Mauritania	2.37	65.07	0.3	1.43	0.18
Morocco	9.46	72.19	1.55	32.59	1.53
Oman	9.84	115.58	2.88	16.84	1.15
Palestine	8.39	27.8	2.54	8.58	1.39
Qatar	20.56	131.39	9.05	34.04	8.07
Saudi Arabia	16.27	142.85	7.27	30.55	4.16
Somalia	1.12	7.02	0.11	1.14	..
The Sudan	0.86	27.05	0.11	9.19	0.11
The Syrian Arab Republic	17.12	33.24	3.36	16.79	1.05
Tunisia	12.18	86.27	2.77	27.53	2.24
The United Arab Emirates	33.63	208.65	26.06	65.15	11.79
Yemen	4.87	16.14	1.29	1.61	..
Average for Arab countries	10.28	62.03	2.7[a/]	16.02	1.19[b/]
Average for ESCWA member countries	10.72	57.5	3.31[a/]	15.09	1.23[c/]
Global average	18.77	59.35	8.37	23.32	6.17

Source: International Telecommunications Union (ITU), 2008. Available at: www.itu.int.

Note: (..) indicates that no data are available.

a/ Excluding Iraq.
b/ Excluding the Comoros, Iraq, Somalia and Yemen.
c/ Excluding Iraq and Yemen.

2. *Achievement of some countries of the region in building the ICT sector*

Egypt

Egypt is committed to the provision of the enabling environment needed for the transition to a knowledge-based economy; it has made strenuous efforts to combat software piracy, liberalize the ICT sector, and launch government initiatives. These measures came to fruition. Thanks to the support extended by the ICT Ministry, in cooperation with the Information Technology Industry Development Agency (ITIDA),[7] Egypt made significant progress in combating software piracy, with its rate falling from 69 per cent in 2003 to 59 per cent in 2008.[8] The current software piracy rate in Egypt is considered low in comparison with the corresponding rates of some of the region's countries such as Turkey (64 per cent), Tunisia (73 per cent), Lebanon (74 per cent), and Morocco (66 per cent).

Software piracy is a global problem representing a serious challenge to the development of the local digital content and an impediment to cultural intercourse and dissemination of knowledge. Losses resulting from software piracy in Egypt were estimated at more than $158 million in 2008. On the other hand, if Egypt continues to make concrete progress in combating software piracy, it would strengthen its leading position in the region as a magnet for outsourcing which would in turn create new job opportunities and raise the rate of economic growth.

Jordan

Jordan persevered in its efforts to attract Arab and foreign investment capital to its ICT sector with a view to developing it completely and transforming it into a real industry that would directly contribute to GDP with its revenues. The national strategy for the development of the ICT sector (2007-2011) came as a continuation of the REACH initiative (1999) to move Jordan forward in the process of turning the ICT sector into a major factor in the growth of the national economy.

In fact, the ICT sector in recent years witnessed uninterrupted growth, as investment in it grew from $300 million in 1999 to $2.5 billion in 2008, mostly in communications. Moreover, as the Internet penetration rate grew from 4 per cent in 1999 to 25 per cent by the end of 2008,[9] while the number of mobile cellular telephone subscriptions reached 5.44 million (93 per cent growth) by the end of 2008, employment in the sector grew with about 20,000 working directly in ICT firms and 40,000 working in firms with ICT sections.

The acquisition in August 2009 of the Jordanian Maktoob site by Yahoo for over $100 million was a result of the REACH initiative and the National ICT Strategy of Jordan (2007-2011), in view of the role both play enhancing competitiveness at the local, Arab and regional levels as well as in attracting investment.

Qatar

In continuation of the development of the ICT sector in Qatar and in order to attract Arab and foreign capital to invest and end monopoly in this sector, the Supreme Council of Information and Communication Technology (ictQATAR) awarded the second license for the provision of fixed telephone line services to global Vodafone and its local partner the Qatar Foundation Consortium. Thus Vodafone, a major telecommunication corporation, will be allowed to compete with Qtel in both fixed and mobile telephone services. In early 2008, a consortium of Vodafone and the Qatar Foundation had won the second mobile telephone license in Qatar. The consortium will operate as Vodafone Qatar, with 15 per cent of its share

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[7] Available at: http://www.itida.gov.eg.

[8] BSA and IDC, *2008 Global Software Piracy Study*. Available at: http://global.bsa.org/globalpiracy2008/index.html.

[9] Jordan Information Technology Association. Available at: http//www.intaj.net.

capital owned by institutional investors belonging to the Government of Qatar and 40 per cent to be sold by public offering.

As a reflection of the healthy atmosphere of competition in the mobile telephone sector, mobile service continued to grow in the first half of 2009, notwithstanding the rise in the diffusion rate to 108 per cent by the end of 2008. The two mobile telephone service operators added 254,104 subscribers bringing the total to 1.937 million by the end of June 2009. Thus the rate of mobile telephone diffusion in Qatar rose during the same period to about 116.88 per cent.[10]

Saudi Arabia

Saudi Arabia has sought to encourage the use and diffusion of ICT as well as transformation into an information society and a digital economy. It continued the implementation of programs aimed at liberalizing the ICT sector and opening up its markets, thus signaling entry into a new stage of the complete liberalization of the sector and the end of monopoly in it. Such actions attract capital, both Arab and foreign, and facilitate regional and international integration of the communication networks in the region. Policies of this kind had a positive impact on the mobile telephone service sector in terms of regional investment. Following the award of the third license for the provision of mobile telephone service to the Saudi Arabia Zain,[11] it announced that the number of mobile telephone subscriptions exceeded three million in less than a year from the date of launching its service in August 2008, reaching about 3.78 million in July 2009.

By mid-2009, Zain had 9.5 per cent of the more than 40 million subscribers to mobile telephone services in Saudi Arabia. It provides a group of third-generation (3G) services which will take the Saudi mobile telephone market to a new stage of growth and development, which in turn will have a positive impact on service quality, diffusion and competitiveness.

Tunisia

Tunisia has provided the infrastructure necessary for encouraging the communications sector and ending monopoly in it in order to attract local and foreign capital as well as to facilitate regional and international integration of telecommunications networks in the region. After inviting bidders to render offers for a second license to operate a fixed-line network, with a view of ending the monopoly of Tunisie Telecom, the Tunisian Ministry of Telecommunications in June 2009 awarded a license to a consortium composed of Divona Telecom and Orange/France Telecom a license to operate the second fixed-line and third mobile network (2G and 3G services).[12] It is expected that the new operator will start marketing its services to the public in early 2010, after completing the required infrastructure.

The fixed-line market has suffered stagnation over the past two years. In 2008, the number of fixed-line telephones fell noticeably by about 2.67 per cent to 1.239 million lines. However, in the first six months of 2009, the fixed-line market gained 6,000 subscribers, raising the total number to 1.245 million. As a result, the rate of penetration fell from 12.4 per cent at the end of 2007 to 11.99 per cent at the end July 2009. The entry of a second company into the fixed-line market is expected to have a positive impact on the communications sector in Tunisia, as that may enhance competitiveness, improve service quality, reduce cost and increase rate of penetration.

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[10] Arab Advisors Group, Strategic Research Services, *Qatar cellular lines continue to grow in the first half of 2009 as Vodafone Qatar officially launches its services*, 16 September 2009. Available at: www.arabadvisors.com/services.htm.

[11] Arab Advisors Group Strategic Research Service – Saudi Arabia 1010509; and http://www.sa.zain.com.

[12] Arab Advisors Group Strategic Research Service – Tunisia 102609.

3. *ICT in the context of regional integration*

Investment in ICT plays a key role in facilitating regional and international integration as the ICT sector has a significant impact on all aspects of life. Development of the ICT sector allows the achievement of higher growth rates, reduces traditional barriers such as time and distance, and provides incentives to service and commodity trade on which modern economies rely. Notwithstanding the increase in ICT investment in the member countries of the ESCWA region, it has not reached the needed extent and level, which limits the contribution of the ICT sector to economic integration between the Arab and other regions. In this connection, it may be useful to shed light on the achievements of an Arab ICT company, namely Qtel, which made notable progress in this field (see box 6).

Box 6. Qtel: New transnational Arab Telecommunications Company

Qtel - Qatar Telecom, formerly state-owned under the name of Qatar Public Corporation for Telecommunications, was established in Doha in 1998. It is a company licensed by the Supreme Council of Information and Communication Technology to provide fixed-line and mobile telecommunications services in Qatar.

Within a brief period of time, Qtel became one of the major operators of cellular communications in the Middle East, North Africa, and Southeast Asia. The number of subscribers there exceeded 57 million in eight Arab countries (Qatar, Kuwait, Oman, Palestine, Saudi Arabia, Iraq, Algeria, and Tunisia) as well as in Indonesia and the Maldives. As part of its expansion plans for the countries of Southeast Asia, the company in 2009 opened a regional support center in Singapore; it also announced that it was preparing to launch a wireless broadband Internet service in the Philippines.

Within ten years, the company succeeded in providing the latest fixed-line and mobile telephone services. In 2008, it launched for the first time in Jordan the Wi-tribe service as the first step in Qtel strategy to introduce WiMax services in the region. In that same year, Qtel completed its acquisition of both Indonesia Communications Limited (ICLM) and Indonesia Communications Pte. Ltd (ICLS) which hold a combined 40.8 per cent interest in PT Indosat Tbk (Indosat) in return for $1.8 billion, thus doubling the number of its customers and opening new horizons for its investments in Indonesia, the fourth most populous country in the world. Its revenues by the end of 2008 reached the high amount of 5.58 billion, with an increase of 93 per cent for the year.

The strategy followed by Qtel, with the opportunities it creates for acquisitions, partnerships and new projects, will be expansionist, turning it into a global corporation providing services meeting high standards of quality and effectiveness that may rank among the top 20 communications corporations of the world by 2020.

Source: http://www.qtel.com.qa.

4. *ICT in the countries of the region: expenditures, exports and the financial crisis*[13]

Table 22 shows expenditures on ICT in total amounts and as percentage of GDP in 2005, 2006, and 2007 for selected Arab countries compared with Iran, Ireland, Turkey, India and the world. The indicator for ICT expenditures includes hardware, software and its development, computer services, and ICT services and equipment. Table 22 also shows the greater difference in spending on ICT in 2007 between Turkey ($36,067 million) and the combined spending in Jordan, United Arab Emirates, Tunisia, Algeria, Kuwait, Egypt and Morocco. The difference is several times greater between those Arab countries and India.

[13] The World Bank, *World Development Indicators Online*, 28 October 2009. Available at: http://siteresources.worldbank.org/DATASTATISTICS/Resources/front.pdf.

UNCTAD, *World Information Economy Report 2009: Trends and Outlook in Turbulent Times*, Chapter 3, *Evolving Patterns in ICT Trade*. Available at: http://www.inctad.org/en/docs/ier2009_en.pdf.

ESCWA, Report of the expert group meeting on developing the ICT sector in the ESCWA region, Beirut, 11-12 March 2009 (E/ESCWA/ICTD/2009/6).

ESCWA, Report of the workshop in investment in the ICT sector, Cairo, 5-7 May 2009 (E/ESCWA/ICTD/2009/11).

In table 22, a look at the expenditures of the various Arab countries on ICT as a percentage of their GDP, shows that a number of them have exceeded the world average in 2005-2007. Compared with the global average of about 6.5 per cent during that period, the corresponding average was approximately 9.5 per cent for Jordan and nearly 8.1 in Morocco, while the national average was close to the global one in a number of Arab countries such as the United Arab Emirates, Tunisia and, to a lesser degree, Kuwait and Saudi Arabia.

TABLE 22. ICT EXPENDITURES AS A PERCENTAGE OF GDP
(*2005, 2006 and 2007*)

	GDP*			ICT expenditures as a percentage of GDP*					
	(millions of dollars)			(millions of dollars)			(percentage)		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Jordan	12611	14839	16532	1262	1325	1479	10.0	8.9	8.9
United Arab Emirates	133000	163296	..	7106	8313	9761	5.3	5.1	..
Iran	192015	222881	286058	6018	7979	9989	3.1	3.6	3.5
Ireland	200843	219176	259018	12403	13512	15279	6.2	6.2	5.9
Turkey	283992	529932	655881	25849	29354	36067	5.3	5.5	5.5
Tunisia	28968	30962	350220	1672	1771	2109	5.3	5.7	6.0
Algeria	102339	116460	134304	2738	3003	3389	2.7	2.6	2.5
Kuwait	80798	101647	112116	3748	4347	5078	4.6	4.3	4.5
Egypt	89686	107484	130476	5048	6126	7623	5.7	5.7	5.8
Morocco	59524	65637	75119	4765	5253	6243	8.0	8.0	8.3
Saudi Arabia	315580	356630	383587	13728	15837	17970	4.4	4.4	4.7
India	810151	914892	1176890	42314	47138	65648	5.2	5.2	5.6
MENA	614796	707154	852276	27090	32248	38786	4.4	4.6	4.6
World	45232141	48947792	56891057	2964039	3205740	3545097	6.6	6.5	6.5

Source: The World Bank, *World Development Indicators Online*, 28 October 2009. Available at: www.worldbank.org.

Note: Two dots (..) indicate that data are not available.

* Some figures from the 2008 and 2009 reports differ from those of the database on the Internet, but the latter were chosen because they were updated.

Table 23 shows exports of computer, ICT and other commercial services of selected Arab countries in 2005, 2006 and 2007 as a percentage of overall exports of commercial services, in comparison with Ireland, Turkey and the world. Such services include international communication; post and delivery; computer data; news among residents and non-residents; construction; licensing; commercial, professional and technical services; and personal, cultural and recreational services.

A comparison shows that Ireland's exports worth $79,354 million were 3.6 times the total amount of exports of the selected Arab countries. Following a decline in 2005 and 2006, Egyptian exports in 2007 rose to 17.3 per cent of total commercial services. In 2007, Egypt came in ninth among the top ten developing countries in terms of exports of commercial services.

It is noteworthy that in 2007 the value of computer, ICT and other commercial services exported by both Kuwait ($5,425 million) and Lebanon ($6,948 million), representing 63.3 per cent and 53.5 per cent of their total exports of commercial services respectively, exceeded that of Turkey.

TABLE 23. EXPORTS OF COMPUTER AND ICT SERVICES AS A PERCENTAGE OF COMMERCIAL SERVICE EXPORTS, 2005, 2006 AND 2007

	Commercial service exports[a/] (millions of US dollars)			Computer and ICT service exports in value and as a percentage of commercial service exports[a/] (millions of US dollars)			percentage		
Country/world	2005	2006	2007	2005	2006	2007	2005	2006	2007
Jordan	2239	2850	3298	329	262	350	14.7	9.2	10.6
Ireland	59402	68660	88994	51974	60352	79356	87.5	87.9	89.2
Bahrain	3048	3322	3524	1445	1537	1670	47.4	46.3	47.4
Turkey	26328	24998	28253	3379	3450	3585	12.8	13.8	12.7
Tunisia	3901	4162	4757	622	643	746	16.0	15.5	15.7
Syrian Arab Republic	2560	2649	2649[(b)]	398	407	342[b/]	15.5	15.4	12.9[b/]
The Sudan	101	220	342	8	34	69	7.9	15.3	20.3
Oman	939	1301	1631	211	450	593	22.4	34.3	36.4
Kuwait	3789	6982	8572	1413	4112	5425	37.3	58.9	63.3
Lebanon	10840	11549	12982	4870	6107	6948	44.9	52.9	53.5
Egypt	14449	15834	19660	2852	2754	3407	19.7	17.4	17.3
Morocco	7570	9269	11490	1659	1796	2491	21.9	19.4	21.7
Yemen	285	468	578	59	256	108	20.6	54.7	18.6
World	2499301	2825588	3368898	1222575	1418378	1711084	48.9	50.2	50.8

Source: The World Bank, *World Development Indicators Online*, 28 October 2009. Available at: www.worldbank.org.

a/ Some figures of the World Development Indicators in 2008 and 2009 differ from those which were available in the database on the Internet and which were used here because they were updated.

b/ The World Bank, *World Development Indicators 2009, table 4.2.* Available at: http://sitersources.worldbank.org/DATASTATISTICS/Resources/wdi09introch4.pdf.

Table 24 shows the value (in dollars) of high technology exports requiring intensive research and development as a percentage of total industrial exports of selected Arab countries, Iran, Turkey and the world. High technology exports include products relating to space, aviation, computers, pharmaceuticals, scientific tools and electrical equipments.

TABLE 24. HIGH TECHNOLOGY EXPORTS OF SOME ESCWA COUNTRIES COMPARED WITH OTHER COUNTRIES AND THE WORLD, 2005, 2006 AND 2007

	High technology exports as a percentage of total industrial exports[a/] (millions of US dollars)			(percentage)		
	2005	2006	2007	2005	2006	2007
Bahrain	0.4	0.3	0.5	0.1	0.1	0.0
Egypt	9	15	5	0.4	0.5	0.2
Iran	127	375	375[b/]	2.5	6.2	6.0[b/]
Jordan	34	35	38	1.4	1.2	1.1
Morocco	707	830	858	10.0	10.1	9.1
Oman	2	3	8	0.3	0.3	0.5
Saudi Arabia	91	148	121	0.6	0.9	0.6
Syrian Arab Republic	18	29	..	2.1	0.8	..
Tunisia	344	563	565	4.4	6.6	5.3
Turkey	906	258	328	1.5	0.4	0.4
Yemen	0.2	3	1	0.8	6.1	1.4
World	1572836	1807189	..	20.6	20.6	18.1

Source: The World Bank, *World Development Indicators Online*, 28 October 2009. Available at: www.worldbank.org.

Note: Two dots (..) indicate that data are not available.

a/ Some figures of the World Development Indicators in 2008 and 2009 differ from those which were available in the database on the Internet and which were used here because they were updated.

b/ The World Bank, World Development Indicators 2009, table 5.12. Available at: http://siteresources.worldbank.org/DATASTATISTICS/Resources/ wdi09introch4.pdf.

A comparison would show that Iran's high technology exports in 2007 amounting to $375 million exceeded the combined corresponding values for Jordan, Bahrain, Syria, Oman, Egypt, Saudi Arabia and Yemen. However, it is notable that in 2007 the value of high technology exports of Morocco ($858) and Tunisia ($565) exceeded that of Turkey ($328).

The ICT sector which represents a significant part of international trade was affected by the global financial crisis, mainly IT and less so ICT which showed greater flexibility. The ability of this sector to absorb the impact of that crisis lies in its amenability to restructuring its services and resources due to the availability of high-speed broadband communication which enables enterprises to produce services in more efficient places.

In the Arab countries, the enhancement of investment in the ICT sector, the development of related services, and the provision of adequate statistics in the components of that sector are becoming increasingly important. In order to strengthen the ICT sector and the flexibility of its services, given the impact of the global financial crisis, the Arab countries can direct their policies and efforts both at the national and regional levels to the following: availability at reasonable cost of broadband services to all; provision of a legislative and financial environment appropriate for investment in this sector and its various fields such as software and the digital Arabic content industry; facilitation of creating partnership between the private and public sectors; and promotion through educational curricula of national capacities relating to ICT and its services. By strengthening ICT and related services, the Arab countries can enhance the role of this sector in achieving economic growth, creating new job opportunities, and strengthening sectoral and regional cooperation.

5. *Follow-up to the implementation of the resolutions of the World Summit on the Information Society at both the regional and global levels*

The goal of the World Summit on Information Society (WSIS) was to bridge the digital divide between developed and developing countries as well as to promote the rise of an equitable and inclusive information society. It was held in two phases: the Geneva phase of 2003 and the Tunis phase of 2005. The topics discussed by WSIS included Internet governance and financial mechanisms; universal access to information and knowledge; sustainable development; freedom of expression; and freedom of flow of information. In addition, WSIS adapted the following action lines: (a) the role of governments and all stakeholders in the promotion of ICTs for development; (b) information and communication infrastructure; (c) access to information and knowledge; (d) capacity building; (e) building confidence and security in the use of ICTs; (f) enabling environment; (g) ICT applications; (h) cultural diversity and identity, linguistic diversity and local content; (i) media; (j) ethical dimensions of the Information Society; (k) international and regional cooperation.

ESCWA played a leading role in the preparatory process of WSIS through enhancing the concept of information society, as well as identifying regional needs and priorities; it was also involved in following up WSIS resolutions by taking part in international conferences to follow up WSIS work; it furthermore participated in convening regional conferences to continue and intensify related action, with the last such meeting (Damascus, 16-18 June 2009) having been held to follow up WSIS resolutions on the information society at the regional level.

Box 7. Annual meetings to follow up on WSIS resolutions

Since the conclusion of the second phase of WSIS held in Tunis in 2009, the two main WSIS facilitators – ITU and UNESCO – have been regularly holding in the month of May in Geneva annual follow-up meetings for the implementation of WSIS resolutions and outcomes; the latest such meeting, called WSIS forum 2009,[*] was held as scheduled in May 2009 in Geneva, with active participation in organization by UNDP and UNCTAD. The forum held more than 35 sessions and was attended by hundreds of participants representing governments, NGOs, the private sector and numerous international organizations. The main topics of discussion included: ICTs for MDGs, impact of the global financial crisis on ICTs, and the role that ICTs can play in the efforts to implement the Kyoto protocol regarding environmental issues.

[*] Available at: http://www.itu.int/wsis/implementation/2009/forum/geneva.

The conference on regional follow-up to the outcome of WSIS amounted to a forum for the various stakeholders in the Arab countries to review the progress made toward the implementation of the above-mentioned 11 action lines as well as the regional plans of action and strategies aimed at building the information society in the Arab world, including the Arab Information and Communication Strategy: Building the Information Society, 2007-2012. The conference addressed several important topics relating to the information and communication infrastructure, development of the ICT sector in the Arab countries, enhancing access to ICTs, measuring the digital divide, and assessing progress achieved towards an inclusive, equitable, and human-oriented information society.

Box 8. Recommendations of the Conference on Regional Follow-up to the Outcome of WSIS

The Conference on Regional Follow-up to the Outcome of WSIS adopted a set of recommendations to speed up the process of developing the information society; realizing the knowledge society; motivating international organizations, including ESCWA, ITU, and UNESCO; supporting IT efforts in the Arab region, especially those related in particular to issues of the Arabic domain names measuring the information society; improving the enabling environment and Internet governance; promoting cultural and linguistic diversity on the Internet; and strengthening the local digital content. The recommendations may be considered as a roadmap to continue efforts to achieve the goals of WSIS. Following on some of the more important recommendations:

(a) Calling on the Arab governments to:

- Accelerate the implementation of national and regional strategies and act to overcome the obstacles to that implementation;
- Improve the enabling environment, including Internet governance, with a view to developing the information society and building ICT industries, while taking practical measures, and providing facilitating incentives for that purpose;
- Encourage regional and foreign investment in ICTs with the proper timing and with a view to transforming the current global financial crisis into an opportunity to bridge the digital divide;
- Increase budget allocations to programmes of socio-economic development that depend on ICTs and encourage scientific and technological research at universities and research centres;
- Stimulate interaction and collaboration among the Arab countries for implementing and financing regional projects of economic, social and scientific significance for the Arab region as well as for increased sharing of expertise and lessons learned.

(b) Calling on non-governmental organizations:

- To participate actively in the implementation in national and regional strategies and plans of action as well as regional projects, with a view to accelerating the development of the information society and the creation of the Arab knowledge society;
- To raise awareness and conduct training on issues of particular importance to society and individuals such as spreading the culture of cyberspace security and protection, protecting children from exploitation and deviate behaviour through the Internet, taking advantage of electronic services, and encouraging the development of the Arab digital content;
- To participate through special programmes in enabling the youth, women and individuals with special needs to use ICTs.

(c) Calling on the private sector:

- To implement regional ICT infrastructure projects, with the aim of increasing connectivity between member countries, and participate in technological development and the development of the ICT sector in alignment with the needs of Arab and global markets;
- Collaborate with the public sector in the implementation of national and regional strategies for building society,

and take an active role in introducing the latest technologies as required.

Box 8 (*continued*)

(d) Calling on international and regional organizations, specifically ESCWA, ITU, UNESCO and the League of Arab States:

- To continue to coordinate efforts and increase cooperation among them in order to implement regional plans for building the information society and implementing the recommendations of WSIS;
- To provide technical support to member countries and hold regional conferences and workshops on topics of high priority in the region, such as broadband services, promoting the ICT sector and advancing the digital Arabic content industry;
- To follow-up on the implementation of national and regional projects in collaboration with the various stakeholders in the ICT field;
- To unify efforts in issues of global and regional importance such as Internet governance and Arabic Domain Names System (ADNS);
- To increase collaboration in capacity-building for implementing regional projects related to creating an enabling environment for the information society improving e-services measuring the information society.

6. *The Arab region and Internet governance: Arab working group and the Fourth Internet Governance Forum (IGF)*

The critical role of the Internet in sustainable human development and its significant socio-economic effects give rise to the question as to who in fact governs the Internet. The global community has a common interest in developing comprehensive governance models based on participation to ensure Internet security and development. The importance that the international community attaches to the Internet was reflected on top of the agendas of the first and second phases of WSIS in Geneva in 2003 and in Tunis in 2005 respectively. While WSIS moved the topic of the Internet to the main international discussions of public policy, developing countries displayed frustration during those discussions, feeling isolated and excluded from the existing structures of governance. These countries came to recognize the importance of participating in such discussions and expressing views and expectation regarding any governance arrangements.[14] The debate which started in 2003 has continued ever since.

Issues of Internet governance are the subject of a heated global debate notwithstanding the international consensus on their importance, for there is no agreement on the existing structures of governance from which many countries feel excluded. In the second phase of WSIS held in Tunis in 2005, the Tunis Agenda on the Information Society was adopted requesting the United Nations Secretary-General to hold a new multi-stakeholder forum on policy for the future of Internet governance.[15] In response to that request, the Secretary-General launched IGF as a five-year process extending from 2006 to the end of 2010, with the aim of facilitating and providing an opportunity to expand the scope of the global debate on the principles of an Internet policy through an open and inclusive process. In accordance with its mandate, IGF is a forum to discuss the most important public policy issues related to Internet governance in order to foster the sustainability robustness, security, stability and development of Internet.

Contributions by developing countries to the discussion of the issues related to Internet governance, including the ICANN process so far continue to be relatively limited. Even when developing countries participate in IGF meetings, they often send only government representatives without involving a wider group of stakeholders. There is no doubt that many developing countries are not adequately aware of that

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[14] M. Krummer, *Internet Governance and the Need for an Inclusive Multi-stakeholder Dialogue*. Available at: http://www.oecd.org/dataoecd/60/53/37985809.pdf.

[15] The Tunis Agenda on the Information Society is available at: http://www.itu.int/wsis/docs2/tunis/off/6rev1.html.

process and the effective means of participating in it. As a result, developing countries have lost valuable opportunities to present their views and state their needs on the global scene.

(a) *IGF and its significance to the Arab countries*

IGF poses challenges and provides opportunities for stakeholders of various viewpoints to share ideas, opinions and experience for the sake of strengthening cooperation among the parties concerned in order to achieve the main goal of constructively developing the Internet and its utilization. Although IGF is primarily a place to hold discussions with no decision-making authority, it provides in an unprecedented manner the space to address issues of Internet governance and reach consensus on global policies regarding Internet governance in order to ensure the sustainability, robustness, security and development of the Internet.

A decision on the continuation of IGF will depend on an evaluation of the results it has achieved during its period of work 2006-2010. Its first meeting in Athens (30 October – 2 November 2006) discussed four themes: access, diversity, openness and security. The second meeting, which was held in Rio de Janeiro (12-15 November 2007), discussed the same themes, adding only one new theme related to critical Internet resources. The third meeting, which was held in Hyderabad (3-6 December 2008), focused on the theme of “Internet for all”. However, in addition to those same themes, the fourth IGF meeting held in Sharm El Sheikh (15-18 November 2009) addressed the Domain Name System (DNS); Internet Protocol (IP); emerging issues related to the fast growth of social networks and their consequent issues which require a new approach to privacy and protection of data; and rules governing content created by users, copyrights, freedom of expression, and illegal content. ESCWA participated in all but the third of those meetings.

The five major themes discussed at the first and second IGF meetings – access, diversity, openness, security, and Internet resources – formed the basis for the overall theme of the third meeting, i.e. “Internet for all”. Although those five themes continued to be among the priorities of the third meeting, they were not considered as official topics of its main sessions. Three overall themes considered to be more specific and elaborate were moved to the top of the agenda of the meeting: “reaching the next billion”, “promoting cybersecurity”, and “managing critical Internet resources”, each of which shed light on a number of the basic themes mentioned earlier.

After four global meetings, IGF proved to be an appropriate platform of discussion. Nonetheless, the limited participation by representatives from developing countries, especially from the Arab region, did not match active participation by professionals, academics, governments, and civil society from developed countries. In addition, the three IGF meetings were followed by numerous national and regional events regarding Internet governance and aimed at addressing Internet-related issues of a domestic and regional character.

In view of numerous social, economic, and political discrepancies that affect the ability of the least developed countries to be involved in the global debate on Internet governance, it is incumbent upon IGF, as a legitimate process, to support the organization of regional meetings in the interest of those countries in particular. Interventions by the IGF Secretariat at the open consultations conducted in February 2008[16] clearly showed that there was strong support for holding regional mini-fora on Internet governance. In fact, an opportunity was thus provided to announce the first such mini-forum, namely the East Africa Internet Governance Forum (EAIGF) which was later held in Kenya following a series of domestic fora on Internet governance organized in Kenya, Uganda, Tanzania and Rwanda.[17] EAIGF surveyed the major issues of regional concern: universal affordable access; capacity and skills development; legislative frameworks that will create an enabling environment for creation and innovation; critical Internet resources; establishing national and regional frameworks for cyber crime, security and privacy.[18]

[16] Record of consultations is available at: http://www.intgovforum.org/cms/IGF-16Sep08%20Consultation.txt.

[17] More information about EAIGF is available at: http://www.eaigf.or.ke/.

[18] See also: http://www.eaigf.or.ke/images/stories/EAIGF_Report_Summary_for_IGF_India.pdf.

In light of the foregoing, the Arab region should develop a list of priorities for Internet governance from a regional perspective, as contributions by the Arab region to this process will help resolve regional issues with emphasis on the main themes identified by IGF.

(b) *Internet governance from an Arab perspective*

Some experts believe that the level of participation by the Arab region in Internet governance was relatively limited at the outset, which may be attributed to weak representation of the Arab states at that stage, the legitimate position of the League of Arab States on recommendations that could affect national sovereignty, and the need to level relevant decisions to individual countries to take so that the implementation of the required mechanisms may be consistent with national circumstances.[19]

In the past five years, Arab society became aware of the significance of Internet governance and started to improve its representation in most entities involved in Internet governance. It was in this context that the Council of Arab Ministers of Communications and Information Technology at the League of Arab States formed the Arab Working Group on Domain Names and Internet Issues (AWGDNII) to deal with Internet issues and the Arabic Domain Names System (ADNS), come out with common Arab positions, and address technical issues related to the implementation of ADNS.

In its meeting held in February 2009, AWGDNII discussed a preliminary list of issues to be analysed and presented at the fourth IGF meeting held in Sharm el-Sheikh (15-18 November 2009). This preliminary list, which aims to specify the priorities of concern to the Arab region and address common interests, comprised the following in no order of preference:

(a) Infrastructure, access costs, interconnection and the establishment of national and regional Internet Exchange Points (IXPs);

(b) Multilingualism, promotion of online Arabic content and ADNS;

(c) Establishment of national computer emergency response teams (CERTs) and of a regional CERT network, securing submarines cables, data integrity, authentication and non-repudiation;

(d) Child abuse and safety of minors, child pornography and Internet addiction;

(e) Telecommunications, media convergence and mobile broadcasting;

(f) Internationalization of post-JPA ICANN in 2009;[20]

(g) Transition from Internet Protocol version 4 (IPv4) to version 6 (IPv6).

Box 9. ESCWA Internet Governance Study

Following the emergence and full development of the global debate on issues related to Internet governance, ESCWA embarked on a study entitled “Internet Governance: Challenges and Opportunities for the ESCWA Member Countries”, with the aim of producing a guidebook on Internet governance for the Arab region. The study provides an analytical description of the current IG arrangements and the role of the parties concerned. It elaborates on the main issues of the debate and related challenges, focusing on those that are most important for the Arab region. Additionally, it presents a set of recommendations for the region regarding initiatives to be launched in support of a unified Arab position on IG at the international level.

A number of independent international IG consultants and experts, as well as experts from ESCWA, ICANN, and ITU have contributed to the preparation of this study. Moreover, the study has benefited from a peer review by experts from the Arab League’s AWGDNII and a number of other IG experts. The opinions and views contained in this study reflect those of a

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[19] The League of Arab States endorsed IGF and the recommendations presented by the Working Group on Internet Governance (WGIG) at PrepCom-3 for the second phase of WSIS, Tunis, but it expressed reservation about the ability of IGF to deal with Internet-related issues, especially policy and supervision. See: http://www.itu.int/wsis/docs2/pc3/contributions/co83.doc.

[20] The Joint Project Agreement (JPF) was concluded by ICANN and the US administration; contributed to the determination of the current global IG structure.

large group of stakeholders with distinct and sometimes conflicting perspectives and orientations. Great efforts were made to cover those differing views, but that does not necessarily mean their approval or endorsement by all the contributors to the study.

Box 9 (*continued*)

The study aimed at achieving the following: (a) a better understanding of the common challenges and opportunities in the field of Internet governance from the perspective of the Arab region; (b) building the capacities of the Arab countries to meet those challenges; (c) enabling the Arab countries to take advantage of opportunities to present their views and set out their requirements at the international level, with a view to contributing to the formulation of the optimal framework for a global policy on Internet governance; (d) enhancing the role of the Arab countries in such a way that each one of them may become an effective party in the global community of the Internet.

The study appeared shortly before the conclusion of one of the most significant and controversial global arrangements to determine the current global architecture of Internet governance, namely the Joint Project Agreement (JPA) between ICANN and the US administration. The study was helpful in the formulation of opinions and positions on Internet governance from an Arab perspective, which was a part of the preparation for the fourth meeting of IGF (Sharm el-Sheikh, 15-18 November 2009). In fact, IGF represented a milestone; it afforded the Arab region, as well as other developing regions, opportunities to make continued contributions from the beginning to the newly emerging alternative arrangements in Internet governance, thereby better serving the strategic objectives of the Arab information society.

In fact, the Arab region supports the transition of technical coordination of the Internet's name and numbering resources from the United States to an international organization, meeting the expectations of its multi-stakeholders. It recognizes that ICANN could meet this need after the JPA with the United States DOC expires in 2009 given tangible improvements regarding its policy process, thereby fulfilling its mandate in a bottom-up, transparent framework. ICANN would need to improve accountability mechanisms to all stakeholders in order to enhance its performance. The Arab community considers that the debate related to ICANN transition action plan is an opportunity to improve the enhanced cooperation to the benefit of developing countries that were underrepresented.

AWGDNII provided a number of main remarks on improving institutional confidence in ICANN, as follows:[21]

(a) The Arab region encourages greater participation of stakeholders and the business community in ICANN policy processes;

(b) As a non-profit corporation based in California, ICANN is only subject to the laws of California. However, given its envisaged role as an entity serving the global community, it should seek a legal presence that matches its attempt to gain more international recognition, for instance in Geneva, such as other international organizations;

(c) The Arab region expressed reservations on the advisory status of the Governmental Advisory Committee (GAC) vis-à-vis ICANN, and would like GAC to play more than merely an advisory role. This attitude is based on the Arab perspective of the need to take into consideration the interests of national governments;

(d) Given that the security and stability of the Internet unique identifiers represent the most important aspects of ICANN's mission, ICANN needs to have full control over the functions of IANA;

(e) The representation on the ICANN Board needs to be increased in order to achieve geographical and organizational balance.

[21] See ICANN, "Improving institutional confidence in ICANN [Revised, September 2008]", which is available at: http://www.icann.org/en/jpa/iic/improving-confidence-revised.htm.

Subsequent to the thirty-third meeting of ICANN (Cairo, 2-7 November 2008), an Arab discussion group, referred to as ArabICANN, was established by a group of Arab experts, professionals and Government representatives aimed at promoting active discussions on Internet governance issues that reflect the views of the Arab region, and at voicing the opinion of Arab communities to ICANN and the rest of the world.

In response to the request for comments from ICANN on improving institutional confidence through consultation, AWGDNII prepared a set of comments expressing the Arab position.

The IG process has made significant progress since its beginning, proving to be a unique experience in the exchange of opinion and sharing of experience among stakeholders. Despite the conflicting interests and different priorities of those stakeholders, they have a common interest in maximizing the benefits of the information society and in issues of concern to all countries and institutions, such as the issues of security, privacy, and costs associated with Internet use; they are interested in ensuring the provision of safe, reliable and stable Internet service for all. Although the participation of the Arab region in the Internet policy process has not been commensurate with its strategic importance, Arab countries have continued their endeavor to fund technical solutions aimed at spreading the Internet in a diversity of languages, which represents a fundamental issue in the on-going IG debate as well as in developing the strategic aspects of the Internet critical resources and of institutional reform.

7. *Arabic Domain Names on the Internet*

Within the framework of the project entitled “Promotion of the Arabic Domain Names System” and financed by the ESCWA Trust Fund for Regional Activities, ESCWA undertook several activities that directly contribute to the realization of the internalized domain names most notably the follow-up to efforts started in 2008 regarding the discussion and drafting of guidelines for the use of the Arabic script in the internationalized domain names. One of those activities was the fourth meeting of the Arabic script in IDNS Working Group (ASIWG) convened by ESCWA (Amman, 1-3 April 2009), in collaboration with a number of international organizations interested in domain names such as the operators of Top Level Domains “.org” and “.info” as well as ICANN, the Internet Engineering Task Force (IETF), the League of Arab States, and with the participation of linguistic experts in Arabic, Persian, Urdu, and Javanese.

Upon the completion of the project in the middle of 2009, ESCWA launched in September of the same year another one entitled “Development of an Arabic Domain Name System and Support for Implementation”, with a view to complementing regional efforts to use the Arabic script in domain names. ESCWA will collaborate with the League of Arab States to apply to ICANN for the acquisition of TLDs (“عربي.“ and “.arab”). ICANN intends to open the door in early 2010 for the registration of a new set of TLDs; this will provide an opportunity for Arab representation on the Internet (through the two domains “عربي.“ and “.arab” and for taking advantage of a significant marketing chance afforded by the acquisition and management of those two domains.

ESCWA is leading the regional efforts to acquire the two Arabic domains so that the League of Arab States will be their owner, given that the management, operation and activation of the Arabic domains will require the creation of a regional registry to perform those tasks. Therefore, ESCWA entrusted a group of technical, commercial and legal experts to undertake a preliminary feasibility study on the creation of a registry for the two TLDs (“عربي.“ and “.arab”).

It was agreed in September 2009 that the daily technical, operational and marketing tasks pertaining to the management of the registry would be assigned to one or more parties of expertise. An open and transparent process will be launched for the selection of the party (parties) to be in charge of establishing and managing the registry and its tasks on the basis of the “proposed booklet of terms and specifications” recently prepared by ESCWA. The party (parties) assigned those tasks will be responsible for cooperation with the League of Arab States in submitting applications to ICANN for the acquisition of the two TLDs. It is worthwhile to note that ITU will participate in funding the application process.

8. *Development of the digital Arabic content (DAC)*

The number of web pages increased greatly in most Arab countries in 2008, compared with 2007. Digital Arabic content (DAC) advanced significantly, but it continues to be low on the Internet at 0.2 per cent only according to the most optimistic figures. DAC industry is still facing numerous difficulties associated lack of an appropriate enabling environment; lack of funds to support this emerging industry; and shortage of people highly qualified to meet its needs. However, a number of economic studies conducted by ESCWA indicated the possibility of golden opportunities in the Arab region in the DAC industry if appropriate conditions of growth obtained, such as the protection of intellectual property rights for DAC; and national initiatives to encourage its development; those conditions also include the dedication of concerted and integrated Arab efforts to research and development related to the use of the Arabic language on the Internet; investment in software, applications, and solutions based on the Arabic language; and advanced capacity-building. Among the factors favorable to the creation of a digital Arabic content industry is the fact that Arabic is the official language of all the Arab countries which represent an overall market of more than 300 million people, not to mention Arab expatriates around the world. In an effort to support that industry, ESCWA continued the implementation of the regional project it had launched in 2007 to promote the DAC industry through incubation (box 10).

Box 10. ESCWA Project: "Promotion of the Digital Arabic Content Industry Through Incubation"[*]

At present, ESCWA cooperates with technology incubators in Jordan, Syria, Palestine, Lebanon and Yemen on nine promising DAC-related projects being developed by teams of university graduates in those countries. The selection of those projects was done according to criteria set in DAC competitions organized by ESCWA in collaboration with a number of technology incubators in the region. The wining teams will work until the end of 2009 on developing ideas and projects to come out with an effective model that may be used by each team to establish its own company. The participative incubators, supported by ESCWA, will provide technical assistance, practical advice, marketing guidance, and training.

[*] Available at: http://www.escwa.un.org/divisions/projects/dac/index.asp.

At the regional level, work on the "Memory of the Arab World" project has continued within the framework of the initiative of the League of Arab States to actuate the utilization of IT in the Arab region, with special support from a number of international and regional bodies, notably UNESCO, ITU and ALECSO. With support from Egypt's Ministry of Communication and Information Technology, the Center for Documentation of Cultural and Natural Heritage at the Library of Alexandria serves as the central coordinating unit which follows up the implementation of the project in collaboration with Arab and international organizations interested in heritage. In its second year, the project witnessed the beginning of the second phase of implementation with the identification of the following four heritage themes: manuscripts, architecture, popular proverbs, and timelines for historic Arab cities. At the third meeting of the executive committee of project held in 2009, agreement was reached on the creation of a database for each theme and on the method of collecting data from a number of Arab countries including the Syrian Arab Republic, the Sudan, Qatar, Lebanon, Egypt, Morocco and Mauritania.

At the national level, a number of initiatives and projects were launched in the course of the past year to support the development of DAC and bridge the digital gap. In May 2009, Bahrain announced the launch of the "Arab e-Content Award 2009" in the context of its efforts to encourage innovation in the field of e-Content in Bahrain and the Arab world. It was launched in collaboration with the organization of the World

Summit Award (WSA);[22] all the relevant Arab works were evaluated in accordance with WSA criteria, underscoring high professionalism in the selection of the winning projects and initiatives. The purpose of the "Arab e-Content Award 2009" was the consolidation of cooperation among the Arab countries in the development of Arab e-Content; the promotion of initiatives and projects of excellence; and acquainting the world with Arab electronic works.

Consistent with resolutions of the nineteenth Arab Summit Conference of the League of Arab States (Riyadh, 28 March 2007), Saudi Arabia launched in November 2007 "King Abdullah Initiative for Arabic Content," under the direct supervision of King Abdul-Aziz City for Science and Technology. The initiative aims at providing support and incentives to the process of developing the digital Arabic content and enriching it by developing the technical tools and criteria needed to make it accessible to users on a larger scale and raise awareness of the importance of this industry and how to develop it in the Arab region. Within the framework of the initiative, a portal was launched in February 2009. In collaboration with Google, the initiative in 2009 organized on Knol.google.com a competition in which students and faculty members at universities and schools write essays on subjects that fall in their fields of interest and then a group of reviewers assess the articles for award nomination of best articles. The purpose of this competition is to motivate the community to enrich the Arabic content, encourage reading and writing, writing skills in many areas of science, spread awareness of the importance of participating in writing and publishing of digital Arabic content articles.

Also within the Google campaign to enrich the digital Arabic content on the Internet, three Egyptian universities in Cairo, Asyut and Alexandria organized in 2009 on Knol.google.com a writing competition in which students prepare, write and publish on the Internet site articles on various topics of their specialization in the fields of literature, engineering, medicine, and poetry.[23]

In the Syrian Arab Republic, the Syrian Computer Society launched Al-Kindi Computer Award in early November 2008, with the aim of encouraging greater innovation and contribution among Arab computer researchers, experts working on the digital Arabic content, and authors of Arabic cultural and scientific books, given the importance of the Arabic language in defining the Arab cultural identity. In May 2009, awards were granted at a ceremony organized by the Syrian Computer Society with the Syrian Arab Republic and Egypt winning two awards each and Tunisia one award.

Kuwait National Library launched the "Preservation of the National Heritage" project to keep the sources of the national heritage and make them electronically accessible through optical scanning, digitization, and text storage of a selection of domestic and international rare books and periodicals, as well as documents, manuscripts, and special publications on the heritage of Kuwait. Similarly, the implementation of the National Bibliographic System is underway with the aim of building an integrated automatic network of bibliographic information to serve the main Libraries in the State. The number of participants in both projects has so far reached 28 libraries and national information centres, notably the libraries of Kuwait University, the Amiri Diwan, the Kuwait Foundation for the Advancement of Science, Figh Encyclopedia, and others.

In Oman, the Information Technology Authority is planning to draw up a comprehensive strategy for the digital content; preparations are also underway to launch the "Centre of Excellence for E-Content," which aims at serving as a forum for all the companies active in the development of the digital content industry in Oman.

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[22] WSA was created by the United Nations in 2003 within the framework of WSIS, with the aim of promoting good e-Content and innovation in ICT applications. For further information on WSA, visit WSIS site: www.wsis-award.org/about/index.wbp.

[23] Available at: http://user1054379.wx17.registeredsite.com/aea/eng/index.asp.

IV. RECOMMENDATIONS

In light of the foregoing review and analysis, the following recommendations may be addressed to the Arab countries with a view to enhancing regional integration and keeping up with globalization:

1. Improvement of the investment environment and business performance in the Arab countries through legal and legislative reform, fighting corruption and bureaucracy in order to achieve greater FDI inflows, thereby increasing their share of FDI flows and focusing on encouraging the flow of intra-Arab investment.

2. Diversification of domestic products with a view to diversifying exports outside the oil sector which currently dominates exports, given the fact that this would increase the share of the Arab countries in global trade.

3. Provision of support to regional integration as a first step towards achieving Arab economic integration, realizing the dream of a common Arab market, and diversifying products which would lead to greater intra-Arab trade.

4. Seeking to develop appropriate legislative frameworks that would serve as an incentive to spread Arab banks and increase the number of their branches in the Arab countries, given the effective role they can play in encouraging intra-Arab trade and the movement of capital among those countries, which in turn would bolster the movement toward Arab integration.

5. Seeking to remove obstacles that prevent the growth of intra-Arab trade, especially non-tariff obstacles such as difficulties related to administrative matters and certificates of origin, also seeking to enforce the agreement on the liberalization of trade in services among the Arab countries to enhance intra-Arab trade.

6. Supporting intra-Arab tourism, which for some Arab countries represents the larger part of their income from tourism.

7. Strengthening the relationship between the public and private sectors and creating an economic and investment structure that is appropriate for private sector participation in economic development and in supporting regional integration among the Arab countries; and implementing the resolution adopted by the Arab Economic, Development, and Social Summit (Kuwait, 19-20 January 2009) regarding the role of the private sector in bolstering joint Arab action.

8. Increasing Arab financial aid, giving priority to the least developed Arab countries and those suffering from the aftermath of war and political conflict in order to help them resolve conflict and embark on reconstruction and development. Such aid or most of it should be directed to the development in those countries of the infrastructure which suffered years of neglect, for no economic development can take off without building an appropriate modern infrastructure that encourages investment, including FDI.

9. Seeking to establish an Arab customs union, in accordance with the provisions of the resolution adopted by the Economic, Social and Development Summit calling for the creation of that union by 2015.

10. Increasing public expenditure by the Arab countries, particularly the oil-exporting ones, and adopting appropriate financial and monetary policies to mitigate the effects of the global financial crisis on economic growth.

11. Adoption of policies to improve the investment environment for national capital at the domestic level and reduce investment abroad in order to avoid risks of the type caused by the global financial crisis.

12. Doubling efforts to raise public awareness of the need to preserve water resources and protect them from pollution, and establishing civic habits of respect for public laws, regulations and legislation.

13. Seeking to enhance the use of clean energy sources in the Arab countries to reduce pollution on the one hand, and ease the pressure on the balance of trade produced by the rising prices of oil by-products, on the other.

14. Improving university curricula to meet the requirements of building a digital Arabic content industry, and encouraging the establishment of specialized training centres in that area.

15. Developing an appropriate legislative framework for the creation of a digital Arabic content industry, including in particular intellectual property rights for the digital content.

16. Encouraging Arab banks and funds to finance the digital Arabic content industry and establish funds for venture capital.

17. Enhancing the role of the Arab banking sector in financing development in the Arab countries by seeking to attract fund from abroad and finding common forms of cooperation in Arab banking to make utmost use of banking resources to finance investment projects in the Arab countries rather than abroad.