ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)

ANNUAL REVIEW OF DEVELOPMENTS IN GLOBALIZATION AND REGIONAL INTEGRATION IN THE ARAB COUNTRIES, 2008

United Nations

Distr.
GENERAL
E/ESCWA/EDGD/2008/4
22 December 2008
ENGLISH
ORIGINAL: ARABIC

ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)

ANNUAL REVIEW OF DEVELOPMENTS IN GLOBALIZATION AND REGIONAL INTEGRATION IN THE ARAB COUNTRIES, 2008

United Nations
New York, 2008

E/ESCWA/EDGD/2008/4
ISSN. 1726-5967
ISBN. 978-92-1-128324-2
08-0439

United Nations Publication
Sales No. E.09.II.L.1

Preface

The seventh *Annual Review of Developments in Globalization and Regional Integration in the Arab Countries, 2008,* addresses the most important developments in the Arab countries as they endeavour to achieve regional economic integration and get involved in globalization. This review sets out the major opportunities offered by globalization and the means of strengthening regional economic and sectoral integration, while also indicating the challenges facing the Arab countries as they strive to keep pace with globalization. It is hoped that this *Annual Review* will help decision makers take enlightened decisions with regard to globalization and regional integration. The *Annual Review* was prepared by 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) within ESCWA.

CONTENTS

Page

CONTENTS (*continued*)

Page

LIST OF TABLES

CONTENTS (*continued*)

Page

LIST OF BOXES

LIST OF FIGURES

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 performance of Arab countries in 2007 was uneven. Some sectors increased their share in the world economy while other sectors saw their share decline. A major feature of 2007 was the decline, for the first time in many years, in the Arab countries' share of foreign direct investment (FDI) flows. This was due not to a decline in FDI flows to the Arab countries but to the fact that their growth rate was much less than the growth rate of FDI to all countries. In other words, the performance of the Arab countries was below the world average, despite the successes recorded by Egypt, Saudi Arabia and the United Arab Emirates.

The Arab countries' share of world trade, some 4.25 per cent in 2006, rose only slightly to reach 4.30 per cent in 2007. This small increase was mainly attributable to the sharp increase in the price of oil. The Arab countries are therefore still suffering from a low share of international trade. Were it not for the oil factor, this share would have dropped sharply.

The Arab countries' share of world gross domestic product (GDP) rose slightly in 2007, reaching 2.9 per cent compared with 2.7 in 2006. However, the Arab countries' share of world GDP can still be classified among the least impressive indicators, as it is less than the Arab countries' share of world trade, FDI, international tourism, or crude oil and natural gas production.

As for their share in world crude oil production in 2007, the Arab countries registered a decline compared with 2006, despite the fact that some of the Arab countries are among the world's major exporters of oil. This share fell to 26.1 per cent from 28.4 per cent in 2006. This is due to two factors. The first is that world oil production grew by more than Arab oil production. Secondly, most Arab oil exporters are members of the Organization of the Petroleum Exporting Countries (OPEC) which put a cap on oil production that no member country could exceed. This indicates that the Arab countries' performance in international trade is still tied up with developments in the world oil markets.

Similarly, the Arab countries' share in world production of natural gas dropped from 13.1 per cent in 2006 to 10.5 per cent in 2007. This can be explained by the fact that production outside the Arab countries increased at a faster pace than production in the Arab countries.

The index of Arab regional integration for the year 2007 shows Jordan ranking first out of 16 Arab countries. Lebanon came in second place for the second year running, followed by the Syrian Arab Republic in third place. This index measures the performance of Arab countries on four variables: intraregional trade, intraregional investment, intraregional tourism and intraregional migrant workers' remittances. An analysis using the index reveals that the performance of the Maghreb countries fell behind that of the Mashreq countries, due in the first instance to the fact that geography makes their trading ties with Europe stronger than those with the Arab Mashreq. The proximity of the Arab Maghreb countries to Europe has led to the conclusion of partnership agreements with the European Union where most migrant workers have come from the Maghreb.

Despite the efforts of the Arab countries to increase intraregional trade and the progress made to date, including the establishment of the Greater Arab Free Trade Area (GAFTA), intraregional trade as a percentage of GDP is still below what it is in other regional groupings. Arab intraregional trade increased from US$ one billion in 2006 to US$ 1.2 billion in 2007. But intraregional trade as a proportion of all foreign trade increased only slightly, from 9.3 per cent in 2006 to 9.8 per cent in 2007. There are several reasons for this, including a GDP growth rate higher than that of intraregional trade, the low level of intraregional trade between the Arab Mashreq and the Arab Maghreb, in view of the geographical distance between them and the lack of sufficient means of transport, especially a rail link, and the less-than-full implementation of the GAFTA, especially as regards removing the non-tariff and technical trade barriers which have had such a negative impact on Arab intraregional trade.

In 2007, intraregional Arab investment, one of the most important measures of regional integration, grew substantially in Lebanon, the Libyan Arab Jamahiriya and Saudi Arabia. Thanks to the efforts of Arab countries to improve the investment environment at home, this growth is expected to continue in the next few years, especially with the worsening of the world financial crisis which is expected to accelerate the return of a portion of Arab capital invested abroad.

Intraregional tourism is a major factor in achieving economic development in the Arab countries and fostering regional integration. Tourism in general plays an important role in reducing unemployment, increasing foreign currency flows and supporting infrastructure, among other benefits. However, there are factors which continue to impede the development of Arab intraregional tourism, including political conditions in some of the countries enjoying a relative advantage in tourism, an insufficient number of hotel rooms, the rising price of accommodation, measures related to obtaining entry visas and other bureaucratic measures. Likewise, the lack of sufficient means of transport between the Arab Mashreq and Maghreb countries reduces the opportunities for increasing Arab tourism and achieving regional integration between these two Arab country groupings.

By the same token, the remittances of migrant workers contribute to providing foreign currency to the Arab labour-exporting countries and reducing poverty, especially in the rural areas where most of the families of migrant workers live, especially in Egypt, the Syrian Arab Republic and Yemen. These remittances also foster economic ties and regional integration between labour-exporting and labour-importing countries. Even so, the impact of remittances on economic development remains limited, for the simple reason that most of these remittances are made outside the banking system and go towards consumption.

Official development assistance (ODA), on the other hand, contributes to reducing poverty and building infrastructure in the recipient countries, thereby reinforcing their efforts to achieve the Millennium Development Goals (MDGs). However, despite the increase in ODA from the developed countries to the developing countries, most of the donor countries have still not achieved the goal called for by the United Nations of giving 0.7 per cent of their national income as official assistance to the developing countries. As for official intraregional development aid, Iraq continues to account for the bulk of it. Aid from the Arab countries to Iraq, Palestine and the Sudan was around US$ 8.2 billion in 2006, or more than 83 per cent of all aid granted by Arab countries to other Arab countries.

The Arab countries made a major effort in 2007 to link up electrical power grids, especially as relates to the seven-country electrical power grid project, the project to link the power grids of the Maghreb countries, and the Gulf Cooperation Council (GCC) power grid linkage project. Likewise, these countries achieved progress in bilateral power grid projects, such as that between Saudi Arabia and Yemen and that between Saudi Arabia and Egypt. A project was also launched to link the power grids of the East African countries.

Data on indicators for information and communications technology (ICT) for the year 2007 indicate that only three Arab countries, the United Arab Emirates, Bahrain and Qatar, managed to exceed the world average number of fixed telephone lines of 19.2 for every 100 persons. Progress was greater on mobile telephone lines where 11 Arab countries managed to exceed the world average number of portable phone lines of 49.2 per 100 persons, namely, the United Arab Emirates, Bahrain, Tunisia, the Libyan Arab Jamahiriya, the Syrian Arab Republic, Oman, Qatar, Kuwait, Lebanon, Egypt and Saudi Arabia. As for the Internet, four Arab countries, the United Arab Emirates, Qatar, Kuwait and Lebanon, exceeded the world average number of Internet subscribers per 100 of population which is 8.2.

Spending on the ICT sector in selected Arab countries showed a sharp discrepancy in comparison with certain other developing countries, such as Turkey, the Islamic Republic of Iran, and India and with the world average. While ICT spending as a proportion of GDP in Algeria was 2.4 per cent in 2006, this rate reached 6.1 per cent in India, 8.2 per cent in Turkey and 6.7 per cent as a world average. In Jordan, the rate was 8 per cent, in other words, higher than the world average and also higher than the rates for both Turkey and India.

Introduction

The *Annual Review of Developments in Globalization and Regional Integration in the Arab Countries, 2008* reviews and assesses the performance of Arab countries in 2007, in terms of both regional integration and of their integration, in the context of globalization, into the world economy. On the basis of the results of this assessment, this review aims also at reaching recommendations on how to achieve progress towards regional integration and improve the position of Arab economies within the world economy.

This review provides an analysis of economic and financial indicators which measure the depth of the Arab economies' integration into the world economy. The most important indicators are those quantifying the Arab countries' share of the following: world gross domestic product (GDP), foreign direct investment (FDI), tourism and its revenues, international trade and oil and gas production. Overall, these indicators show an increase in the Arab countries' integration into the world economy.

This review also provides an analysis of a set of economic indicators which measures the performance of Arab countries in achieving regional integration. It ranks Arab countries by performance according to indices of Arab intraregional trade, investment, tourism and workers' remittances as well as official development assistance (ODA) offered by rich Arab countries to less developed Arab countries.

The review addresses the international financial crisis and its impact on Arab economies, with a view to offering the Arab countries recommendations on how to limit the negative impact of this crisis on their financial markets. It also discusses the migration of labour from Arab countries within the context of globalization, on the one hand, and Arab regional integration, on the other. Finally, this 2008 edition reviews the most significant efforts made by the Arab countries to achieve integration in two key sectors: energy and information and communications technology (ICT).

Chapter I analyses the contribution of the Arab countries to the world economy, especially as regards GDP, international trade, FDI flows, tourism and oil and natural gas production.

Chapter II addresses the progress made by the Arab countries in enhancing regional integration, by analysing the four components of the regional integration index, namely: intraregional trade, intraregional investment, intraregional tourism, and intraregional workers' remittances.

Chapter III considers migrant workers, workers' remittances and their impact on the economies of labour-exporting countries.

Chapter IV addresses sectoral integration and its role in enhancing regional integration. Emphasis is placed on the energy and ICT sectors, by analysing the progress made in each.

Chapter V summarizes this review and presents a set of recommendations for decision makers in the Arab countries.

I. ARAB WORLD SHARE OF THE WORLD ECONOMY

A. CORE INDICATORS

In 2007, the performance of the Arab countries as regards their contribution to the world economy was inconsistent. While their share of world GDP rose from 2.7 per cent in 2006 to 2.9 in 2007 and their share of global foreign currency reserves rose from 6.6 per cent to 7.2 per cent, their share of international trade did not change and remained stable at 4.3 per cent. Meanwhile, between 2006 and 2007, their share of international tourism fell from 5.6 per cent to 5.4 per cent, their share of international FDI flows fell from 4.9 per cent to 4 per cent, of oil production from 28.4 per cent to 26.1 per cent and of natural gas production from 13.1 per cent to 10.5 per cent (see table 1).

The fall in these ratios occurred in spite of the noticeable rise in some economic indicators. For example, FDI flows to Arab countries increased in 2007 by 4.4 per cent compared with 2006. However, international FDI flows increased at a higher rate, which reduced the relative share of the Arab countries. As for oil and gas production, the Arab countries' share of oil production fell from 23.2 million barrels per day in 2006 to 22.4 million barrels per day in 2007, since most of the major Arab oil exporting countries are members of the Organization of Petroleum Exporting Countries (OPEC) and their oil production is subject to limits set by OPEC. Moreover, some countries have reached their maximum production capacity and cannot increase their production. While there was no significant change in international gas production, its production in the Arab countries fell from 355.2 billion cubic metres in 2006 to 308 billion cubic metres in 2007, i.e., by 20 per cent, which reduced the Arab countries' share of world production (see table 1).

The figures and percentages included in table 1 show that the Arab countries are moving, albeit slowly, towards integration into the world economy. However, their inconsistent performance as reflected in international indices makes the Arab countries appear to be merely marking time. With the exception of oil and gas reserves indicators, in which the share of the Arab countries, in 2007, amounted to 50 per cent and 29 per cent respectively, most other indicators still do not reflect the Arab countries' nearly 5.0 per cent share of the world's population. This comparison should not, however, conceal the fact that the share of the Arab countries, according to some indices, has seen a significant and real increase over the past six years.

Table 1 shows that the Arab countries' share of FDI flows rose from 1.2 per cent in 2002 to 4.0 per cent in 2007 – more than tripling over five years. Such positive progress indicates that the efforts made by these countries to attract FDI have yielded clear results. However, if this progress is to be reflected in an increased share of international FDI flows, these countries must work to achieve growth rates in FDI flows exceeding the growth rate of international FDI flows for several years in succession. This will require intensive effort on the part of all the Arab countries, especially the leading countries such as the United Arab Emirates, Saudi Arabia and Egypt, ranking first among Arab countries as recipients of FDI flows. The same applies to the international trade and tourism sectors.

B. FOREIGN DIRECT INVESTMENT

1. *International FDI flows*

In 2007, international FDI flows reached a new record high of US$ 1.83 trillion versus US$ 1.4 trillion in 2006 (see table 2). The developed countries' share of these flows was 67.8 per cent in 2007 versus 66.7 per cent in 2006. Consequently, the developed countries continued to receive the largest share of international FDI flows. The United States ranked first with a 12.7 per cent share of total international flows in 2007, followed by the United Kingdom with 12.2 per cent. The share of all the developing countries plus that of China amounted to 27.3 per cent in 2007, falling from 29.3 per cent in 2006. In terms of the different forms FDI can take, the bulk goes to mergers and acquisitions (M&A) of transnational corporations (TNCs). The figures show that this form of FDI reached a value of US$ 1.64 trillion in 2007, or 89 per cent of total international flows of US$ 1.83 trillion, while investments in new areas, known as "greenfield" investments, constituted 11 per cent. The industrial countries received the largest share of M&A investment at 88.8 per cent. The domination of the developed countries in M&A, the most important form of FDI, is the key factor helping these countries dominate international FDI flows as a whole while continuing to render the developing countries' share of international flows insignificant and limiting their opportunities to increase it. This is because TNCs, which dominate M&A activity, concentrate most of their activity in the developed countries, especially the United States and the European Union, carrying out only a small part of it in the developing world. In 2007, the Arab countries' share of transnational M&A was only 1.1 per cent, far less than their 4 per cent[1] overall share of international FDI flows. This suggests that the Arab countries' share of these flows will remain limited however great their efforts and whatever success they may achieve.

2. *Arab country performance and potential in attracting FDI*

In 2007, four Arab countries made significant progress in attracting FDI, ranking near the top on the world scale in their performance in this activity. Jordan came in 6th, Lebanon 10th, Bahrain 12th and Egypt 20th. Such progress represents an important achievement for these non-major-oil-producers whose potential for FDI inflows is less than that of the major oil-exporting countries. Egypt achieved the greatest progress by moving up from 31st to 20th place. The performance of other Arab countries also improved, with Oman rising in the ranks to 48th from 61st place in 2006 and Saudi Arabia ranking 51st, moving up from 66th place in 2006. At the same time, certain other Arab countries saw their performance slip in 2007: Algeria's ranking fell from 116th to 118th, Qatar's from 94th to 110th and the Sudan's from 17th to 21st. The Sudan's ranking is still good, given prevailing economic and political conditions, albeit far from its potential, due to its huge natural resources (see table 3).

A comparison between performance and economic potential of the Arab countries shows some countries exceeding their potential and others performing below their potential. The first group includes Jordan, Bahrain, Tunisia, Algeria, Libyan Arab Jamahiriya, Syrian Arab Republic, the Sudan, Oman, Lebanon, Egypt, Morocco and Yemen. The second group comprises United Arab Emirates, Qatar, Kuwait and Saudi Arabia. Significantly, the countries that performed beyond their potential are those with diversified economies, while those that performed below their potential are the major oil-exporting countries. The countries with diversified economies were the first to carry out economic reform programmes back in the 1990s, an initiative which had a positive impact on their performance in attracting FDI. The performance of these countries in the business sector improved dramatically and went far beyond their potential to attract this type of investment. This indicates that while an important factor, the availability of natural resources is not sufficient in itself to lift the performance of any country in attracting FDI. The creation of an investment-friendly environment is crucial to encouraging and promoting this type of investment. Therefore, the countries in the second group, i.e., major oil-exporting countries with abundant natural resources, are on the road to improving their business environment and creating one which encourages FDI. Among the major oil-exporting countries that made a substantial effort along these lines are Saudi Arabia and the United Arab Emirates, which came 1st and 2nd, respectively, among Arab countries by volume of FDI (see figure I). Indeed, the performance of both countries is moving closer to realizing their full potential in attracting FDI.

[1] United Nations Conference on Trade and Development (UNCTAD), *World Investment Report 2007*, Annex table B.1.

TABLE 1. SHARE OF THE ESCWA[a/] REGION AND ARAB WORLD IN THE GLOBAL ECONOMY, 2002 AND 2006-2007: 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)		
	2002			2007			2002	2006	2007	2002	2006	2007
Area (million 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)	150	272	6 218	236	332	6 625	2.42	3.57	3.56	4.38	5.01	5.01
GDP (billion of dollars)[b/]	541	678	31 614	1 238	1 557	54 347	1.71	2.09	2.28	2.15	2.65	2.86
Total foreign currency reserves (billions of dollars)[c/]	87.4	137.9	2 477.2	216.7	437.8	6 049.5	3.53	3.37	3.58	5.57	6.63	7.24
Total trade (billions of dollars)[d/]	318.3	403.0	13 060.2	981.2	1 217.4	28 271.6	2.44	3.42	3.47	3.09	4.25	4.31
Total number of tourist arrivals (millions)[e/]	26.4	36.7	703	32.5	48.4	903	3.76	3.83	3.60	5.22	5.57	5.36
Revenue from tourism (billions of dollars)[f/]	8.2	11.9	474	17.9	27.8	950	1.73	4.57	1.89	2.51	4.71	2.92
FDI (millions of dollars)	4 737	8 084	678 751	61 143	72 470	1 833 324	0.70	3.96	3.34	1.19	4.92	3.95
Labour remittances (millions of dollars)[g/]	10 352	15 391	169 502	21 372	32 752	3 55 438	6.11	5.64	6.01	9.08	8.74	9.21
Oil production (millions of barrels per day)	16.9	19.0	65.4	19.3	22.4	86.1	25.79	24.36	22.41	29.02	28.38	26.05
Known year-end oil reserves (billions of barrels)	601.8	649.4	1 121.2	615.6	669.7	1 331.7	53.67	46.63	46.23	57.92	50.74	50.29
Natural gas production (billions of cubic metres)[h/]	199.0	287.7	2 599.3	284.9	308.4	2 940.0	7.66	9.62	9.69	11.07	13.14	10.49
Year-end natural gas reserves (billions of cubic metres)	46.7	57.4	176.8	48.2	54.7	188.1	26.44	26.26	25.65	32.44	29.57	29.09
Current refining capacity (m/b/d)[i/]	5.7	6.9	..	6.3	7.4	85.3	..	7.22	7.42	..	8.45	8.67
Energy consumption (millions of barrels of oil equivalent per day)[j/]	5.5	6.5	..	7.3	8.7	..	..	3.34	..	..	4.00	..

Source: ESCWA, based on regional and international sources.

a/ The Sudan joined ESCWA in the second half of 2008, bringing the number of member countries to 14. 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

b/ With the exception of Comoros and Somalia for lack of data.

c/ With the exception of Somalia and Palestine for lack of data.

d/ With the exception of Palestine for lack of data.

e/ The figures do not include all Arab countries for lack of precise data.

f/ The figures do not include all Arab countries for lack of precise data.

g/ The figures listed under the years 2006-2007 refer to 2005-2006, respectively.

TABLE 2. FDI FLOWS TO THE ARAB COUNTRIES AND THE WORLD, 2005-2007

	FDI flows (*millions of dollars*)			Growth rate (*percentage*)	
	2005	2006	2007	2006	2007
Jordan	1 762	3 245	1 937	84.17	(40.31)
United Arab Emirates	10 901	12 815	13 253*	17.56	3.42
Bahrain	1 049	2 915	1 756	177.88	(39.76)
Tunisia	782	3 312	1 618	323.53	(51.15)
Algeria	1 081	1 795	1 665	66.05	(7.24)
Comoros	1*	1*	1*	0.00	0.00
Libyan Arab Jamahiriya	1 038	2 013	2 541	93.93	26.23
Syrian Arab Republic	636	600	885	(5.66)	47.50
Djibouti	22	164	195	645.45	18.90
The Sudan	2 305	3 541	2 436	53.62	(31.21)
Somalia	24*	96*	141*	300.00	46.88
Iraq	515	383	448*	(25.63)	16.97
Oman	1 758	1 656	2 377	(5.80)	43.54
Palestine	47	38	21*	(19.15)	(44.74)
Qatar	1 196	1 687	1 138	41.05	(32.54)
Kuwait	620	157	123	(74.68)	(21.66)
Lebanon	2 792	2 739	2 845	(1.90)	3.87
Egypt	5 376	10 043	11 578	86.81	15.28
Morocco	2 946	2 450	2 577	(16.84)	5.18
Saudi Arabia	12 107	18 400	24 318	51.98	32.16
Mauritania	864	155	153	(82.06)	(1.29)
Yemen	(259)	1 212	464*	(567.95)	(61.72)
Total Arab countries	47 563	69 417	72 470	45.95	4.40
World	958 697	1 411 018	1 833 324	47.18	29.93
Developed countries	611 283	940 861	1 247 324	53.92	32.57
Developing countries	316 444	412 990	499 747	30.51	21.01

Source: UNCTAD, *World Investment Report 2007,* Annex table B.1.

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

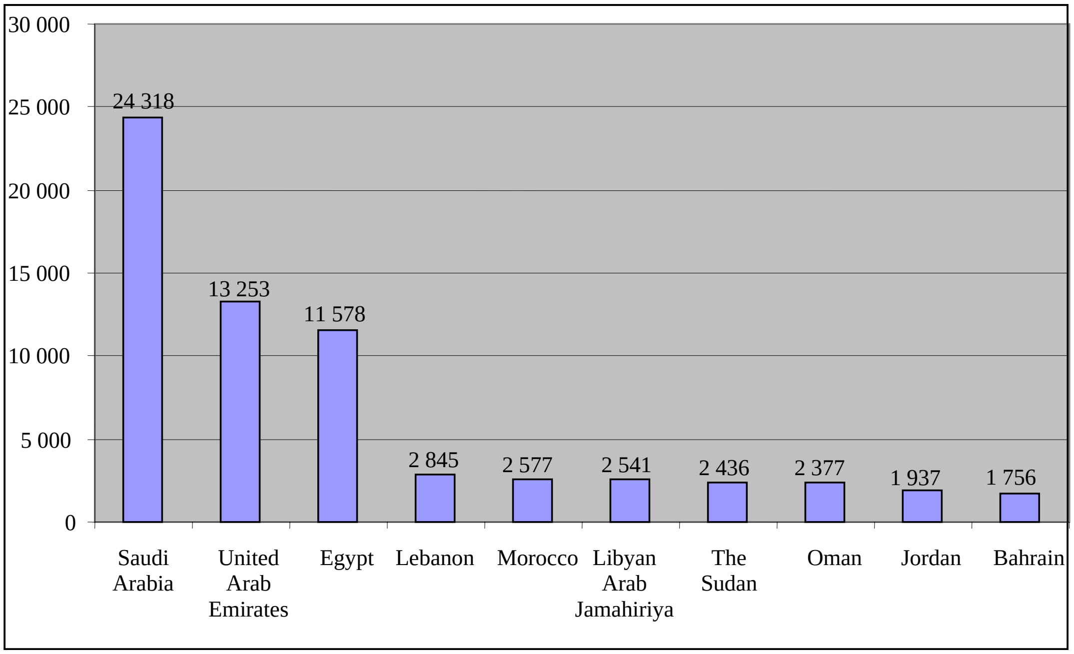
TABLE 3. WORLD RANKING OF THE ARAB COUNTRIES ON FDI PERFORMANCE AND POTENTIAL INDICES, 2004-2007

	Performance	Potential	Performance	Potential	Performance	Potential	Performance
	2004		2005		2006		2007
Algeria	101	68	114	68	116	68	118
Bahrain	30	32	21	29	12	30	12
Egypt	102	79	67	82	31	83	20
Jordan	51	61	13	64	7	65	6
Kuwait	140	41	136	31	135	29	134
Lebanon	9	68	10	76	13	82	10
Libyan Arab Jamahiriya	115	43	96	37	77	35	72
Morocco	66	90	70	93	78	91	78
Oman	100	57	65	55	61	51	48
Qatar	61	9	63	8	94	7	110
Saudi Arabia	127	29	92	28	66	28	51
Syrian Arab Republic	118	89	104	92	105	96	100
The Sudan	20	125	15	118	17	121	21
Tunisia	77	65	81	65	44	66	42
United Arab Emirates	28	22	18	12	22	11	34
Yemen	121	92	139	99	96	106	93

Source: UNCTAD, *World Investment Report 2008*, Annex table A.I.10.

Note: Data on rankings were not available for the following countries: Comoros, Djibouti, Somalia, Iraq, Palestine and Mauritania.

Figure I. Top ten Arab countries in terms of FDI inflows, 2007
(*Millions of dollars*)



Source: UNCTAD, *World Investment Report 2008*, Annex table B.1.

3. *Status of FDI in the Arab countries*

Arab countries saw a significant reversal in FDI growth between 2006 and 2007 compared with other developing countries and the world. The growth rate for FDI flows to the Arab countries dropped from around 46 per cent in 2006 to 4.4 per cent in 2007 (see table 2), much less than the growth of FDI to the world of around 30 per cent and to developing countries as a whole of 21 per cent. The large decline in the growth of FDI to the Arab countries as a whole can be attributed to the sharp decline in FDI flows to Jordan (-40.3 per cent), Bahrain (-40 per cent), Tunisia (-51.1 per cent), the Sudan (-31 per cent), Qatar (-32.5 per cent) and Yemen (-62 per cent). That led to a decline in the share of these countries in world FDI flows for the first time in several years. Were it not for the rapid growth achieved by the Libyan Arab Jamahiriya (+26.2 per cent), the Syrian Arab Republic (+47.5 per cent), Oman (+43.5 per cent), Saudi Arabia (+32.2 per cent) and Egypt (+15.3 per cent), total investment flows to the Arab countries in 2007 would have been negative. Given the political and security conditions prevailing in the country, the growth achieved by Somalia (+47 per cent) is an estimate.

With respect to Arab country rankings in 2007 according to their relative share of total FDI flows to the Arab world, Saudi Arabia still ranks first (33.6 per cent), followed by the United Arab Emirates (18.2 per cent) and Egypt (16 per cent). Consequently, these three leading countries in FDI flows received around two-thirds the total volume of FDI flows to the Arab countries. This is due to the investment-friendly environment available in these countries and especially to their success in improving the business environment, which encourages non-resident investors to increase their investments in these countries. Moreover, the privatization of several companies owned by the Egyptian public sector increased Egypt’s share of FDI flows. The opening up of new sectors to foreign investors, especially the construction sector, in several countries of the Gulf Cooperation Council (GCC), notably the United Arab Emirates, led to an increase of these countries’ share of FDI flows. In 2007, the growth of FDI flows to the Libyan Arab Jamahiriya was 26 per cent after having reached 94 per cent in 2006. This was due to the implementation of economic reforms there, after years of economic embargo, and to the opening up of some sectors to FDI, especially the oil and construction sectors. This process is expected to continue with the growing number of oil companies working in the Libyan market after many years of absence and also with the modernization of infrastructure and the construction of a railway in the next few years.

4. *FDI flows to Arab countries as a percentage of flows to the world and to developing countries*

As a result of the sharp reversal in the growth of FDI flows to the Arab countries between 2006 and 2007, Arab countries' share of FDI flows to developing countries dropped from 16.81 per cent in 2006 to 14.5 per cent in 2007, and their share of global FDI flows dropped from 4.92 per cent in 2006 to 3.95 per cent in 2007 (see table 4). Such a decline may compel Arab countries, especially those recording negative growth in FDI flows, to deal with the reasons behind it so that they can, as a bloc, increase their share, given that they have great potential to attract FDI, which made it possible for them to achieve real growth in past years.

TABLE 4. FDI FLOWS TO ARAB COUNTRIES AS A PERCENTAGE OF FLOWS TO DEVELOPING COUNTRIES AND TO THE WORLD, 2005-2007

	2005	2006	2007
As a percentage of flows to developing countries	15.03	16.81	14.50
As a percentage of flows to world	4.96	4.92	3.95

Source: Based on table 2.

5. *FDI flows as a percentage of gross fixed capital formation in the Arab countries and FDI stock as a percentage of GDP for the year 2007*

In terms of the volume of FDI flows as a portion of gross fixed capital formation (GFCF), the Arab countries can be divided into two groups. The first group is made up of countries where FDI flows exceeded 40 per cent of GFCF in 2007. This group includes Jordan (43 per cent), Bahrain (45 per cent), Djibouti (122 per cent), Lebanon (64.1 per cent), and Egypt (43 per cent). This was due in some Arab countries (Jordan, Bahrain and Egypt) to increases in FDI flows that exceeded the increases in GFCF. The second group included most of the GCC countries, which recorded low levels of FDI as a percentage of GFCF compared with the first group. This can be attributed in some of these countries (the United Arab Emirates and Saudi Arabia), to a rise in GFCF. The United Arab Emirates and Saudi Arabia, which rank in first and second place, respectively, in FDI flows to Arab countries, recorded low levels of these flows as a percentage of GFCF, reaching around 27 per cent in the United Arab Emirates and 30 per cent in Saudi Arabia. Likewise, most Arab countries saw a decline in FDI flows as a portion of GFCF in 2007 compared with 2006, with the exception of the Libyan Arab Jamahiriya, Oman and Qatar. This is because the rate of increase in FDI flows failed to exceed the increases in GFCF (see table 5).

On the financial side, FDI flows have an impact on local investment, where these flows have come to represent a major part of GFCF. Most countries where FDI flows rose are resource-poor countries, making it all the more important to address the lack of financial resources from which these countries suffer. In the other countries, however, FDI as a percentage of GFCF fell, either because GFCF grew at a faster rate than FDI flows, or because FDI flows were still very limited, as was the case in the Syrian Arab Republic, Iraq, Palestine, Kuwait and Yemen.

Comparing Arab countries in terms of the contribution of FDI to GFCF, shows that 10 countries achieved rates higher than the world average of about 15 per cent in 2007, and 11 achieved rates higher than the 2007 average for developing countries of 12.6 per cent.

Comparing Arab countries in terms of FDI stock as a percentage of GDP for the year 2007, one finds that: this percentage exceeded 50 per cent in Jordan (92 per cent), Bahrain (66 per cent), Tunisia (75 per cent), Djibouti (62 per cent), Lebanon (86 per cent) and Mauritania (69 per cent); the percentage varied between 25 and 44 per cent in the United Arab Emirates (about 26 per cent), the Syrian Arab Republic (around 26 per cent), Morocco (44 per cent) and Egypt (40 per cent); and it was less than 20 per cent in the other countries, including Algeria (9 per cent), the Libyan Arab Jamahiriya (11 per cent), Iraq (2 per cent), Oman (14 per cent) Qatar (10 per cent), Kuwait (0.8 per cent) and Yemen (11 per cent). A comparison of the Arab countries' performance with the 2007 developing country average of about 30 per cent and world average of about 28 per cent, shows seven Arab countries achieving percentages higher than both the developing country and world averages: Jordan, Bahrain, Tunisia, the Sudan, Lebanon, Egypt and Morocco.

TABLE 5. FDI STOCK AS A PERCENTAGE OF GDP AND OF GROSS FIXED CAPITAL FORMATION IN THE ARAB COUNTRIES, THE DEVELOPING COUNTRIES AND THE WORLD, 2005-2007

	FDI stock as a percentage of fixed capital formation			FDI stock as a percentage of GDP		
	2005	2006	2007	2005	2006	2007
Jordan	39.8	114.2	91.9	54.9	85.1	42.7
United Arab Emirates	21.1	22.0	25.5	38.6	30.4	26.7
Bahrain	64.1	71.0	65.9	39.8	92.2	44.7
Tunisia	56.1	71.0	74.9	12.1	45.5	19.6
Algeria	8.1	8.9	9.0	4.7	6.3	5.1
Comoros	6.5	6.3	5.8	1.6	1.3	1.6
Libyan Arab Jamahiriya	1.4	7.5	11.5	14.4	23.0	25.3
Syrian Arab Republic	12.12[a/]	28.7	25.6	7.6	7.5	10.3
Djibouti	15.4	30.0	61.6	42.0	111.4	121.7
The Sudan	28.3	30.3	30.0	41.3	42.2	22.9
Somalia	2.3	5.1	9.7	5.1	19.8	26.0
Iraq	1.3	3.0	2.2	7.4	5.6	5.9
Oman	13.3	10.8	14.7	30.2	30.4	39.7
Palestine	25.3	25.2	23.4	4.4	1.8	1.8
Qatar	16.2	14.4	10.7	9.1	1.0	5.4
Kuwait	0.9	0.8	0.8	1.7	0.8	0.8
Lebanon	68.5	80.9	85.7	65.8	66.8	64.1
Egypt	31.0	36.4	39.6	32.2	49.8	42.7
Morocco	43.9	52.0	44.3	9.8	13.0	12.2
Saudi Arabia	8.5[b/]	14.9	20.2	32.2	29.7	30.1
Mauritania	35.3	61.7	69.1	97.8	19.5	19.0
Yemen	6.5	3.0	11.0	(9.0)	28.1	10.3
World	22.7	24.8	27.9	9.7	12.9	14.8
Developed countries	27.0	26.7	29.8	11.4	12.5	12.6

Source: UNCTAD, *World Investment Report 2008*, Annex table B.3.

Note: Parentheses ( ) indicate a negative figure.

a/ Based on a comprehensive survey of companies with FDI participation, as part of a project entitled Networking of Expertise on Foreign Direct Investment in the ESCWA Member Countries, implemented by ESCWA in cooperation with the State Planning Commission and Central Bureau of Statistics of the Syrian Arab Republic and the United Nations Development Programme (UNDP) office in Damascus.

b/ Based on a comprehensive survey of companies with FDI participation, as part of the project entitled Networking of Expertise on Foreign Direct Investment in ESCWA Member Countries, implemented by ESCWA in cooperation with the Saudi Arabian Authority for Investment.

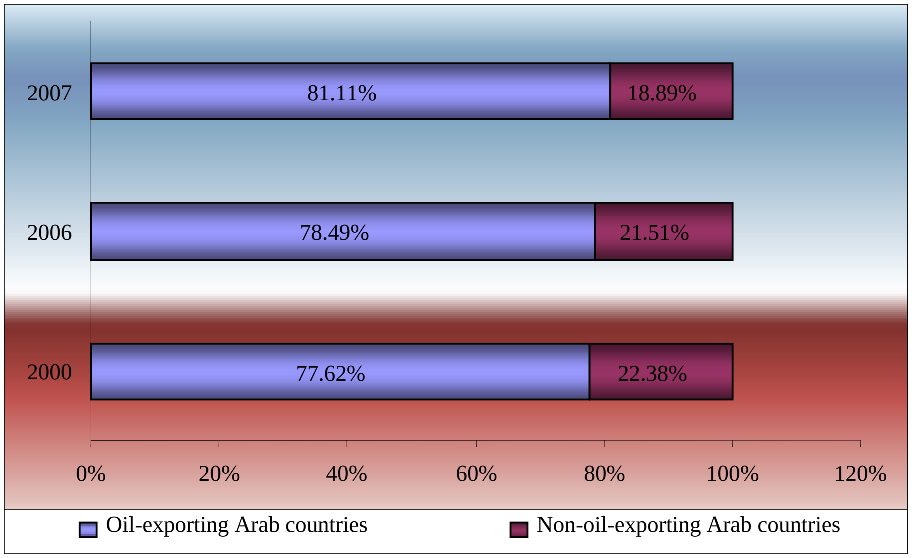
In comparison with 2000, the Arab countries made significant progress in 2007 as most of them increased their share of FDI inflows, which led to a growing FDI stock. In Egypt, FDI stock as a percentage of GDP rose from 20 per cent in 2000 to around 40 per cent in 2007. In Jordan, it doubled from 37 to around 92 per cent, making it the highest percentage of all the Arab countries. At the same time, this percentage fell in Bahrain from 74 to around 66 per cent and in Kuwait from 1.6 to less than one per cent.[2]

[2] UNCTAD, *World Investment Report 2008*, Annex table B.3.

6. *FDI stock in the Arab countries and selected regions*

The figures for FDI stock in the Arab countries indicate that the GCC countries accounted for more than 81 per cent of this stock in the year 2007 versus 19 per cent for the other Arab countries, rising from 78.5 per cent in 2006 and 77.6 per cent in 2000. This increase came as a result of the increase in FDI in both the United Arab Emirates and Saudi Arabia over the three previous years (see figure II).

Figure II. FDI stock in the Arab countries, 2000, 2006, 2007



Source: UNCTAD, *World Investment Report 2007 and 2008*, Annex table B.2.

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.

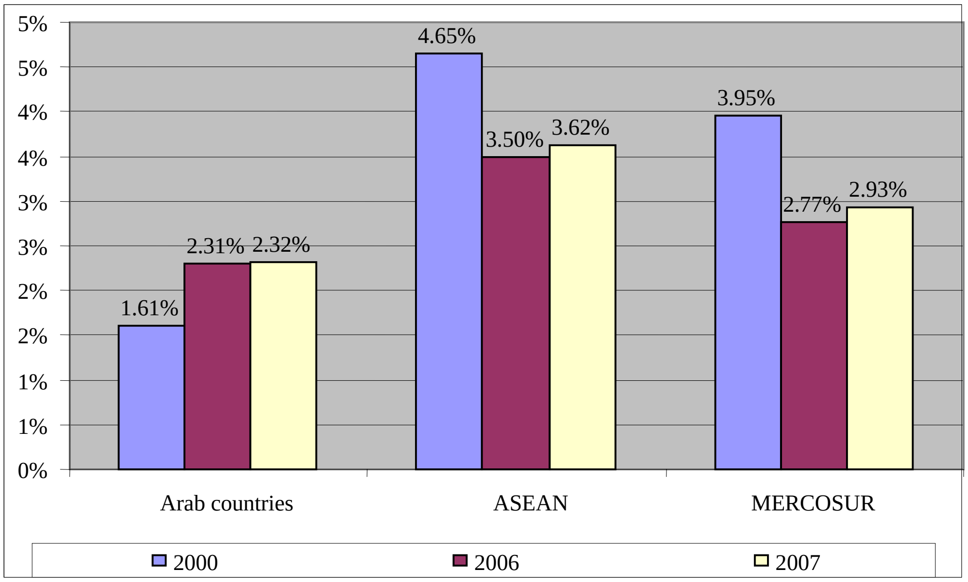
As a share of total FDI stock in the world, FDI stock in the Arab countries went from 1.6 per cent in 2000 to 2.3 per cent in 2007, a small increase despite these countries' – especially the United Arab Emirates, Egypt and Saudi Arabia – achieving a large increase in FDI flows.

7. *The business environment in the Arab countries*

A report on business activities in the Arab world issued by the International Finance Corporation (IFC) in 2009, which analyses figures for the period July 2007 to July 2008, shows that significant progress was achieved in facilitating and improving the performance of the business sector in most of the Arab countries, especially in the GCC countries which have made a major effort in recent years to improve their business environment in order to attract investment. Indeed, they occupy the first six places in the rankings. Saudi Arabia came in first place among the Arab countries in both 2007 and 2008, followed by Bahrain and Qatar and then the United Arab Emirates, Kuwait and Oman. Likewise, Saudi Arabia came first among the Arab countries on the Ease of Doing Business index, registering property, and protecting investors. This reflects the efforts of Saudi Arabia to become one of the 10 most efficient economies in 10 years. Where Saudi Arabia still needs to make an effort in terms of improving the business sector is on the Arab index relating to enforcing contracts where it still occupies the 13th place among Arab countries while Yemen occupies first place on this index. This is reckoned to be a major advance for Yemen in its efforts to improve its business environment, putting it in eighth place among Arab countries in terms of improving the business environment generally in 2007 and 2008.[3]

[3] World Bank, International Finance Corporation, *Doing Business in the Arab World 2009*. Available at: www.doingbusiness.org.

Figure III. FDI stock in the Arab countries and selected other blocs as a percentage of world stock, 2000, 2006, 2007



Source: UNCTAD, *World Investment Report 2007 and 2008*, Annex table B.2.

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 four countries: Argentina, Brazil, Paraguay, Uruguay (Venezuela's membership is awaiting ratification).

In the world rankings of countries according to improvements in the business environment, Saudi Arabia took 16th place, followed by Bahrain in 18th place, then Qatar (37th), the United Arab Emirates (46th), Kuwait (52nd) and Oman (57th), while Tunisia ranked 73rd and Mauritania 160th. This is evidence of the large disparity in the performance of the Arab countries and in the efforts they have made to improve their business environments. Given the importance of this Index to investors, the countries with low rankings need to redouble their efforts to improve their positions in the world rankings, in the context of a policy aimed at increasing their share of world FDI flows (see table 6).

The Arab countries continue to suffer to varying degrees from problems that stand in the way of improving the business environment and attracting FDI, especially as concerns enforcing contracts and granting permits, two areas still requiring many procedures and much time. In the Sudan, for example, the investor needs to complete 19 procedures, taking some 271 days, in order to obtain a permit, while it only takes seven procedures and 12 days in Saudi Arabia. Likewise, the number of procedures required to enforce contracts in the Sudan is 53, taking 810 days, in Egypt 42 taking 1,010 days, and in Mauritania 46 requiring 370 days. This is attributable to the absence of commercial courts to decide disputes between investors and local authorities, or, where they do exist, to their incompetence (see table 6), and to the persistent widespread corruption in some Arab countries (see box 1), something which reflects negatively on the efforts of these countries to encourage FDI flows, to increase the efficient use of resources and to foster competition.

TABLE 6. SELECTED VARIABLES IN THE BUSINESS ENVIRONMENT IN ARAB COUNTRIES FOR 2009

	Ease of doing business index		Starting a business			Enforcing contracts		Closing a business	
Country	Arab ranking	World ranking	Number of procedures	Duration (days)	Cost (percentage of income per capita)	Number of procedures	Duration (days)	Duration (years)	Recovery rate (cents/$)
Algeria	14	132	14	24	10.8	47	630	2.5	41.7
Bahrain	2	18	7	9	0.6	48	635	2.5	63.2
Comoros	19	155	11	23	188.6	43	506	..	0.0
Djibouti	18	153	11	37	200.2	40	1225	5.0	15.9
Egypt	11	114	6	7	18.3	42	1010	4.2	16.8
Iraq	17	152	11	77	150.7	51	520	..	0.0
Jordan	10	101	10	14	60.4	39	689	4.3	27.3
Kuwait	5	52	13	35	1.3	50	566	4.2	34.5
Lebanon	9	99	5	11	87.5	37	721	4.0	19.0
Mauritania	20	160	9	19	33.9	46	370	8.0	6.7
Morocco	12	128	6	12	10.2	40	615	1.8	35.1
Oman	6	57	7	14	3.6	51	598	4.0	35.1
Palestine	13	131	11	49	69.1	44	700	..	0.0
Qatar	3	37	6	6	9.1	43	570	2.8	52.7
Saudi Arabia	1	16	7	12	14.9	44	635	1.5	37.5
Syrian Arab Republic	15	137	8	17	18.2	55	872	4.1	29.5
The Sudan	16	147	10	39	50.8	53	810	..	0.0
Tunisia	7	73	10	11	7.9	39	565	1.3	7
United Arab Emirates	4	46	8	17	13.4	50	607	5.1	10.2
Yemen	8	98	7	13	93.0	37	520	3.0	28.6

Source: World Bank, International Finance Corporation, *Doing Business in the Arab World 2009*. Available at: www.doingbusiness.org.

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

Box 1. Corruption index in the Arab countries, 2008

Transparency International’s Global Corruption Report 2008 shows that a number of Arab countries have made progress on the Corruption Perceptions Index which ranges between one and ten with the least corrupt countries scoring the highest. The report shows Qatar in first place in the Arab rankings and in 28th place in the world, scoring 6 on the index in 2007 and 6.5 in 2008. The United Arab Emirates follow, coming in second place among the Arab countries and 35th place in the world, with scores of 5.7 and 5.9, respectively. Kuwait, Lebanon and Morocco, on the other hand, all failed to advance on the index, while the Syrian Arab Republic, the Sudan and Yemen dropped in the rankings over the same period.

Country	Arab ranking 2007	Corruption index 2007	Arab ranking 2008	World ranking 2008	Corruption index 2008
Qatar	1	6.0	1	28	6.5
United Arab Emirates	2	5.7	2	35	5.9
Oman	3	4.7	3	41	5.5
Bahrain	4	5.0	4	43	5.4
Jordan	5	4.7	5	47	5.1
Tunisia	6	4.2	6	62	4.4
Kuwait	7	4.3	7	65	4.3
Saudi Arabia	8	3.4	8	80	3.5
Morocco	9	3.5	9	80	3.5
Algeria	10	2.8	10	92	3.2
Lebanon	11	3.0	11	102	3.0
Egypt	12	2.9	12	115	2.8
Libyan Arab Jamahiriya	13	2.5	13	126	2.6
Yemen	14	2.5	14	141	2.3
Syrian Arab Republic	15	2.4	15	147	2.1
The Sudan	16	1.8	16	173	1.6
Iraq	17	1.5	17	178	1.3

Source: Transparency International, *Global Corruption Report 2008*, More information available at: www.transparency.org.

II. REGIONAL INTEGRATION

A. INDEX OF ARAB REGIONAL INTEGRATION

The index of Arab regional integration measures the performance of the Arab countries in regional integration in the period 2003-2007. The index is based on four variables: intraregional trade, intraregional investment, intraregional workers' remittances, and intraregional tourism. The principal component technique is applied to compute the index of regional integration, using the following weightings: 14.89 per cent for tourism, 38.22 per cent for intraregional trade, 12.82 per cent for intraregional investment, and 34.07 per cent for workers' remittances.[4] Due to lack of accurate data, the index covers only 16 Arab countries.

TABLE 7. VARIABLES USED IN THE REGIONAL INTEGRATION INDEX

Variable	Description	Source
Arab intraregional trade	Total exports from and imports into all Arab States as a percentage of GDP	(1) ESCWA, based on the International Monetary Fund (IMF): "Direction of Trade Statistics Yearbook, 2008" (June 2008); (2) Joint Arab Economic Report, 2007, the Arab Monetary Fund (AMF), United Arab Emirates.
Arab intraregional investment	Total Arab investment inflows and 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; (2) Joint Arab Economic Report, 2007, AMF, United Arab Emirates.
Arab intraregional workers' remittances	Inter-Arab inflows and outflows of remittances as a percentage of GDP	(1) International Financial Statistics (IFS), Balance of Payments Statistics; (2) United Nations Expert Group Meeting on International Migration and Development in the Arab Region (Lebanon, 15-17 May 2006); (3) Joint Arab Economic Report: "Migrant Workers' Remittances and Economic Development in the Arab countries, 2006", AMF, United Arab Emirates.
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; (2) ESCWA estimates; (3) Annual reports, 2007 and 2008.

[4] 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 8 shows the ranking in 2003-2007 of the 16 Arab countries in terms of their economic integration from the highest to the lowest levels. Jordan ranked first in 2007, with Arab intraregional trade representing about 37 per cent of it foreign trade as a whole, Arab investment constituting around 44 per cent of FDI, and Arab tourism forming almost 58 per cent of overall tourism. Remittances from Jordanians working in Arab countries grew to approximately US$ 2.5 billion or about 17 per cent of GDP. These percentages are high, reflecting the great capacity of the Jordanian economy for integration with other economies of the region.

For the second year in a row, Lebanon ranked second on the 2007 list based on the index of regional integration, with its Arab intraregional trade accounting for approximately 32 per cent the totally of its foreign trade and its intraregional tourism representing about 40 per cent of the total of its tourism. Remittances from the Lebanese working in Arab countries approximated US$ 2.3 billion, i.e. about 10 per cent of the country's GDP.

The Syrian Arab Republic's economic performance improved in terms of Arab economic integration, moving from fourth in 2006 to third in 2007 on the list based on the index of regional integration. The Syrian Arab Republic's trade with Arab countries represents about 48 per cent of the total of its world trade. Tourism depends primarily on Arab tourists who account for more than 76 per cent of tourist arrivals in Syrian Arab Republic.

Among the GCC countries, Bahrain is the most integrated with Arab economies, ranking fourth on 2007 list, for Arab tourism makes a substantial contribution to the country's GDP exceeding US$ 3 billion in annual revenues. Bahrain's tourism mostly depends on tourists from Saudi Arabia.

For the second successive year, Yemen ranks fifth on the 2007 list, as it mainly depends on Arab investment which forms about 40 per cent of its total FDI. However, Arab investment in Yemen fell sharply from US$ 850 million in 2006 to about US$ 90 million in 2007 as a result of the political situation in Yemen.

It is to be noted that the first five countries on the list always topped it in the period 2003-2007. They are characterized by the relatively small size of their economies. In most of the years, Jordan and Lebanon compete for the first two ranks.

TABLE 8. RANKING OF ARAB COUNTRIES IN ACCORDANCE WITH THE REGIONAL INTEGRATION INDEX, 2003-2007

	2007		2006		2005		2004		2003	
	Ranking	Index	Ranking	Index	Ranking	Index	Ranking	Index	Ranking	Index
Jordan	1	7.9948	1	8.6849	3	4.8190	1	6.0676	1	7.4116
Lebanon	2	7.6863	2	6.6518	1	5.3524	2	5.7334	3	5.1284
Syrian Arab Republic	3	5.4278	4	5.4281	5	3.7489	4	4.5415	7	1.5900
Bahrain	4	5.2313	3	5.1860	4	3.8627	3	4.7914	2	5.9261
Yemen	5	2.5105	5	2.3161	2	5.1627	5	2.9530	4	4.0285
Oman	6	2.2313	6	2.1113	9	0.9066	9	1.2212	5	2.0626
Qatar	7	2.0681	7	2.0316	12	0.6307	11	0.8842	10	1.0925
Egypt	8	1.4958	8	1.4534	8	1.0301	8	1.3038	13	0.8535
United Arab Emirates	9	1.2797	10	1.2056	7	1.2187	7	1.3591	8	1.2873
Saudi Arabia	10	1.1291	11	0.9517	11	0.7987	12	0.5441	11	1.0389
The Sudan	11	0.9839	12	0.9404	6	1.7505	6	1.8204	6	2.0494
Tunisia	12	0.9599	9	1.3075	14	0.4051	13	0.4668	14	0.6925
Kuwait	13	0.8636	13	0.8266	10	0.8252	10	0.9381	12	0.9887
Libyan Arab Jamahiriya	14	0.7520	14	0.6886	15	0.2270	15	0.3571	15	0.6245
Morocco	15	0.5829	15	0.5056	13	0.4711	14	0.4182	16	0.6051
Algeria	16	0.2134	16	0.2610	16	0.0445	16	0.0232	9	1.2826

Source: ESCWA, calculated on the basis of sources from table 7.

Oman ranked sixth for the second year in a row, while Qatar ranked seventh on the 2007 list in view of the rate of growth of the number of Arab tourists who accounted for 53 per cent of total tourism for Qatar. Egypt remained eighth for the fourth successive year, with remittances' from Egyptians working in Arab countries amounting to nearly US$ 2.4 billion. The United Arab Emirates and Saudi Arabia followed in ninth and tenth places respectively. The Sudan retreated to eleventh place from the sixth place it had occupied for the preceding three years 2003-2006, the cause being the fall in the share of Arab trade with the Sudan from about 28 per cent to nearly 14 per cent of its foreign trade in 2003 and 2007 respectively. In the case of Yemen, remittances from Yemenis working abroad, as a percentage of GDP, fell from 4.2 per cent in 2003 to 1.7 per cent in 2007.

Countries of the Arab Maghreb ranked at the bottom of the list in 2007, with Arab trade accounting at best for 8 per cent (Tunisia and Morocco) of the total of their foreign trade; for Algeria, it was about 3 per cent. This situation is due to the existing strong trade relations and trade agreements between the countries of the Arab Maghreb and countries of the European Union, while the high costs of transport and geographical distance impede growth of trade between the countries of the Mashreq and Maghreb. Arab tourism and investment can play a major role in enhancing integration between the economies of the countries of the Arab Maghreb and other Arab economies, as there are many attractive, high-return investment opportunities in the Maghreb.

Therefore, the need arises for the Arab countries to redefine the banking and development funds priorities in the region, with a view to focusing on regional integration projects, including support for inter-Arab trade, as well as on support by the private sector in financing regional projects, particularly those relating to infrastructure, communications, and energy as well as financing the creation of a joint Arab corporation to be owned and managed by the private sector, all with a view to speeding up the integration process. It is also necessary for the Arab countries to evaluate the steps already taken towards regional integration and the causes of the failure to achieve it after years of attempts. Critical evaluation is required in the re-formulation of an integration strategy and the design of implementation mechanisms. The forthcoming economic summit to be held in Kuwait provides and opportunity for the Arab countries to undertake that evaluation and draft a step-by-step strategy, including precise implementation mechanisms, to achieve regional integration which is urgently needed under globalization and in light of current economic crises confronting the world, including rising food prices and the financial crisis.

TABLE 9. SELECTED INDICATORS OF REGIONAL INTEGRATION AMONG ARAB STATES, 2002-2007
(*Percentage*)

Indicator	2002	2003	2004	2005	2006	2007
Intraregional trade as a percentage of external trade	10.46	9.67	10.81	11.28	11.48	11.74
Intraregional investment as a percentage of total FDI	36.0	23.74	26.77	34.32	27.43	..
Intraregional tourism as a percentage of total tourism	45.35	42.15	36.33	43.13	42.27	38.26
Intraregional migrant worker remittances as a percentage of GDP	2.4	2.8	2.8	2.6	2.3	..
Intraregional total ODA as a percentage of GDP	1.11	1.33	1.63	3.79	1.77	..

Source: "Investment climate in Arab countries 2007", Inter-Arab Investment Guarantee Corporation, Kuwait; ESCWA, based on IMF, *The Direction of Trade Statistics Yearbook*, available at: www.imfbookstore.org; World Tourism Organization, *Tourism Market Trends, Middle East*, 2006 Edition, available at: www.unwto.org; World Bank, *World Development Indicators* 2008, available at: www.worldbank.org.

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

B. ARAB INTRAREGIONAL TRADE

1. *Performance of Arab intraregional trade*

Performance of Arab intraregional trade was almost stable as a percentage of the external trade of the Arab countries. Despite the implementation of the declaration on the Greater Arab Free Trade Area (GAFTA) which provided for the abolition of tariffs on commodities of Arab origin, Arab intraregional trade as a percentage of overall foreign trade did not change much, remaining almost stable at 11.5 per cent and 11.7 per cent in 2006 and 2007 respectively (see table 10), notwithstanding the increase by 21 per cent in the volume of Arab intraregional trade between those two years.

TABLE 10. FOREIGN AND INTRAREGIONAL TRADE IN THE ARAB WORLD, INCLUDING AND EXCLUDING OIL,* 2000-2007
(*Millions of dollars and percentages*)

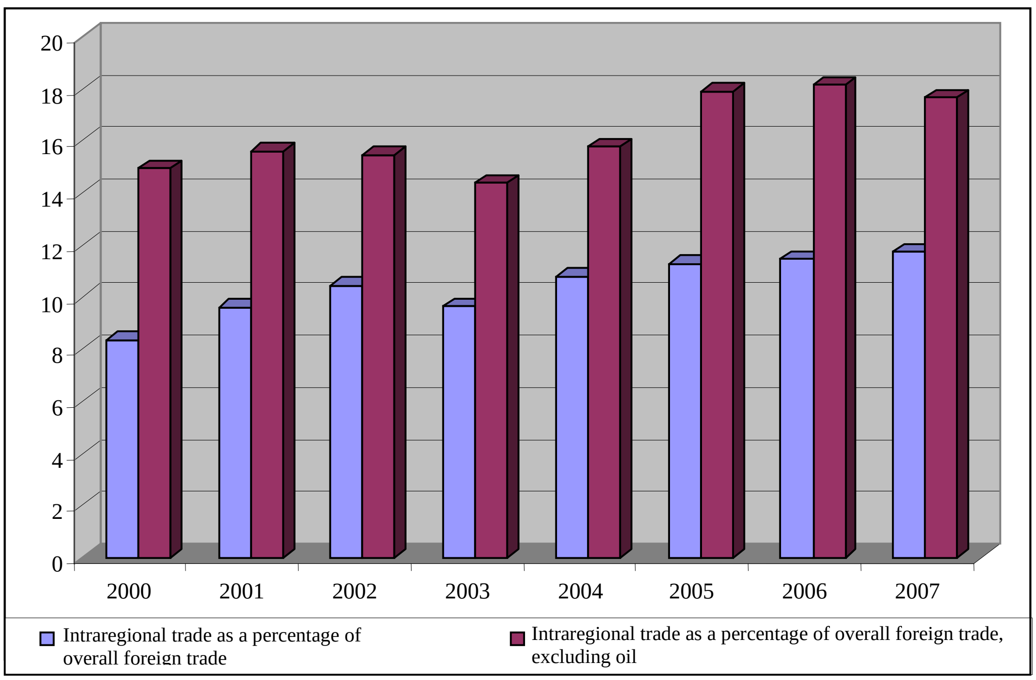
	2000	2001	2002	2003	2004	2005	2006	2007
Overall foreign trade	402.4	388.0	403.0	486.7	691.4	855.1	1 033.5	1 217.4
Intraregional trade**	33.6	37.4	42.1	47.1	74.7	96.5	118.6	143.0
Intraregional trade as a percentage of overall foreign trade	8.35	9.63	10.46	9.67	10.81	11.28	11.48	11.74
Intraregional trade as a percentage of overall foreign trade, excluding oil	14.93	15.61	15.48	14.38	15.80	17.91	18.16	17.67

Sources: ESCWA, based on IMF, *Direction of Trade Statistics, Yearbook*, June 2008. Available at: www.imfbookstore.org; OAPEC, *34th Report of the Secretary General, 2007*.

Notes: * Excluding Palestine for lack of reliable data.
** Figures include re-exportation.

If oil excluded, a rise in Arab intraregional trade as a percentage of overall foreign trade will be noted and will indicate that the growth in Arab foreign trade has resulted primarily from higher oil prices (see figure 4).

Figure IV. Ratio of intraregional trade to overall foreign trade, including and excluding oil, 1999-2006



Sources: Based on table 10.

Table 11 shows the performance of the Arab countries measured in terms of intraregional trade as a percentage of their foreign trade in 2007 as follows: United Arab Emirates 7.3 per cent; Syrian Arab Republic, about 48 per cent; and Somalia, 59 per cent. The GCC countries lagged behind Jordan, Syrian Arab Republic and Lebanon, as the major trading commodity of the GCC countries is oil which they export mostly to non-Arab countries. The countries of the Arab Maghreb also exhibited relatively pass performance due to geographical factors, high transport costs, and association agreements between some of those countries and the European Union which, as result, receives a substantial share of their exports.

TABLE 11. INTRAREGIONAL TRADE AS A PERCENTAGE OF FOREIGN TRADE IN ARAB COUNTRIES,* 2000-2007
(*Percentages*)

	2000	2001	2002	2003	2004	2005	2006	2007
Algeria	1.63	2.97	3.27	2.85	2.51	2.90	2.98	3.24
Bahrain	15.51	16.08	17.40	17.49	18.07	20.57	20.56	20.91
Comoros	7.05	5.49	5.73	5.52	7.16	11.52	11.42	12.85
Djibouti	32.47	29.31	32.48	32.07	36.52	35.16	34.32	33.25
Egypt	7.22	10.30	9.46	9.88	12.69	13.91	13.95	14.18
Iraq	7.91	11.55	13.02	9.68	14.67	15.71	15.02	16.44
Jordan	28.19	31.14	31.85	31.82	33.63	36.28	37.19	36.55
Kuwait	6.66	7.33	7.50	7.01	7.32	7.20	7.54	7.82
Lebanon	15.76	16.41	17.40	17.24	24.57	28.29	30.76	32.09
Libyan Arab Jamahiriya	5.97	6.23	6.85	6.28	5.92	5.50	5.14	5.64
Mauritania	3.38	4.16	4.27	4.48	4.78	4.55	4.55	4.46
Morocco	8.92	8.73	8.52	6.89	6.82	8.83	8.92	8.66
Oman	19.43	20.56	20.89	19.24	17.85	17.90	16.64	16.46
Qatar	8.55	6.85	11.48	8.49	9.45	11.11	11.13	9.58
Saudi Arabia	7.01	7.61	8.85	8.61	9.68	9.47	9.79	10.22
Somalia	53.28	47.38	45.57	54.29	55.36	59.35	58.68	59.20
Syrian Arab Republic	11.19	15.73	15.43	13.53	22.95	45.04	46.95	47.73
The Sudan	14.46	11.43	13.38	27.70	18.61	18.68	16.55	13.56
Tunisia	7.87	7.47	7.50	7.31	6.64	8.26	8.57	8.71
United Arab Emirates	6.99	8.43	8.69	7.84	6.70	6.84	7.19	7.28
Yemen	16.98	19.79	25.70	22.28	23.08	24.53	23.75	24.60

Sources: ESCWA, based on IMF, *Direction of Trade Statistics, Quarterly*, June 2008. Available at: www.imfbookstore.org.

* Excluding Palestine for lack of reliable data.

Between 2000 and 2007, Arab intraregional trade as a percentage of GDP doubled, rising from nearly 4.9 per cent to 9.8 per cent growing at a rate higher than that of GDP. However, this level remained almost stable during the period 2005-2007 which witnessed the implementation of GAFTA, but it grew in the non-oil-exporting Arab countries such as Jordan (44 per cent), Bahrain (45 per cent) and Lebanon (22 per cent) (see table 12).

TABLE 12. INTRAREGIONAL TRADE AS A PERCENTAGE OF GDP IN ARAB COUNTRIES,* 2000-2007
(*Percentages*)

	2000	2001	2002	2003	2004	2005	2006	2007
Algeria	0.92	1.51	1.74	1.69	1.56	1.90	2.01	2.15
Bahrain	21.91	24.22	25.78	27.67	31.77	34.44	37.05	45.04
Djibouti	44. 96	48.82	47.80	57.01	63.34	73.55	85.82	95.74
Egypt	2.10	1.92	2.92	3.62	6.49	7.59	7.84	8.08
Iraq	4.31	6.57	7.38	6.13	11.48	15.14	13.36	12.75

TABLE 12 (*continued*)

	2000	2001	2002	2003	2004	2005	2006	2007
Jordan	19.60	24.85	26.13	27.64	34.16	41.74	43.69	44.01
Kuwait	4.72	5.13	4.78	4.57	5.04	4.50	4.35	5.26
Lebanon	6.64	7.25	7.34	8.46	14.06	15.16	17.83	21.54
Libyan Arab Jamahiriya	2.89	3.25	5.45	5.12	5.91	4.99	4.78	5.44
Mauritania	4.25	5.44	6.17	6.14	6.84	6.57	4.91	1.00
Morocco	5.07	4.82	4.64	3.61	3.78	5.26	5.19	5.70
Oman	15.36	16.98	17.63	15.01	14.68	16.33	16.42	17.88
Qatar	7.14	5.64	8.76	6.55	8.17	8.81	7.98	7.83
Saudi Arabia	3.92	4.16	4.62	4.95	6.08	6.67	7.32	7.82
Syrian Arab Republic	6.01	9.81	10.41	9.14	48.75	46.60	45.59	47.80
The Sudan	3.39	2.79	3.34	7.71	6.64	7.55	5.19	4.97
Tunisia	5.91	6.03	5.29	5.16	5.08	6.78	7.71	8.63
United Arab Emirates	6.57	8.43	7.98	7.86	9.13	9.87	9.89	9.67
Yemen	11.42	11.96	15.10	16.07	14.41	15.65	15.01	17.52
All Arab countries	4.89	5.61	6.21	6.23	8.55	9.13	9.28	9.80

Sources: Joint *Arab Economic Report*, 2007, Arab Monetary Fund, United Arab Emirates; ESCWA, based on IMF, *Direction of Trade Statistics, Quarterly*, June 2008. Available at: www.imfbookstore.org.

* Excluding Comoros, Somalia and Palestine for lack of reliable data.

TABLE 13. INTRAREGIONAL TRADE AS A PERCENTAGE OF FOREIGN TRADE IN CERTAIN REGIONAL BLOCS, 2006 AND 2007

Regional bloc	Intraregional trade (billions of dollars)		Intraregional trade as a percentage of foreign trade	
	2006	2007	2006	2007
ASEAN[a/]	378.9	432.6	25.6	25.4
European Union[b/]	6 054.0	7 111.0	65.5	65.8
MERCOSUR[c/]	63.4	79.1	14.3	14.1
NAFTA[d/]	1 788.6	1 860.0	42.0	410.0
GCC countries	40.2	48.0	6.2	6.3
Arab countries[e/]	118.6	143.0	11.5	11.7

Source: ESCWA, based on IMF, *Direction of Trade Statistics, Quarterly*, June 2008. Available at: www.imfbookstore.org.

a/ ASEAN comprises the following 10 countries: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam.

b/ On 1 January 2007, the number of the European Union Member States grew from 25 to 27 after Bulgaria and Romania joined it.

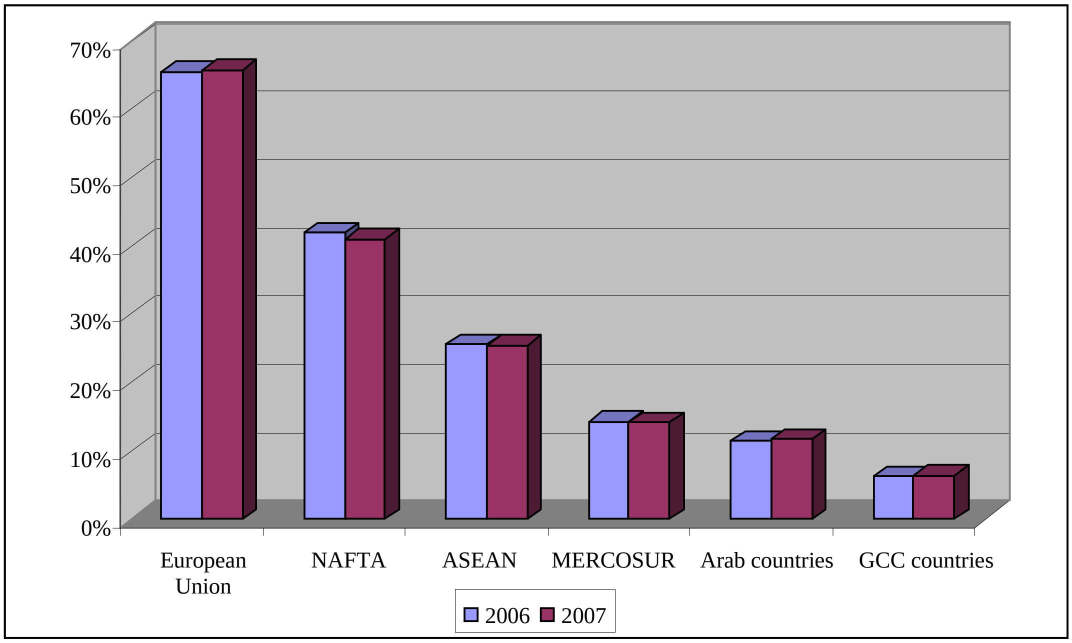
c/ MERCOSUR comprises the following countries: Argentina, Brazil, Paraguay and Uruguay (Venezuela's membership is awaiting ratification).

d/ NAFTA comprises the following countries: Canada, Mexico and the United States of America.

e/ Excluding Palestine for lack of reliable data.

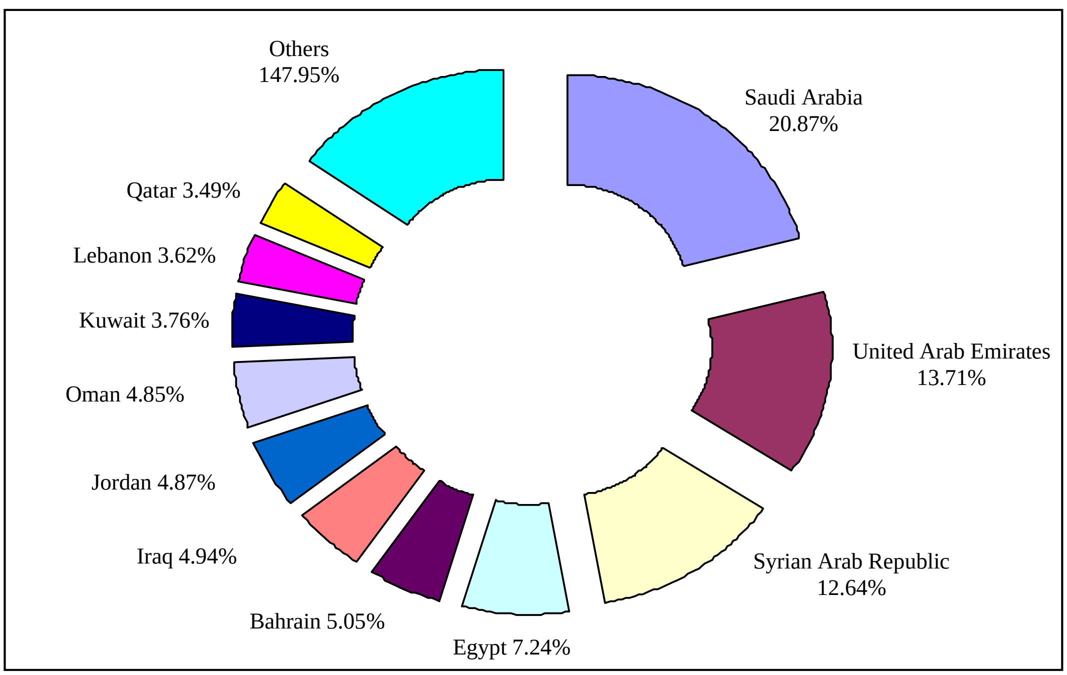
A comparison of intraregional trade as a percentage of overall world trade shows that Arab intraregional trade at 11.7 per cent in 2006 and 2007 was close only to that of the countries of the Southern Cone Common Market (MERCOSUR) at 14 per cent and was much lower than that of the EU, NAFTA and the ASEAN countries at 66 per cent, 41 per cent and 25 per cent respectively. The Arab countries urgently need to exert more effort to support their intraregional trade not only through trade liberalization but also through economic diversification, integrated production, increased financing, joint Arab projects for production in general and agricultural production in particular, and facilitation of entry of agricultural products into the Arab markets (see table 13 and figure V).

Figure V. Intraregional trade as a percentage of foreign trade in some regional blocs, 2006-2007



Source: Based on table 13.

Figure VI. Arab intraregional trade by country, 2007



Source: ESCWA, based on IMF, *Direction of Trade Statistics, Quarterly*, June 2008. Available at: www.imfbookstore.org.

TABLE 14. RANKING OF SOME ARAB COUNTRIES BY ABSOLUTE AND RELATIVE VALUES OF INTRAREGIONAL TRADE, 2005, 2006 AND 2007

Ranking by absolute value						Ranking by relative value					
2005		2006		2007		2005		2006		2007	
1	Saudi Arabia	1	Saudi Arabia	1	Saudi Arabia	1	Syrian Arab Republic	1	Syrian Arab Republic	1	Syrian Arab Republic
2	United Arab Emirates	2	United Arab Emirates	2	United Arab Emirates	2	Jordan	2	Jordan	2	Jordan
3	Syrian Arab Republic	3	Syrian Arab Republic	3	Syrian Arab Republic	3	Lebanon	3	Lebanon	3	Lebanon
4	Egypt	4	Egypt	4	Egypt	4	Yemen	4	Yemen	4	Yemen
5	Jordan	5	Jordan	5	Bahrain	5	Bahrain	5	Bahrain	5	Bahrain
6	Oman	6	Oman	6	Iraq	6	The Sudan	6	Oman	6	Oman
7	Iraq	7	Bahrain	7	Jordan	7	Oman	7	The Sudan	7	Iraq
8	Bahrain	8	Iraq	8	Oman	8	Iraq	8	Iraq	8	Egypt
9	Kuwait	9	Kuwait	9	Kuwait	9	Egypt	9	Egypt	9	The Sudan
10	Lebanon	10	Qatar	10	Lebanon	10	Qatar	10	Qatar	10	Saudi Arabia
11	Qatar	11	Lebanon	11	Qatar	11	Saudi Arabia	11	Saudi Arabia	11	Qatar
12	Morocco	12	Morocco	12	Morocco	12	Morocco	12	Morocco	12	Morocco
13	Yemen	13	Yemen	13	Yemen	13	Tunisia	13	Tunisia	13	Tunisia
14	The Sudan	14	Libyan Arab Jamahiriya	14	Libyan Arab Jamahiriya	14	Kuwait	14	Kuwait	14	Kuwait
15	Libyan Arab Jamahiriya	15	Tunisia	15	Tunisia	15	United Arab Emirates	15	United Arab Emirates	15	United Arab Emirates
16	Tunisia	16	Algeria	16	Algeria	16	Libyan Arab Jamahiriya	16	Libyan Arab Jamahiriya	16	Libyan Arab Jamahiriya
17	Algeria	17	The Sudan	17	The Sudan	17	Algeria	17	Algeria	17	Algeria

Source: ESCWA, based on IMF, *Direction of Trade Statistics, Quarterly*, June 2008.

2. *Causes of lagging regional integration*

Lagging regional integration in trade among the Arab countries may be attributed to objective causes as well as to economic and non-economic factors. Such factors include the lack of diversity in the production structure which does not encourage the transfer of goods of similar quality and cost; the lack of diversity in imports, as the Arab countries import more or less the same food products, manufactured and semi-manufactured goods, and chemicals, mostly from non-Arab countries in search for quality, especially under conditions of open trade created by globalization; the high cost of transport between the Arab countries, as there are no railway links between the Arab Mashreq and the Arab Maghreb resulting in dependence on maritime and air transport; the long geographical distance between the Arab Mashreq and the Arab Maghreb, with countries of the former closer to Turkey, the Islamic Republic of Iran and other Asian countries and countries of the latter closer to Europe and Africa; and bilateral trade agreements concluded by a number of Arab countries with European countries and the United States of America.

Among the cited factors, the structure of production in the Arab countries constitutes a chronic problem in Arab intraregional trade. For most of the Arab countries are importers rather than producers of food; they also often import heavy equipment and capital goods from non-Arab countries because of lack of availability, inadequate quality and high cost in other Arab countries. Furthermore, Arab exports are mostly oil to non-Arab countries. Hence the little increase in Arab intraregional trade as a percentage of Arab foreign trade. In addition, the GAFTA experience has shown that tariff reduction alone, though important as a trade incentive, is not enough to cause a significant increase in Arab intraregional trade.

On the other hand, Arab intraregional investment has not provided support to Arab intraregional trade because it was directed to the services sector. However, if this investment moves in coming years towards productive sectors such as agriculture and industry, especially in view of the global financial crisis, it will make a greater contribution to the promotion of Arab intraregional trade.

Low income in several Arab countries with large populations led to reduced demand for goods which did not help the growth of Arab intraregional trade. In countries with high individual income, there is preference for quality goods imported from non-Arab countries. Furthermore, Arab made goods face severe competition from low-cost Asian goods, especially those made in China.

Measures to promote Arab intraregional trade include the prevision of funds needed within the framework of projects specifically designed to support the rapid movement of goods between Arab countries and liberate trade in services as indicated in the declaration on the creation of the GAFTA. Other measures include:

(a) Integrated production based on the comparative advantage of each country;

(b) Channelling Arab intraregional investment to the real economy, i.e. increasing production of goods, especially agricultural products in view of the comparative advantage of some Arab countries in agriculture such as the Syrian Arab Republic, the Sudan, Morocco, and others;

(c) Enhancing efficiency in local production;

(d) Facilitation of transport;

(e) Streamlining border procedures;

(f) Reduction of technical obstacles.

Box 2. World Trade Organization International Trade Negotiation

The World Trade Organization (WTO) convened in Geneva, in July 2008, a mini-meeting attended by the representatives launch the Doha round of negotiations. After nine days of arduous negotiations, an official statement was issued on 30 July 2008, announcing the collapse of the meeting and the failure to conclude the Doha round of negotiations, particularly regarding agricultural issues. While progress was made on several issues, no breakthrough was made regarding agriculture and non-agricultural market access. Differences focused on two basic issues: the desire of developed countries to provide unrestricted market access for their products and the desire of developing countries to have agricultural market access in developed countries which would have to end their agricultural subsidies. The breakdown of these negotiations reflected the failure of industrial countries in dealing with the rising economies of Brazil, China and India.

C. Arab intraregional investment

1. *Performance of Arab Intraregional investment*

Analysis of the performance of Arab intraregional investment covers only countries about which data are available. Figures show that the volume of this investment increased in 2007 in comparison with 2006 in three Arab countries: Lebanon, the Libyan Arab Jamahiriya and Saudi Arabia, while it decreased in Egypt (43 per cent), Jordan (nearly 12 per cent), Tunisia (94 per cent), and Yemen (85 per cent) (see table 15).

Arab investment as a percentage of total FDI in Jordan increased from about 30 per cent in 2006 to approximately 44 per cent in 2007, despite the fall in the volume of Arab investment in that country. However, increase is explained by a greater fall in the volume of FDI. In Tunisia, the flow of Arab investment, as a percentage of FDI, fell from nearly 71 per cent in 2006 to about 8 per cent in 2007, as FDI grew in volume with a corresponding fall in the volume of Arab investment. On the other hand, Lebanon exhibited a higher percentage which rose from about 83 per cent in 2006 to approximately 96 per cent in 2007, due to continuing gradual return of Arab investment, especially to the tourism, real estate, and financial services sectors. In Egypt, the percentage fell by half from about 33 per cent in 2006 to nearly 16 per cent in 2007, due to higher FDI flows and lower Arab investment flows. Although Arab investment flows into Yemen declined, as a percentage of FDI flows it rose from 27 per cent in 2006 to about 30 per cent in 2007 due to a greater decline in corresponding FDI flows (see table 15).

TABLE 15. ARAB INTRAREGIONAL INVESTMENT (AII) AS A PERCENTAGE OF TOTAL FDI IN SELECTED ARAB COUNTRIES, 2005, 2006 AND 2007

	2005		2006		2007		Major investors
Country	AII (millions of dollars)	Percentage	AII (millions of dollars	Percentage	AII (millions of dollars	Percentage	
Jordan	299.4	16.99	959.9	29.58	845.9	43.67	Bahrain, Saudi Arabia, Iraq
United Arab Emirates	2184	12.95	2 316.0	18.07	..	..	Kuwait, Saudi Arabia, Lebanon
Tunisia	153.8	19.67	2 366.8	71.46	127.3	7.87	Libyan Arab Jamahiriya, United Arab Emirates, Kuwait
Algeria	260.6	24.11	..	..	..	..	..
Libyan Arab Jamahiriya	300.3	28.93	246.3	12.24	301.3	11.86	Tunisia, Jordan, Kuwait
The Sudan	2 455	75.55	2 004	56.59	..	..	Saudi Arabia, Egypt, Jordan
Oman*	651.2	37.04	564.7	34.10	..	..	United Arab Emirates, Kuwait, Qatar
Lebanon	..	..	2 266.8	82.8	3 342.8	95.9	Saudi Arabia, Kuwait, United Arab Emirates
Egypt	363.3	6.76	3 273.6	32.60	1 874.6	16.19	Kuwait, United Arab Emirates, Saudi Arabia
Morocco	..	..	350.1	14.29	..	..	United Arab Emirates, Kuwait, Saudi Arabia
Saudi Arabia	5 775	47.70	1649	8.96	7 088	29.15	Bahrain, Syrian Arab Republic
Yemen	203.9	(78.73)	849.6	70.10	89.5	19.28	Saudi Arabia, Egypt, Lebanon
Total Arab countries	12 647.2	34.32	16 846.8	27.43	13 669.4	29.75	

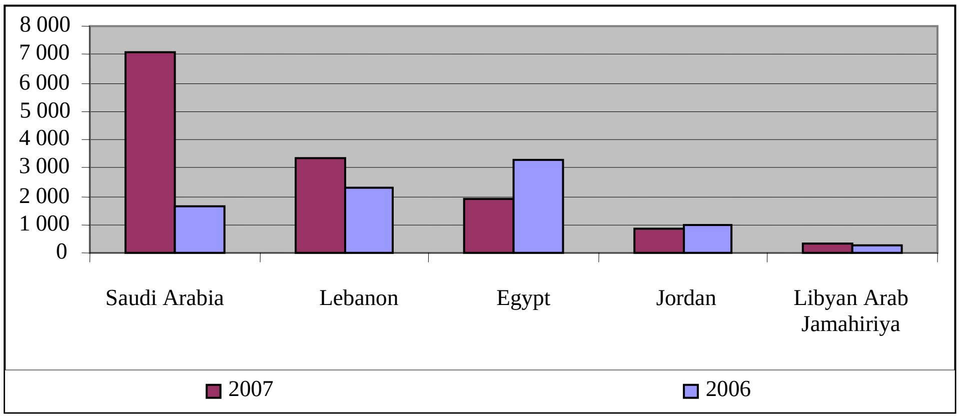
Source: ESCWA, based on Arab investment climate, 2007 and 2008, inter-Arab investment guarantee corporation, Kuwait.
Notes: Two dots (..) indicate that data are not available. Parentheses ( ) indicate a negative figure.
* Ministry of National Economy, Foreign investment in the Sultanate and Omani investments abroad, 2008.

In general, there was a downturn as a percentage of total FDI in 2005-2007 in a number of Arab countries, including the Libyan Arab Jamahiriya (approximately from 29 per cent to 12 per cent), Saudi Arabia (approximately from 40 per cent to 30 per cent). The downturn in the Libyan Arab Jamahiriya and Saudi Arabia resulted from the growth of FDI flows at a rate significantly higher than that of Arab investment flows. On the other hand, the percentage increased in 2005-2007 in a number of other Arab countries, including Jordan (approximately from 17 per cent to 44 per cent) and Egypt (approximately from 7 per cent to 16 per cent).

It is worth noting that, in spite of the decline of the flow of Arab intraregional investment in some countries in 2007, it still represented a significant percentage of total FDI in those countries in 2005-2007: ranging from 17 per cent to more than 40 per cent in Jordan, from 83 per cent to 96 per cent in Lebanon, and approximately from 29 per cent to 48 per cent in Saudi Arabia.

Lack of data on the flow of Arab intraregional investment precludes the conduct of precise analysis of its role in achieving economic development and promoting regional integration. It is therefore important that Arab countries continue to make efforts to produce accurate data on that investment and its sectoral destination as well as to implement existing agreements on the free movement of capital with a view to enabling investment play its role in strengthening regional integration. The flow of Arab intraregional investment can grow at a faster rate under the appropriate conditions. The most important of these conditions include favorable laws; organizational, administrative and judicial structures that ensure the protection of investment; and investment services. Notwithstanding the negative effect of the dominant oil exports, intraregional trade shows that opportunities are open to the flow of Arab intraregional investment as there are both capital-exporting and capital-importing countries. Moreover, under favorable economic, administrative, and legal conditions, the return of Arab investment from outside the region can increase the volume of Arab intraregional investment. The current global financial crisis may provide an opportunity for the partial return to the region of Arab investments abroad which exceeded one trillion dollars.

Figure VII. Top five Arab countries ranked by inflows of intraregional investment
(*Millions of dollars*)



Source: Table 15.

2. *Efforts to energize Arab intraregional investment*

Arab countries continued their efforts to improve the business environment and attract foreign investments in general and Arab investments in particular. Several countries dispatched delegations to other Arab countries to promote investment opportunities and describe the investment environment. Other Arab countries organized conferences and promotional fairs and they participated in regional and international conferences to introduce the availability of their investment opportunities.

Some Arab countries introduced economic measures to prepare a domestic investment environment attractive to FDI, including Arab intraregional investment. In connection with investment legislation, the Libyan Arab Jamahiriya and Saudi Arabia passed new laws on investment, with the latter passing also a law on corporations. The Syrian Arab Republic transformed its investment bureau into the investment authority and established a taxation authority in order to underline the importance it attaches to the flow of FDI, including Arab intraregional investment. In connection with promoting competition and combating monopoly, Lebanon, Egypt and Yemen passed laws thereon as part of a policy aimed at bolstering State supervision and stressing the importance of competition in encouraging the flow of private investment, including FDI. But with regard to money laundering, Qatar passed a law on measures to combat money laundering and Saudi Arabia passed a law to combat corruption.

In addition, Jordan, Bahrain, Tunisia, the Syrian Arab Republic and Qatar modernized their existing free zones; developed the infrastructure in some of them; and established new free zones and industrial districts. In connection with property ownership by foreign investors, the United Arab Emirates passed a new law to regulate real estate ownership by foreigners. The Syrian Arab Republic also passed a law allowing foreigners to own land and property for investment. With regard to measures on starting investment activity, Jordan and Bahrain took decisions to simplify investment procedures; Yemen implemented the single window system in the public authority for investment; Egypt passed the unified law of industry with the aim of unifying the procedures of investment in the industrial sector; and Lebanon took a decision to support, encourage and facilitate investment in tourism.

On the regional level, bilateral arrangements were established among a number of countries; bilateral agreements were concluded to encourage and protect investment, prevent double taxation, and promote investment opportunities; workshops were held to inform investors about these agreements and their legal implications. For example, Saudi Arabia established bilateral arrangements with Tunisia, Algeria, Lebanon and Morocco; Yemen made similar arrangements with Jordan, the Syrian Arab Republic, the Sudan, Egypt, and Mauritania; and Egypt formed bilateral arrangements with Oman.

An analysis of the flow of Arab intraregional investment shows that the services sector ranks first – especially tourism and real estate, followed by communications and financial services. Therefore, most of the flows of Arab intraregional investment do not go to sectors of the real economy, which lessens the impact of that investment on economic development and on increasing the production of goods, particularly in the agricultural and industrial sectors of the countries endowed with agricultural potential and resources. Accordingly, it is important that member countries channel a greater part of this investment to the real economy and increase domestic production, with a view to reducing the impact of food price crisis on Arab economies.

Moreover, the global financial crisis led to the conviction that it is necessary to increase investment in the productive sectors and keep away from speculative investment. In fact, this crisis may lead investment to changing its current direction towards the real economy and could lead to a partial return of Arab investments from abroad to the countries of the region, resulting in greater Arab intraregional investment and in strengthening regional integration. Such a development requires that Arab countries take more measures to create an environment friendly to investment; these measures include improvement of the business environment, reduction in the number of procedures and the length of time needed to start projects, settlement of commercial disputes, and combating financial and administrative corruption.

Box 3. ESCWA holds national workshops to improve the negotiation capacity of Arab countries

In view of the important role that bilateral agreements on encouraging and protecting investment and of agreements on the prevention of the investment climate and increasing flows of investment, the various countries have come to pay utmost importance to the concept and styles of negotiation; they endeavor to strengthen preparation of negotiators with a view to achieving the greatest possible gains from the conclusion of such agreements. By the end of 2007, ESCWA had launched a project to enhance the negotiating capacity of its member countries. In this connection, ESCWA focused its efforts on two important subjects: first, bilateral agreements to encourage and protect investment; second, agreements to prevent double taxation.

The purpose of workshops on bilateral agreements to encourage and protect investment is the introduction of the basic concepts and the rules relating to the regulation of FDI and to the deepening of theoretical knowledge about these issues and relevant current problems. The workshops also aim at providing participants with additional knowledge about the legal and organizational framework for negotiating investment agreements as well as about the stakes and challenges present at the time of concluding the investment agreement, using role-playing practical exercises for negotiating investment. Agreements and contracts. In this connection, ESCWA has organized since the end of 2007 three national workshops in the United Arab Emirates, Bahrain, and Egypt; it will hold such workshops in the coming years in the remaining member countries.

Workshops on bilateral agreements to prevent double taxation aim at strengthening the negotiating skills of negotiators from member countries; this includes the analysis of issues addressed in such agreements and determination of their degree of consistency with the economic policies of the countries involved. The purpose of the workshops is to be achieved through analysis of existing bilateral agreements in order to point out their strengths and weaknesses and to find the most effective means of concluding such agreements. ESCWA organized a successful workshop on this subject in Egypt in 2008. It is planned to continue and expand the workshop programme to cover all the member countries.

D. Arab intraregional tourism

In 2002, following the events of 11 September 2001 in the United States of America, Arab intraregional tourism, as a percentage of total tourism, reached its highest point of 45 per cent and then fluctuated over the following years. In 2006, it grew in number to 19.9 million tourists, but as a percentage of the total it fell to 42 per cent due a number of factors. For one thing, the growth rate of total tourism was higher than that of intraregional tourism in 2006. Moreover, the United Arab Emirates, an important country in intraregional tourism, was not included in 2006 for lack of data as was the case of Oman as well. Another factor was the high cost of staying in some Arab countries with strong competition from Asian countries such as Malaysia. Furthermore, the inadequate number of air flights makes movement more difficult. Security problems and inadequate infrastructure, as in Yemen, contributed to the drop in the overall number of tourists, including Arab intraregional tourists.

On the other hand, while several Arab countries depend on Arab intraregional tourism, particularly Jordan, Bahrain, Tunisia, the Syrian Arab Republic, Lebanon and Saudi Arabia, other Arab countries depend on non-Arab tourists such as Morocco and Algeria, with Arab tourists representing slightly over 1 per cent in the former and not more than 8 per cent in the latter. In Egypt, Arab intraregional tourism, representing about 19 per cent of the total, kept that level stable over the following five years (see table 16).

TABLE 16. ARAB INTRAREGIONAL TOURISM, 2001-2007
(*Number of Arab tourists in thousands and as a percentage of total tourism*)

Host country		2001	2002	2003	2004	2005	2006	2007
Jordan	Inter-Arab	963	1 131	1 476	1 793	1 847	2 071	2 003
	Percentage of total	65.17	69.75	62.71	62.83	61.85	58.37	58.37
United Arab Emirates	Inter-Arab	112 424	1 556	1 619	..	1 666	..	..
	Percentage of total	30.06	28.58	26.97	..	23.38	..	..
Bahrain	Inter-Arab	3 469	3 665	2 189	2 591	2 923	3 413	..
	Percentage of total	79.05	75.86	74.08	73.72	74.69	75.52	..
Tunisia	Inter-Arab	1 681	2 054	2 173	2 387	2 366	2 387	2 464
	Percentage of total	31.21	40.57	42.49	39.79	37.09	36.44	36.44
Algeria	Inter-Arab	46	62	100	119	151	137	145
	Percentage of total	5.14	6.26	8.54	9.65	10.43	8.34	8.34
Syrian Arab Republic	Inter-Arab	2 497	3 165	1 615	2 391	2 574	3 402	3 513
	Percentage of total	73.66	74.07	77.46	78.82	76.43	76.94	76.94
Oman	Inter-Arab	157	168	207	..	363	..	..
	Percentage of total	27.89	27.90	32.89	..	..	..	..
Qatar	Inter-Arab	231	312	283	404	388	510	511
	Percentage of total	61.56	53.19	50.73	55.16	53.03	52.97	52.97
Lebanon	Inter-Arab	330	403	421	520	437	423	405
	Percentage of total	39.42	42.13	41.46	40.69	38.31	39.83	39.83
Egypt	Inter-Arab	922	1 068	1 197	1 366	1 556	1 922	1 960
	Percentage of total	19.84	20.58	20.83	17.53	18.88	22.23	18.48
Morocco	Inter-Arab	120	116	57	64	75	81	92
	Percentage of total	2.76	2.70	1.21	1.16	1.28	1.24	1.24
Saudi Arabia	Inter-Arab	4 186	4 594	4 221	5 127	5 844	5 382	7 199
	Percentage of total	62.23	61.16	57.56	59.76	72.71	62.43	62.43
Yemen	Inter-Arab	37	65	105	101	242	232	231
	Percentage of total	48.58	66.20	68.07	65.30	71.97	60.84	60.84
Inter-Arab tourism	Inter-Arab	18 070	19 197	13 731	16 861	18 402	19 960	18 523
	Percentage of total	44.59	45.35	42.15	36.33	43.13	42.27	38.26

Source: World Tourism Organization, *Tourism Market Trends, Middle East*, 2006 Edition; *Tourism Highlights*, 2006 and 2007 Editions. Available at: www.unwto.org.

Notes: 2006 and 2007 data are based on ESCWA estimates.
Two dots (..) indicate that data are not available.

Arab intraregional tourism forms a significant source of income in a large number of Arab countries. In 2006, revenues from Arab intraregional tourism, as a percentage of the total revenues of tourism, was more than 40 per cent in Jordan, about 90 per cent in the Syrian Arab Republic, nearly 43 per cent in Lebanon and more than 67 per cent in Yemen, whereas it was 21 in Tunisia and approximately 17 per cent in Egypt (see table 17).

TABLE 17. REVENUES FROM ARAB INTRAREGIONAL TOURISM, 2002-2007
(*In millions of dollars, as a percentage of total revenues, and as a percentage of GDP*)

Host country		2002	2003	2004	2005	2006	2007
Jordan	Revenues from Arab intraregional tourism	249	665	835	890	966	934
	As a percentage of total revenues	23.76	62.67	62.81	61.79	46.87	40.40
	As a percentage of GDP	2.6	6.55	7.25	6.92	6.77	5.9
United Arab Emirates	Revenues from Arab intraregional tourism	389	381	440	552	..	..
	As a percentage of total revenues	29.16	28.71	27.60	24.72	..	..
	As a percentage of GDP	0.51	0.45	0.42	0.41	..	..
Bahrain	Revenues from Arab intraregional tourism	858	326	394	427	508	..
	As a percentage of total revenues	75.86	45.30	45.57	46.39	48.52	…
	As a percentage of GDP	10.16	3.4	3.56	3.10	3.22	..
Tunisia	Revenues from Arab intraregional tourism	618	671	785	764	765	789
	As a percentage of total revenues	40.57	42.44	39.86	35.65	33.61	30.89
	As a percentage of GDP	2.92	2.5	2.68	2.65	2.43	2.25
Algeria	Revenues from Arab intraregional tourism	6.86	9	17	19	17	18
	As a percentage of total revenues	6.26	8.54	9.7	10.43	7.81	..
	As a percentage of GDP	0.012	0.01	0.02	0.02	0.01	0.01
Libyan Arab Jamahiriya	Revenues from Arab intraregional tourism	1 080	1 301	1 354	..	..	..
	As a percentage of total revenues	93.91	94.03	92.58	..	..	..
	As a percentage of GDP	5.33	7.18	4.9	..	..	..
Syrian Arab Republic	Revenues from Arab intraregional tourism	1 070	599	1 418	1 663	1 826	1 885
	As a percentage of total revenues	74.07	44.38	68.92	85.55	90.17	..
	As a percentage of GDP	5.18	2.76	6.03	6.63	5.61	1.39
Oman	Revenues from Arab intraregional tourism	62	76	82	92	..	..
	As a percentage of total revenues	27.9	32.89	..	..	..	..
	As a percentage of GDP	0.31	0.35	0.33	0.31	..	..
Qatar	Revenues from Arab intraregional tourism	152	187	275	323	370	370
	As a percentage of total revenues	53.19	50.77	55.16	42.53	42.31	..
	As a percentage of GDP	0.77	0.79	0.97	0.95	0.7	0.58
Kuwait	Revenues from Arab intraregional tourism	1 732	1 896	3 523	4 315	..	..
	As a percentage of total revenues	60.63	58.33	58.34	26.32	..	..
	As a percentage of GDP	4.92	4.11	6.32	5.34	..	..
Lebanon	Revenues from Arab intraregional tourism	1 805	2 643	2 201	2 082	2 155	2 062
	As a percentage of total revenues	42.13	41.47	40.67	37.63	42.98	..
	As a percentage of GDP	10.39	14.59	11.14	9.44	9.26	8.59
Egypt	Revenues from Arab intraregional tourism	819	955	1 074	1 293	1 547	1 578
	As a percentage of total revenues	3.27	20.84	17.53	18.88	20.38	16.96
	As a percentage of GDP	0.97	1.17	1.37	1.45	1.44	1.23
Morocco	Revenues from Arab intraregional tourism	68.96	39	45	59	59	67
	As a percentage of total revenues	2.61	1.20	1.16	1.28	0.99	0.92
	As a percentage of GDP	0.19	0.09	0.09	0.11	0.09	0.09
Saudi Arabia	Revenues from Arab intraregional tourism	3 537	1 967	3 865	3 763	3 343	4 473
	As a percentage of total revenues	61.16	34.79	59.6	69.46	67.4	85.56
	As a percentage of GDP	1.87	0.92	1.54	1.22	0.96	1.017
Yemen	Revenues from Arab intraregional tourism	2	15	51	130	122	122
	As a percentage of total revenues	66.20	68.07	24.02	72.01	67.22	..
	As a percentage of GDP	0.024	0.4	0.8	0.57	0.54	..

Source: Calculated by ESCWA on the basis of World Tourism Organization, *Tourism Market Trends, Middle East*, 2006 Edition. Available at: www.unwto.org.

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

The Arab countries varied in terms of their efficiency in the performance of the tourism sector as indicated by the 2007 indicators of tourism and travel. The United Arab Emirates ranked first in the Arab region and 18th globally ahead of Malaysia which ranked 31st, followed by

Tunisia (2nd regionally and 24th globally) and Qatar (3rd regionally and 26th globally). Globally these countries were followed by Jordan (46th), Bahrain (47th), Morocco (57th), Egypt (58th), Kuwait (67th), and Algeria (92nd).[5]

Some Arab countries made efforts to improve their tourism regulatory framework which is a subindex of the travel and tourism competitiveness index: Tunisia came in 1st among the Arab countries and 12th globally, followed by the United Arab Emirates which ranked 2nd and 18th respectively. In terms of tourist safety and security, the United Arab Emirates ranked first among the Arab countries and 10th globally, followed by Tunisia (2nd and 14th) and Qatar (3rd and 17th). On the environmental regulation subindex, the Arab countries did not make significant progress except for Tunisia (ranked 1st among those countries and 16th globally) and the United Arab Emirates (2nd among the Arab countries and 25th globally). In general, five Arab countries, led by the United Arab Emirates and Tunisia, made significant progress in improving their policy rules and regulations.[6]

E. Intraregional movement of labour

Remittances from Arab intraregional migrant workers reached a level approximating US$ 13 billion in 2007, representing an increase of 31.6 per cent over 2006. These remittances provide the most important foreign source of hard currency for a large group of Arab countries. For example, remittances from Jordanians working in Arab countries formed about 42 per cent of the foreign exchange reserves of Jordan and those from the Sudanese working in Arab countries constituted 82 per cent of the Sudan's foreign exchange reserves. In a number of Arab countries, the volume of such remittances surpassed that of FDI inflows, indicating their significance in reducing poverty, especially in rural areas (see table 18).

TABLE 18. INTRAREGIONAL MIGRANT WORKERS' REMITTANCES, 2001-2007
(*Millions of dollars and percentages*)

Country		2001	2002	2003	2004	2005	2006	2007
Jordan	Value of remittances	1 709.4	1 814.8	1 870.9	1 981.4	2 125.0	2 450.9	2 918.9
	As percentage of GDP	19.1	19.0	18.4	17.2	16.5	17.2	18.4
	As percentage of FDI	1 709.4	2 846.2	425.19	244.31	120.6	75.53	150.69
	As percentage of ODA	380.7	338.1	149.9	329.5	318.2	422.9	..
	As percentage of imports	35.1	35.8	32.6	24.3	20.2	21.2	21.6
	As percentage of foreign exchange reserves	55.8	45.6	36.0	37.6	40.5	36.5	42.5
Tunisia	Value of remittances	92.7	107.1	125.0	143.2	139.3	151.0	171.6
	As percentage of GDP	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	As percentage of FDI	19.1	13.1	21.4	22.4	17.81	4.56	10.61
	As percentage of ODA	24.6	40.5	42.0	43.7	38.2	35.0	..
	As percentage of imports	1.0	1.1	1.1	1.1	1.1	0.9	0.9
	As percentage of foreign exchange reserves	4.6	4.7	4.52	3.6	3.1	2.2	2.2
Algeria	Value of remittances	46.9	74.9	122.5	172.2	136.5	176.9	203.4
	As percentage of GDP	0.1	0.1	0.2	0.2	0.1	0.2	0.2
	As percentage of FDI	3.92	7.03	19.32	19.52	12.63	9.85	12.22
	As percentage of ODA	21.0	22.8	52.3	54.8	36.8	84.8	..
	As percentage of imports	0.5	0.6	0.8	0.8	0.6	0.7	0.6
	As percentage of foreign exchange reserves	0.2	0.3	0.4	0.4	0.2	0.2	0.2
Syrian Arab Republic	Value of remittances	110.5	87.8	577.9	555.8	535.0	516.8	535.6
	As percentage of GDP	0.6	0.4	2.7	2.4	2.1	1.6	1.4
	As percentage of FDI	385.9	88.5	361.16	80.19	84.11	86.13	60.52
	As percentage of ODA	72.3	114.7	491.19	524.4	680.1	1933.2	..
	As percentage of imports	1.7	1.2	6.7	2.1	3.4	2.8	2.3
	As percentage of foreign exchange reserves	..	..	..	..	2.94	3.00	3.2

[5] World Economic Forum, *Annual Report*, Chapter 2.2: "Assessing Travel and Tourism Competitiveness in the Arab World". Available at: www.weforum.org.

[6] Ibid.

TABLE 18 (*continued*)

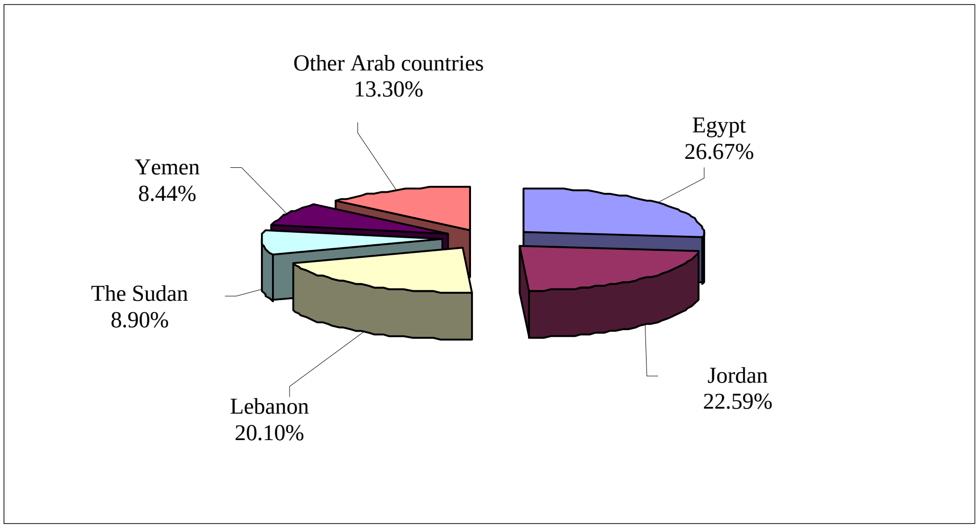
Country		2001	2002	2003	2004	2005	2006	2007
The Sudan	Value of remittances	481.0	635.7	795.0	912.0	660.4	751.6	1 149.9
	As percentage of GDP	3.3	3.9	4.2	4.1	2.3	1.7	2.4
	As percentage of FDI	92.7	99.0	58.7	60.35	28.65	21.23	47.20
	As percentage of ODA	266.4	185.2	129.7	92.0	36.0	36.5	..
	As percentage of imports	25.8	29.3	29.3	22.3	9.9	9.3	13.2
	As percentage of foreign exchange reserves	967.1	255.4	150.2	68.2	35.3	45.3	82.1
Palestine	Value of remittances	184.0	150.3	212.4	204.7	269.1	269.1	269.1
	As percentage of GDP	4.8	4.3	5.4	4.9	6.0	6.5	6.7
	As percentage of FDI	1 979.8	6 111.0	1 180.0	417.67	572.55	708.16	1 281.4
	As percentage of ODA	21.2	9.3	21.9	18.3	24.1	18.6	..
	As percentage of imports	..	..	..	..	..	..	..
	As percentage of foreign exchange reserves	..	..	..	..	..	..	..
Lebanon	Value of remittances	1 038.2	1 144.8	2 134.4	2 516.1	2 215.8	2 341.0	2 596.1
	As percentage of GDP	6.2	6.6	11.8	12.7	10.1	10.1	10.8
	As percentage of FDI	417.1	445.5	71.69	126.3	79.36	85.47	91.25
	As percentage of ODA	428.2	253.2	948.1	952.6	909.8	331.0	..
	As percentage of imports	16.3	18.1	27.7	26.8	23.0	21.4	23.3
	As percentage of foreign exchange reserves	20.7	15.8	17.1	21.4	18.6	17.5	20.1
Egypt	Value of remittances	1 310.0	1 301.9	1 332.5	1 503.5	2 257.8	2 398.3	2 445.2
	As percentage of GDP	1.5	1.5	1.6	1.9	2.5	2.2	2.7
	As percentage of FDI	256.85	201.21	296.1	69.57	42.02	23.88	29.76
	As percentage of ODA	104.3	105.3	135.0	103.3	226.9	274.8	..
	As percentage of imports	10.3	6.6	6.2	5.4	6.8	6.1	6.9
	As percentage of foreign exchange reserves	10.1	9.8	9.8	10.5	11.0	9.8	12.1
Morocco	Value of remittances	260.9	230.2	289.1	337.7	367.1	436.3	538.4
	As percentage of GDP	0.7	0.6	0.7	0.7	0.7	0.7	0.7
	As percentage of FDI	9.2	47.9	11.9	31.6	12.5	17.81	20.89
	As percentage of ODA	50.4	47.3	53.7	47.7	52.9	41.7	..
	As percentage of imports	2.3	2.0	2.0	1.9	1.8	1.7	1.7
	As percentage of foreign exchange reserves	3.1	2.3	2.1	2.1	2.3	2.2	2.3
Yemen	Value of remittances	1 100.8	1 099.9	1 079.5	1 090.6	1 090.6	1 090.2	1 090.2
	As percentage of GDP	11.4	10.7	9.6	8.5	6.7	5.1	4.8
	As percentage of FDI	809.4	1 078.3	1 124.5	507.23	(421)	89.95	235.0
	As percentage of ODA	240.3	188.8	461.9	431.5	324.3	383.4	..
	As percentage of imports	44.6	39.6	24.5	27.4	22.7	15.7	12.0
	As percentage of foreign exchange reserves	30.1	24.9	21.7	19.3	17.8	14.5	14.1
Total Arab countries	Value of remittances	5 934	6 235	8 002	8 764	9 154	9 818	12 919
	As percentage of GDP	2.3	2.4	2.8	2.8	2.6	2.3	2.5
	As percentage of FDI	110.8	138.6	206.21	93.94	56.08	36.52	49.64
	As percentage of ODA	134.0	112.2	156.2	153.5	146.2	138.1	..
	As percentage of imports	9.7	8.7	9.4	7.2	7.1	6.5	6.4
	As percentage of foreign exchange reserves	11.9	10.3	9.8	9.3	70	6.1	6.1

Sources: ESCWA estimates, based on *World Development Indicators 2008*, available at: www.worldbank.org; and ESCWA estimates.

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

It should be rated that remittances from Arab intraregional workers are sent not only by formal means such as the banking sector but also informally; in the case of some countries, notably Yemen, most remittances are sent by informal means through relatives. Accordingly the real volume of remittances exceeds that reported in official statistics. Informally sent remittances go to the mostly poor families of the senders to be used for consumption, thus directly affecting their economic situation. Furthermore, lack of banking services on a large scale in rural areas leads to greater dependence on informal means of sending remittance, which limits the efficient use of those remittances and their impact on the economy.

Figure VIII. Distribution of the inflows of Arab intraregional migrant remittances by recipient country, 2007



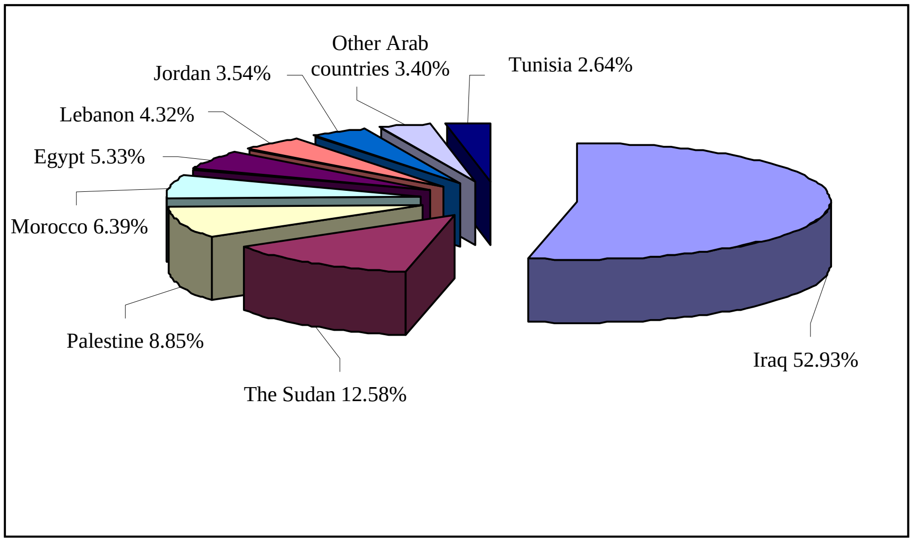
Source: Based on table 18.

F. ARAB INTRAREGIONAL ODA

Arab intraregional ODA serves two purposes simultaneously: first, Arab solidarity between rich and poor countries; second, economic and social returns. It helps economic development in the recipient countries by supporting their infrastructure and enhancing social services. It also contributes to the achievement of the Millennium Development Goals (MDGs), especially reducing by half the proportion of the poor by 2015, and improving education and health, particularly in rural areas. In this context, the greater part of Arab intraregional ODA should be channelled to rural areas in order to improve, among other things, living conditions, education and health, as well as to limit urban migration in search for work.

For the first time in years, the volume of Arab intraregional ODA fell from US$ 17.2 billion in 2005 to US$ 9.8 billion in 2006, i.e. a drop of nearly 43 per cent, mainly due to the decrease in intraregional aid extended to Iraq as its debts were reduced or cancelled. The amount of this aid declined from US$ 13.2 billion in 2005 to US$ 5.2 billion in 2006. Arab aid to Iraq constituted about 76 per cent and 30 per cent of total Arab intraregional ODA in 2005 and 2006 respectively. The Sudan came in second at nearly 7 per cent, having received US$ 1.2 billion in 2006, Palestine came in third at approximately 5 per cent in 2006. Taken together, the Sudan, Iraq and Palestine received 40 per cent of Arab intraregional ODA in 2006 (see figure IX and table 19). It is clear that Arab donor countries focused on those three countries in view of their economic and political circumstances. It should be noted that increased official aid to some countries must not come at the expense of aid extended to other countries. Furthermore, it is advisable to link the provision of this aid to the direct implementation of projects in the recipient countries and to a highly efficient use of such aid without waste in order to increase its effectiveness in reducing poverty, developing infrastructure and strengthening its impact on the domestic economy.

Figure IX. Distribution of Arab intraregional ODA by recipient country, 2006



Source: ESCWA, based on table 19.

TABLE 19. ARAB INTRAREGIONAL ODA IN DOLLARS AND AS A PERCENTAGE OF GDP, 2001-2006
(*Millions of dollars and percentages*)

		2001	2002	2003	2004	2005	2006
Jordan	Amount of intraregional ODA	269	322	749	361	401	348
	As percentage of GDP	3.00	3.37	7.37	3.13	3.12	2.44
Tunisia	Amount of intraregional ODA	226	159	179	197	219	259
	As percentage of GDP	1.13	0.69	0.66	0.67	0.76	0.83
Algeria	Amount of intraregional ODA	134	197	141	189	223	125
	As percentage of GDP	0.24	0.35	0.21	0.22	0.22	0.11
Libyan Arab Jamahiriya	Amount of intraregional ODA	4	4	5	7	15	22
	As percentage of GDP	0.01	0.02	0.02	0.03	0.04	0.04
Syrian Arab Republic	Amount of intraregional ODA	92	46	70	64	47	16
	As percentage of GDP	0.45	0.22	0.33	0.27	0.19	0.05
The Sudan	Amount of intraregional ODA	108	206	368	595	1 099	1 235
	As percentage of GDP	0.74	1.25	1.92	2.70	3.86	2.81
Iraq	Amount of intraregional ODA	73	64	1 350	2 790	13 231	5 197
	As percentage of GDP	0.25	0.24	6.78	8.28	41.71	12.38
Palestine	Amount of intraregional ODA	522	970	583	669	669	869
	As percentage of GDP	13.67	27.84	14.87	16.16	14.94	20.84
Lebanon	Amount of intraregional ODA	145	271	135	159	146	424
	As percentage of GDP	0.87	1.56	0.75	0.80	0.66	1.82
Egypt	Amount of intraregional ODA	753	742	592	873	597	524
	As percentage of GDP	0.83	0.87	0.73	1.11	0.67	0.49
Morocco	Amount of intraregional ODA	311	292	323	424	417	627
	As percentage of GDP	0.92	0.81	0.74	0.85	0.80	0.95
Yemen	Amount of intraregional ODA	275	350	140	152	202	171
	As percentage of GDP	2.85	3.40	1.24	1.17	1.24	0.80
Total Arab countries	Amount of intraregional ODA	2 913	3 622	4 634	6 479	17 266	9 818
	As percentage of GDP	0.87	1.11	1.33	1.63	3.79	1.77

Source: ESCWA estimates, based on World Bank, *World Development Indicators 2008.* Available at: www.worldbank.org.

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

The impact of Arab intraregional ODA does not only depend on its volume but also on the way it is spent and on the sectors and programmes to which it is allocated. Therefore, its efficient use is as important as its volume. Ways of cooperation between donor and recipient countries are needed for a more efficient use of this assistance.

The conduct of an evaluation of the efficient use of this assistance and its impact on socio-economic development is required, as it would improve the performance of those charged with its use, correct mistakes, and deal with failure, if any. Developed countries undertake this type of evaluation with regard to the ODA they provide to developing countries. In particular, they evaluate ODA used to implement development projects as well as the implementation itself and its economic impact on the sustainable development of the recipient developing countries.

Several studies demonstrated that the relationship between ODA flows and economic growth in the recipient countries is weak and that it is at best uncertain. Accordingly, Arab intraregional ODA does not generate economic growth. However, it plays a significant role in improving public services, especially social services related to education and health. Some studies also showed that ODA flows encourage FDI.

III. LABOUR MIGRATION IN THE PROCESS OF GLOBALIZATION AND INTEGRATION: A VIEW FROM ARAB COUNTRIES

Trade, financial and human flows constitute the three pillars of the globalization phenomenon, and have received unprecedented attention in research, analysis, achievements, aspirations as well as at the level of political and economic decision-making. As in other countries of the world, Arab countries have attempted to take advantage of the opportunity provided by globalization and to mitigate the effects of related challenges. A number of Arab countries began to direct most of their attention to trade liberalization, accession to WTO, and the conclusion of bilateral and regional agreements, with a view to having access to foreign markets. Other countries started to improve environment to attract FDI. However, no effective initiatives were undertaken with regard to the third pillar, i.e. labour migration. While trade and investment witnessed notable improvement, the liberalization of the movement of labour suffered from lack of attention, which led to extremely severe consequences reflected clearly in growth rates of population and unemployment exceeding those of other regions of the world.

A. GLOBAL MIGRATION

Man has continued from time immemorial to this day his search for resources in various parts of the world driven by need which constitutes the main cause of migration. Need may arise from his economic or security situation, from war and natural disasters such as floods and drought.

The world population at present is estimated to be 6.6 billion;[7] it represents a major challenge in terms of available resources and job opportunities for new entrants into the job market. A Levin Institute study noted that, in the era between 1850 and 1914, over one million people a year migrated and that migrants constituted 10 per cent of the world population in the same period.[8]

1. *Development of migration*

According to the latest World Bank report entitled "Migration and Remittances Factbook 2008", nearly 200 million people or 3 per cent of the world population live outside their countries of birth, including 9.2 million refugees. The most important host countries for migrants are the United States of America, the Russian Federation, Germany, Ukraine, France and the GCC countries.[9]

The Global Commission on International Migration, in one of its reports, stated that the number of international migrants is equivalent to the population of the fifth largest country, Brazil; that one in 35 people is an international migrant; that the number is increasing rapidly from 82 million in 1970 to 175 million in 2000 to nearly 200 million today; that 48.6 per cent of the world's migrants are women; and that about 51 per cent of these women live in the developed world. The report further pointed out that, in 1970, migrants comprised 10 per cent of the population in 48 countries whose number increased to 70 countries by 2000. From 1970 to 2000, the number of migrants living in the developed world increased from 48 million to 110 million, while the number of those living in the developing countries rose from 52 million to 65 million.[10]

Therefore, since 1970, the number of migrants in the world has more than doubled. Naturally, the Northern industrialized countries attracted more immigrants in view of their high levels of wages, education, infrastructure, services and welfare in general. The developed industrialized countries received 60 per cent of migrants, compared with 40 per cent for the developing countries of the south.

With regard to the relative distribution of migrants, the International Organization for

---

[7] Lester R. Brown, Earth Policy Institute, *World Facing Huge New Challenge on Food Front: Business-as-Usual Not a Viable Option*, 16 April 2008. Available at: www.earth-policy.org.

[8] The LEVIN Institute, Globalization 101.Org project, *Migration and Globalization*, 2008. Available at: www.globalization101.org

[9] World Bank, *Migration and Remittances Factbook 2008*. Available at: www.worldbank.org/publications.

[10] Global Commission on International Migration (GCIM), *Migration at Glance*, 2008. Available at: www.gcim.org.

Migration (IOM) estimates that the largest contingents are found in Europe (56 million), Asia (50 million), and North America (41 million). In this connection, it is to be noted that illegal immigration from the South to the North involves between 2.5 million and 4 million persons who cross borders without the required documents or permits to do so.[11] In the last few years, immigrant-receiving countries began to control illegal immigration strictly in an attempt to reduce the number of immigrants for security, economic or even intellectual and cultural reasons, especially in the wake of the events of 11 September 2001 in the United States of America, which negatively affected the movement of persons from certain countries to countries of the North and led to greater obstacles to persons travelling as tourists rather than as persons seeking job opportunities or residence.

2. *Causes of migration*

South Asia represents 22 per cent of the World's total population comprising over one billion people of whom 30-40 per cent live below the poverty line.[12] As a percentage of the total population, people living on US$ 2 per day constitute 82.8 per cent in Bangladesh, 79.9 per cent in India, 73.6 per cent in Pakistan, 68.5 per cent in Nepal, 47.5 per cent in the Philippines, 46.7 per cent in China, and 43.6 per cent in Egypt. Poverty is considered major exporters of migrants. In contrast, the daily wage of domestic labour is US$ 80 in the United Kingdom, US$ 17 in Hong Kong and US$ 5 in Singapore, Malaysia and some Middle Eastern countries.[13] Such wage levels attract migrant workers.

B. MIGRANTS' FINANCIAL REMITTANCES

Poverty is one of the main causes of migration, financial remittances sent by migrants to their relatives in the country of origin represent a resource that helps them meet their basic needs. This section discusses these remittances and their impact worldwide.

1. *Developments in financial remittances*

The amount of remittances grew with the increasing number of migrants; it tripled between 1995 and 2007, increasing from US$ 101.6 billion to US$ 337 billion; it also grew at a rate of 11 per cent in the period 2002-2007. Table 20 shows the flows of migrants' financial remittances as reported in the audit of July 2008.

Developing countries received nearly US$ 251 billion or about 74.5 per cent of the World total, although the number of the population of the developing countries approximated 5.5 billion in 2006 or 84.2 per cent of the World population, with a GNP of almost US$ 11.6 billion or 24 per cent of the World total income. Per capita income of the developing countries was US$ 2,000 in 2006, or about 24.9 per cent of the World per capita income. Emigrants from developing countries numbered 145 million, or 2.7 per cent of their total population.[14] Remittances to the countries of Latin America and the Caribbean reared US$ 61 billion or 40.4 per cent of the total of developing countries, followed by the countries of East Asia and the Pacific and the countries of South Asia. At the same time, remittances to the countries of the Middle East and North Africa, including the Arab countries, amounted to US$ 29 billion or 19.2 per cent of the total of the developing countries and 8.6 per cent of the World total.

---

[11] Maria Anglae Villalba, DVV International, *Adult Education: Migration and Integration from an International perspective*, 2007. Available at: www.iiz-dvv.de/index.php?article_id=726&clang=1.

[12] Kamal Raj Dhungel, World Bank, *Remittances: A significant income source*, 2008. Available at: www.worldbank.org.

[13] Ibid.

[14] Global Commission on International Migration (GCIM), *Migration at Glance*, 2008. Available at: www.gcim.org.

TABLE 20. REMITTANCES FLOWS TO DEVELOPING COUNTRIES, 2002-2007

	Remittances value (billions of dollars)						Remittances growth (percentage)	
	2002	2003	2004	2005	2006	2007	2006-2007	2002-2007
Inflows								
Developing countries	116	143	163	194	226	251	11	118
East Asia and the Pacific	29	35	39	47	53	59	11	100
Europe and Central Asia	14	16	23	32	39	47	22	246
Latin America and the Caribbean	28	35	42	48	57	61	6	117
Middle East and North Africa	15	20	23	24	27	29	8	89
South Asia	24	30	29	33	40	44	11	82
Sub-Saharan Africa	5	6	8	10	11	12	7	132
Low-income countries	15	17	20	24	29	33	15	118
Middle-income countries	100	127	143	169	197	218	11	118
Upper MICs	53	61	67	68	72	81	12	54
High income non-OECD	1	2	3	4	4	5	7	304
World	170	206	234	266	303	337	11	99
Outflows								
Developing countries	19	22	30	34	42	52	23	177
High income OECD	89	101	15	126	141	159	13	78
High income non-OECD	24	23	22	24	27	28	2	17
World	131	147	167	184	210	238	13	81

Source: Dilip Ratha, Sanket Mohapatra, K.M. Vijayalakshmi, Zhimei Xu, World Bank, Migration and Development Brief 5, *Revisions to Remittance Trends 2007*. 10 July 2008.

Table 20 shows that total world inflows of remittances have increased from US$ 170 billion in 2002 to US$ 337 billion in 2007. The main countries from which remittances flow are the United States of America (US$ 42.2 billion), Saudi Arabia (US$ 15.6 billion), Switzerland (US$ 13.8 billion) and Germany (US$ 12.3 billion). The main recipient countries in 2007 are: India (US$ 27 billion), China (US$ 25.7 billion),[15] Mexico (US$ 25 billion) and the Philippines (US$ 17 billion).

2. *Economic impact of financial remittances*

Financial remittances sent by migrants to their countries of origin constitute a vital source of financial inflows contributing, along with FDI inflows and information technology (IT), to enhancing globalization. A study has shown that in 2006 total world remittances reached US$ 300 billion, far above the FDI total of US$ 167 billion. In other words, the world total of migrants' financial remittances was twice as large as FDI, or the world FDI represented 55 per cent of the amount of world financial remittances. However, as a percentage of GDP, remittances represented 0.2 per cent of the world total, 2 per cent of the total for the developing countries, and 3.7 per cent of the total for the low-income countries in 2004; at the country level, the percentage was 24.8 per cent in Haiti, 13.5 per cent in the Philippines and 13.2 per cent in the Dominican Republic in 2004.[16]

Table 21 displays the economic impact of remittances on a selected group of eight countries from various regions of the world. Financial remittances from migrants represent a significant percentage of the value of exports of goods and services in Pakistan, the Philippines and Egypt; more than 10 times ODA in the Philippines. The amount of remittances was more than 10 times FDI in the Philippines; more than three times FDI in India; and about twice the amount of FDI in Greece, Pakistan and Romania.

[15] Ibid.

[16] Michael A. Edberg and Manrise D. Lovi, *The Impact of Remittances on Economic Growth*, 2008.

TABLE 21. ECONOMIC IMPACT OF MIGRANTS REMITTANCES IN SELECTED COUNTRIES, 2005

Country	Remittances in millions of dollars	Remittances as a percentage of exports of goods and services	Remittances as a percentage of ODA	Remittances as a percentage of FDI
Pakistan	4 280	24	257	196
Portugal	3 017	6	00	94
Turkey	851	1	183	9
Romania	4 733	14	00	214
Philippine	13 566	30	2 414	1 198
Egypt	5 017	20	342	93
India	23 725	16	1 376	360
Greece	1 220	2	00	191

Source: Shahbaz, M., Rehman, J. and Hussain, W., International Research Journal of Finance and Economics, Issue 14, 2008, *Does foreign remittances reduce government spending?* Available at: www.eurojournals.com/finance.htm.

An analysis of these figures demonstrates that migrants financial remittances can effectively contribute to the reduction of extreme poverty in the developing and the least developing countries, which raises the hope of achieving the MDGs, including the reduction of the number of the poor by 50 per cent by the year 2015.

C. EMPLOYMENT AND UNEMPLOYMENT IN THE ARAB COUNTRIES

Migration and remittances have acquired great importance in the Arab region which comprises rich oil-producing and oil-exporting countries with high growth rates and standard of living, a situation that makes those countries attractive to labour from around the world. This section addresses some issues such as population, unemployment, and foreign labour in the GCC countries.

The employment to population ratio in the Middle East and North Africa is the lowest of all the regions of the world. It was only 46.4 per cent in 2005, compared with 71.7 per cent in East Asia, 57.2 per cent in South Asia, and 61.4 per cent in the world.[17] Employed people in the Arab countries in 2005 numbered about 88 million out of a total population of more than 338 million. Unemployment increased significantly in the non-oil exporting countries which account for two-thirds of the total population of the Arab countries; this increase was the result of continuing growth of the population and hard economic conditions; the unemployed in the Arab countries numbered over 17 million, representing 14 per cent of total labour force as compared with 6.2 per cent worldwide, 3.8 per cent in East Asia, and 4.7 per cent in South Asia. In general, unemployment increased at an annual rate of 3 per cent in the Arab countries. Youth unemployment was 25 per cent or twice as much as the world youth average.[18]

Absorption of the increasing labour force in the Arab region, which is growing at a rate of 3.5 to 4 per cent annually, requires the creation of 55 million to 70 million job opportunities from now until 2020. The oil-exporting countries, especially the GCC countries, constitute the only group in the Arab region capable of providing job opportunities, in view of their material resources.

As unemployment and poverty are the two most important causes of the deterioration of crises facing some Arab countries, and as the public sector in those countries can provide only one third of the job opportunities they need, the private sector has to provide the remaining two thirds, which makes those crises more complicated.[19] Although the growth rate of Arab GDP increased in the beginning of the first decade of the twenty-first century, the increasing growth rate of the population and the large number of youth and children in comparison with the rest of the population have been among the factors weakening the ability of countries to create job opportunities.[20] In addition, the Arab region, like the other regions of the world, faces the problem of high inflation rates, recently exacerbated particularly as high food prices and low real income for working people. Likewise, some

[17] Nimrod Raphaeli, The Middle East Media Research Institute, *Unemployment in the Middle East: Causes and consequences*, 2006. Available at: www.memri.org/bin/printerfriendly/pf.cgi.

[18] Arab Labour Organization, official statistical sources, 2008.

[19] Ibid.

[20] World Bank, *Middle East and North Africa Region: Job creation in an Era of high growth*. In: Economic Development and Prospects, 2007. Available at: www.worldbank.org.

countries of the region suffer from political instability and growing security tensions which renders the economic situation more difficult.

D. LABOUR MIGRATION AND FINANCIAL REMITTANCES IN THE ARAB REGION

1. *Labour movement*

Arab regional integration can be strengthened through the movement of labour, promotion of trade and enhancement of investment among the Arab countries. Having liberated trade and investment, those countries still need, for regional integration, to adopt policies required for the free movement of labour and to develop mechanisms to implement those policies.

Estimates show a total of labour force of 14.5 million in the GCC countries, including 10 million expatriates (70.3 per cent of total) in a total population of 35.1 million. The percentage of expatriates is uneven in the GCC countries: over 80 per cent in each of the United Arab Emirates and Kuwait, 56.69 per cent in Qatar, and 58.58 per cent in Bahrain, as shown in table 22.

TABLE 22. EXPATRIATES AS A PERCENTAGE OF THE LABOUR FORCE IN THE GCC COUNTRIES, 2005

Country	Total labour force (thousands)	Expatriates (percentage)
United Arab Emirates	3 315	82.26
Bahrain	522	58.58
Oman	914	66.13
Qatar	555.7	56.69
Kuwait	1 594.6	81.70
Saudi Arabia	7 579	64.57
Total	14 480.3	70.27

Source: Arab Labour Organization, official statistical sources, 2008.

Asians constitute the overwhelming majority (70 per cent) of the expatriate labour force in the GCC countries, followed by Arabs (23.3 per cent) Americans and Europeans from the smallest group. Distribution of the expatriate labour force by origin is uneven among the GCC countries: Asians represent 92 per cent in Oman, 87.1 per cent in the United Arab Emirates, and 80 per cent in Bahrain; and Arabs form 40 per cent in Qatar, 31.2 per cent in Saudi Arabia, and 30.9 per cent in Kuwait (see table 23).

TABLE 23. DISTRIBUTION OF THE EXPATRIATE LABOUR FORCE IN THE GCC COUNTRIES, 2005
(*Percentage*)

Country	Arabs	Asians	Europeans	Americans	Others
United Arab Emirates	8.7	87.1	1.5	0.5	2.1
Bahrain	12.4	80.1	2.0	2.0	3.6
Oman	5.6	92.4	..	..	2.0
Qatar	40.0	46.0	1.9	..	12.0
Kuwait	30.9	65.4	0.3	0.1	3.2
Saudi Arabia	31.2	59.3	3.2	2.1	4.1
Total	23.3	69.8	2.1	1.2	3.6

Source: Based on data from the Arab Labour Organization for the latest year for which data were available (2005) and on official indicators for 2008.

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

Distribution of expatriate labour by receiving country is of utmost importance to decision makers in the GCC countries. As shown in table 24, Saudi Arabia hosts the largest expatriate labour force, i.e. more than 6 million belonging to 12 nationalities and accounting for 54.1 per cent of the total for the GCC countries. Indian expatriate labour is heavily present in Saudi Arabia, but less so in Kuwait. Syrians are present only in Saudi Arabia and Kuwait. Turks in Saudi Arabia numbered 80,000, while the Nepalese in Qatar numbered 70,000.

TABLE 24. MAJOR EXPATRIATE COMMUNITIES IN THE GCC COUNTRIES
(*Estimates for various years, in thousands*)

Receiving countries / Sender countries	Saudi Arabia 2004	Qatar 2002	Oman 2004	Kuwait 2003	Bahrain 2004	United Arab Emirates 2002
Jordan and Palestine	260	50	..	50	20	110
Indonesia	250	..	..	9	..	..
Islamic Republic of Iran	..	60	..	80	30	40
Pakistan	900	100	70	100	50	450
Bangladesh	400	..	110	170	..	100
Turkey	80	..	..	..	..	..
Syrian Arab Republic	100	..	..	100	..	..
Sri lanka	350	35	30	170	..	160
The Sudan	250	..	..	..	..	30
Philippine	500	50	..	70	25	120
Egypt	900	35	30	260	30	140
Yemen	800	..	..	..	..	60
Nepal	..	70	..	..	..	..
India	1 300	100	330	320	120	1 200

Source: United Nations, Department of Economic and Social Affairs, Expert Group Meeting on International Migration and Development in the Arab Region, *Arab Versus Asian Migrant Workers in the GCC Countries*, by Andrzej Kapiszewski, Beirut, 15-17 May 2006.

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

According to one of the bulletins issued by the central banks of the GCC countries, cash remittances from the Arab region reached US$ 40 billion in 2008, with an increase of US$ 4 billion over the corresponding amount in 2007.[21]

Another source revealed that in the years 1975-2002, the financial remittances of the foreign workforce from the GCC countries exceeded $413 billion, shared between Saudi Arabia with around $260 billion, the United Arab Emirates with $65 billion, Kuwait with $29 billion, Oman with $26 billion, Qatar with $23 billion, and Bahrain with about $11 billion. In 2006, the volume of foreigners' remittances in the Gulf countries amounted to about $38 billion, out of which 63 per cent from Saudi Arabia, 15 per cent from the United Arab Emirates, and 22 per cent from the rest of the GCC States.[22]

3. *Measures to regulate expatriate labour in the GCC countries*

The GCC countries seek to establish a balance between the needs of their national and expatriate labour, while maintaining their relations and interests with other countries of the world. In striking this balance, they try to be fair in attracting foreign labour, although their public sector cannot absorb large numbers of expatriates as this places pressure on available services; the private sector provides 60-70 per cent of job opportunities. Population growth at 3 per cent per year in the GCC countries has led to an unemployment rate of 9-20 per cent, pressuring their Governments to hire their own nationals both in the public and the private sectors. The Governments of those countries adopted a number of regulatory measures including:[23]

(a) Decisions by Oman and Bahrain not to employ expatriates in some sectors;

[21] Zawya, *Remittances from GCC to exceed $ 40 billion,* July 2008. Available at: www.zawya.com.

[22] Shafiq al-Asadi, "*GCC Chamber of commerce warn of negative impact of immigrant labour- urged to open labour markets to gulf citizens*, 2008", Al-Hayat, 2 May 2008, London.

[23] N. Janardhan, *Expatriates Face a Changing Reality in Gulf countries*, October 2006. Available at: http://yaleglobal.yale.edu/article.print?id=8333.

(b) Decision by the Government of Saudi Arabia in 2003 to reduce the number of foreign employees by half over a period of 10 years, which means that half of the foreign employees will have return to their countries of origin by 2013. The Government also plans to generate about one million job opportunities for its nationals by 2010;

(c) Announcement by the United Arab Emirates in 2003 that it will apply strict rules for granting entry visas to Asian workers;

(d) Recommendation by the Council of Ministers of Labour and Social Affairs in the GCC countries in 2005 that the stay of expatriates be limited to six years during which legal conditions relating to their residence and employment would be respected;

(e) Decision by the United Arab Emirates in 2006, in agreement with IOM, to limit the stay of unskilled foreign workers to six years, after which they would be considered fixed-term workers, which means that the status of nearly two million workers will change from migrant workers to fixed-term workers;

(f) Announcement by the United Arab Emirates that it will raise pay by 25 per cent for native labour and 15 per cent for foreign labour, in order to counter the significant increase in the rate of inflation in the GCC economies, including the United Arab Emirates where it hit 22 per cent from April 2005 to April 2006;

(g) Rejection by the Saudi Shura Council in 2003 of a proposal to impose a 10 per cent income tax a month, in defence of their interests;

(h) Imposition of a value added tax is under study in the United Arab Emirates;

(i) Announcement by Kuwait in 2006 that it will consider the imposition of a 10 per cent income tax;

(j) Saudi Government approval in 2003 of the creation of a national committee on human rights, and announcement by the Shura Council in 2004 that foreigners can apply for residence;

(k) Endorsement by Qatar of a proposal to create a national committee on human rights;

(l) United Arab Emirates to grant permission to foreigners to trade in stock and bonds.

In light of the foregoing, the future of the GCC foreign labour market will depend on a number of factors the most important of which are:[24]

(a) The number of young nationals entering the labour market;

(b) The effect of the nationalization of labour markets, mainly due to Government regulations;

(c) The capacity of the economy to generate new jobs;

(d) The willingness of nationals to take low-paying jobs or jobs they consider below the level they view as acceptable;

(e) Political and security considerations.

4. *Commitments of some Arab countries applying to the movement of natural persons*

Each member of the World Trade Organization (WTO) prepares schedules of commitments by the General Agreement on Trade in Services (GATS). Following are commitments undertaken by some WTO Arab Member States.

General commitments

(a) Tunisia is unbound except in the case of enterprises that are wholly export-oriented; those enterprises may recruit four managerial and supervisory staff of foreign nationality;

(b) Qatar and Kuwait are unbound except for measures concerning the entry and temporary stay of natural persons falling within the following categories: managers, specialists, skilled technicians; presence of foreign natural persons as self-employers is not allowed; social programmes, housing, and some forms of free health care are limited to nationals;

---

[24] United Nations, Department of Economic and Social Affairs, Expert Group Meeting on International Migration and Development in the Arab Region, *Arab Versus Asian Migrant Workers in the GCC Countries*, by Andrzej Kapiszewski, Beirut, 15-17 May 2006.

(c) Egypt limited the share of foreign labour in any enterprise to no more than 10 per cent of its labour force;

(d) Bahrain is unbound by the commitment to the movement of natural persons;

(e) Jordan is unbound by liberalization except for measures concerning the entry and temporary stay of a natural person who falls in one of some categories, including: business visitors allowed to stay for a period of 90 days, intra-corporate transferees employed by a juridical entity of another member for a period of not less than one year; Jordan also defined managers, specialists and professionals who are allowed to enter the country on a work permit valid for one year but renewable, and required that manager reside in Jordan;

(f) Oman is committed to granting business visitors permission to stay for a period of 90 days; it allows entry and stay for a renewable two-year period not to exceed four years to staff of juridical persons, provided that their number does not exceed 20 per cent of the entire staff;

(g) United Arab Emirates is committed to allow entry and stay of business visitors for a period of not more than 90 days; intra-corporate transferees are allowed to enter and stay for a period of one year subject to renewal for two additional, provided that the number of foreign managers, specialists and executives does not exceed 50 per cent of the total number of staff of that category;

(h) Saudi Arabia is committed to allow entry and stay of business visitors for a period of no more than 180 days; intra-corporate transferees are allowed entry and stay for a renewable two-year period, provided that their number is limited to 25 per cent of the total workforce of each service supplier. A minimum of three persons will be allowed and a certain position shall be reserved for Saudi nationals. Employees of contractual service suppliers and independent professionals shall be allowed entry and stay for a period of no more than 180 days which would be renewable. In numerous sub-sectors, natural persons in these two categories shall be allowed entry. Saudi Arabia is the only Member State that grants temporary entry and stay permission to maintenance workers for a period of no more than 90 days which would be renewable.

Sectoral commitments

(a) Jordan requires Jordanian nationality for suppliers of professional and business services in a number of sub-sectors; it also requires that the manager be a Jordanian national in educational, insurance, health, air transport and audio-visual services;

(b) Egypt has allowed managers who are highly qualified in insurance services sector to enter and stay for a renewable period of five years provided that the manager recruits at least two Egyptian assistants; it also requires that a director-general has at least 10 years of experience in Egyptian banks, excluding branches of foreign banks; in the maritime transport services, Egypt requires that Egyptians constitute 95 per cent of crew and receive no less than 90 per cent of total crew pay; it also requires that most of the members of the board of directors be Egyptians.

Most-Favored Nations (MFN) exemptions

(a) Egypt extends full national labour treatment to Jordan, United Arab Emirates, Libyan Arab Jamahiriya, the Sudan, Iraq, Qatar, Yemen and Greece;

(b) Tunisia allows for entry into bilateral agreements on social insurance services and benefits according to which it would extend the benefits provided to Tunisian citizens such as social and health insurance to citizens of the other contracting party;

(c) Jordan has decided to discriminate in services duties between suppliers from Arab and non-Arab countries; it has also decided to raise the annual fees of work permits for non-Arabs in all sectors; it has granted national treatment in social insurance to Pakistanis, Turks, Philippines, and Egyptians coming to Jordan;

(d) United Arab Emirates has granted preferential treatment to suppliers of services from the GCC countries and GAFTA members;

(e) Algeria has been granted an MFN exemption by France regarding the entry into its territory by natural persons to modern services;

(f) The Libyan Arab Jamahiriya has exempted Turkey from restrictions on sending workers remittances by foreign companies.

Box 4. Natural persons in the context of WTO

In view of the significance of the subject of movement of natural persons between countries, especially that Arab countries include labour-sending and labour-receiving countries, and of liberalization of labour, ESCWA has undertaken in collaboration with the Arab Labour Organization, several activities including: "Study on liberalization of movement of natural persons according to GATS and its implications for other Arab countries";[a/] and a regional workshop on the movement of natural persons and its impact on development in the Arab countries.[b/] The following paragraphs address the General Agreement on Trade in Services (GATS), with emphasis on one of the four modes of supplying services that can be internationally traded, i.e. "Mode 4" which concerns the movement of natural persons as defined in the 1994 General Agreement on Trade in Services.

1. *Trade in services*

GATS defines trade in services as the supply of a service in one of four ways:

(a) Cross-border supply of a service not involving the movement of its supplier or consumer (such as communications services);

(b) Supply of a service involving the movement of its consumer from the territory of one country to the territory of another for the purpose of consuming that service (such as tourism services);

(c) Supply of service involving the movement of its foreign supplier from one country for the purpose of commercial presence in another (such as branches of banks);

(d) Supply of a service involving the movement of natural persons as service suppliers from the territory of one country to the territory of another country, the movement being temporary and including the required managers and employees.

The secretariat of the council on trade in services at WTO identified 12 major service sectors as follows: business services (such as professional services), communications services (such as postal, courier, telecommunications and audiovisual services), construction and related engineering services, distribution services, educational services, environmental services, financial services (such as insurance and banking), health services, tourism and travel related services, recreational, cultural and sporting services, transport services and other services not included elsewhere. Under the umbrella of WTO, Member States may negotiate, in addition to commitments in merchandise trade, commitments applying to each of the sectors of trade in services, these commitments are of two kinds: (a) general commitments such as non-discrimination between domestic and foreign suppliers, and transparency by publishing measures and laws relating to trade in services; (b) specific commitments such as horizontal commitments that apply across the entire range of the services sectors, including restrictions to market access and national treatment (or not distinguishing between domestic and foreign suppliers) as well as sector-specific commitments.

2. *Movement of natural persons*

Movement of natural persons is the fourth mode of supplying services; it refers to the temporary presence of natural persons of one WTO member in the territory of another for the purpose of providing a service, along with the necessary managers and staff. The "annex on movement of natural persons supplying services under the agreement" stipulated the following: (a) the agreement shall not apply to measures affecting natural persons seeking access to the employment market of a member, nor shall it apply to measures regarding citizenship, residence of employment on a permanent basis; (b) members may negotiate specific commitments applying to the movement of all categories of natural persons supplying services under the agreement; (c) the agreement shall not prevent a member from applying measures to regulate the entry of natural persons into, or their temporary stay in, its territory, including those measures necessary to protect the integrity of, and to ensure the orderly movement of natural persons across its borders, provided that such measures are not applied in such a manner as to nullify or impair the benefits accruing to any member under the terms of a specific commitment.

Therefore, GATS focuses on the movement and temporary stay of persons who are suppliers of services with specific occupational skills and expertise and in possession of a clear visa. Member States have started to observe these requirements. For example, the United States introduced the H1B visa to enable highly skilled professionals to enter its territory. As the WTO secretariat has not established a classification of natural persons for States to comply within their schedules of specific commitments, even leaving this matter to their wishes, it is possible to identify four customary categories of natural persons from Member States' schedules of specific commitments:

Box 4 (*continued*)

(a) Intra-corporate transferees are natural persons employed by a company of a member country with commercial presence in another member country for the purposes of supplying services through its branch in the host country; they are executives, managers, specialists and professionals; and they are allowed to stay in the host country for a period of 3-5 years, in accordance with the Member State's schedule of specific commitments;

(b) Business visitors are representatives of service suppliers seeking temporary market access in a Member State in order to negotiate agreements to sell services and undertake the steps needed to establish commercial presence on the territory of that state, provided that they do not get involved directly in the supply of those services. States often commit to granting this category of visitors permission to enter and stay for three months without conditions as to their expertise or qualifications.

(c) Contractual service suppliers are natural persons employed by a company in a Member State and sent to another Member State to supply a service in accordance with a contract between a juridical body in a country and a consumer in the host country;

(d) Independent professionals are natural persons who enter a Member State temporarily for the purpose of providing a service in accordance with a contract between these professionals and a consumer of the service residing in the host country, provided that the contract is concluded the service supplier himself and juridical consumer (lawyers and auditors for example, are considered independent professionals).

---

a/ ESCWA, "Study on liberalization of movement of natural persons according to GATS and its implication for other Arab countries 2007" (E/ESCWA/GRID/2007/11). Available at: www.escwa.un.org.

b/ ESCWA and the League of Arab States/Arab Labour Organization, Regional workshop on movement of natural persons and its implications for development in the Arab States, Cairo, 5-6 September 2007.

IV. SECTORAL APPROACH TO ARAB INTEGRATION

A. ENERGY SECTOR: INTENSIFYING THE EFFORTS TO ESTABLISH ELECTRICAL NETWORKS INTERCONNECTION

Arab countries continued to intensify their efforts to establish electrical interconnection networks and natural gas lines, in view of the vital role of the electricity sector in the process of development and the economic, technical and environmental benefits of that interconnection. The most important such benefits are: turning interconnected electrical networks into an expanded and balanced single network with better static and dynamic stability; facilitation of the integration of interconnected countries into the world energy markets; reduction of the amount of investment in the electrical energy generation sector in each of the interconnected countries; and provision of electrical energy from lower-cost production areas to higher-cost production areas. The following is a review of the most important developments in the projects for the interconnection of electrical networks during 2007 and 2008:

1. *The seven countries interconnection project*

The seven countries interconnection project (EIJLLST) aims at interconnecting the electrical networks of Egypt, Iraq, Jordan, Lebanon, Libyan Arab Jamahiriya, Syrian Arab Republic and Turkey at a tension level 400/500 KV. The latest meeting of these seven countries was held on 28 October 2007 to follow up the progress of their interconnection projects, noting the following developments:

(a) Egypt - Jordan - Syrian Arab Republic: Exchange of electrical energy among these interconnected countries continued in the period January - December 2007: an amount 184 GWh was transmitted from Egypt to Jordan; Egypt imported 7 GWh from Jordan; 224 GWh were drawn from Egypt to the Syrian Arab Republic; 84 GWh were imported by the Syrian Arabic Republic from Jordan; and Jordan imported 7 GWh from the Syrian Arab Republic;

(b) Egypt - Libyan Arab Jamahiriya: The two countries have continued to exchange energy since 1997; it is expected to raise the capacity of the lines of interconnection between them to 400 KV by 2012;

(c) Syrian Arab Republic - Turkey: Technical studies completed in April 2007 on Turkey's electrical network joining the Union for the Coordination of Transmission of Electricity (UCTE) have demonstrated the feasibility of this project in certain circumstances. However, the next stage will require the conduct of studies regarding the protection systems of the interconnecting lines. It is further anticipated that the testing operation of the link-up between the Turkish Electrical Network and UCTE will be undertaken in 2008 and that afterwards the Syrian network will be synchronized with the Turkish network;

(d) Lebanon - Syrian Arab Republic: All project work has been completed on the Syrian side, but on the Lebanese side there is delay in the completion of the Ksara transmission station (400 KV). It is anticipated that work will begin soon on the conduct of operational studies on linking Lebanon up with the other interconnected countries;

(e) Iraq - Turkey: A significant part (56 per cent) of the project to establish another 400 KV interconnecting line to link Iraq with Turkey has been completed on Iraqi territory, but the project is still under study on the Turkish side although synchronisation cannot occur unless UCTE approves the Turkish electrical network joining it;

(f) Iraq - Syrian Arab Republic: As a part of the project, a 400 KV station was completed on the Syrian side; work is underway to complete the construction of 400 KV interconnecting lines: the Jandar - Tadmor transmission line was completed; the Tadmor - Tim transmission line is still under construction (55 per cent of it completed). With all the required documents of the Tim - Iraqi border transmission line ready, the project is waiting for work to start on the Iraqi side upon determining its path and constructing the towers in Iraqi territory;

(g) Libyan Arab Jamahiriya - Tunisia: Repeating the needed tests of the synchronous operation of the project requires taking all the operational measures that ensure the success of each test. The tests were expected to be conducted in the first half of 2008 in two stages: (1) separation of the Libyan network from the interconnected network (Egypt - Jordan - Syrian Arab Republic), (2) linking the Libyan network with the interconnected one.

The expected dates of operation of the remaining parts of the seven-country electrical interconnection project are as follows:

Project	Expected date of operation
Lebanon-Syrian Arab Republic	April 2008
Iraq-Syrian Arab Republic	2008
Syrian Arab Republic-Turkey and Iraq-Turkey	Pending UCTE approval in 2008
Egypt-Libyan Arab Jamahiriya (400-500 KV)	Agreed to make project operational by end of 2012. The Libyan Arab Jamahiriya is currently negotiating a contract for a 400 KV part to become operational in 2009-2010

2. *Arab Maghreb countries electric networks interconnection project*

Morocco is expected to complete the last part of the 400 KV line by May 2008, as scheduled. Algeria is reinforcing the 400 KV line from its western to its eastern borders. The project is expected to be completed by the end of 2008.

3. *Electrical interconnection project of GCC countries*

The aim of the project is to interconnect the electrical grids of the GCC countries by a double line (ETTV, 400 KV, 50 hertz) extending from Al-Zawr station in Kuwait to Sala station in the United Arab Emirates, with the following points of interconnection: Al-Fadhili station for Saudi Arabia, Al-Jasrah station for Bahrain, and South Doha station for Qatar. The Oman grid will be linked up with the United Arab Emirates grid by a double line (220 KV, 400 MW each).

The first phase of the project is underway to interconnect the grids of Kuwait, Saudi Arabia, Bahrain and Qatar at a total cost of about US$ 1.2 million. In view of the project's size and numerous locations in the four countries, its construction work involves 13 contracts, including engineering consultancy. Operational tests of the extra-high voltage network are expected to start at the end of 2008, while the start of the first phase of operation is expected to start in the first quarter of 2009. Preparations are underway to conclude agreements among the GCC countries regarding electrical interconnection, most importantly a general legal framework agreement on interconnection, an agreement on energy trade, and an operational code for the network. A study is underway on the possibility of maximizing investment opportunities in the optical fiber network for interconnection among the GCC countries. A committee of operational experts was formed by GCC countries to draft an initial operational plan for the security and stability of the network during the operational and testing phase.

4. *Saudi-Yemen electrical interconnection project*

The feasibility study of this project was completed; it was financed by the Arab Economic and Social Development Fund. It concluded that it would be feasible to interconnect the electrical grids of the two countries after meeting a number of requirements regarding the Yemeni grid.

5. *Feasibility study of Egyptian-Saudi electrical interconnection*

The jointly financed technical and economic feasibility study of the Egyptian-Saudi electrical interconnection is being completed. Egypt and Saudi Arabia have discussed the draft of the study which showed that the interconnection project would be highly feasible from an economic point of view, as it would recover its costs in a short period of time by virtue of the volume of mutual capacity of 3000 MW. This capacity would be realized in two phases: 1500 MW in 2012, and 1500 MW in 2015, through a 1370-KM continuous current line.

6. *Electrical interconnection of the countries of the Eastern Nile Basin (Egypt, Ethiopia, the Sudan)*

The feasibility study for this project has been completed. With Sudanese financing, the Sudanese section of the line of interconnection between the Sudan and Ethiopia is under construction. The World Bank will finance the

Ethiopian section. Implementation of the first base of the feasibility study of investment in energy trade for the countries of the Eastern Nile Basin has been completed. At present, preparations are underway to start implementation of the second phase which will last nine months.

7. *Electrical interconnection system of the countries of East Africa*

The electrical interconnection system of the countries of East Africa comprises Ethiopia, Burundi, the Democratic Republic of Congo, Rwanda, the Sudan, Kenya and Egypt. It is anticipated that they will be joined by Uganda, the United Republic of Tanzania, Djibouti and Somalia.

8. *Updating Arab electrical interconnection maps*

The Arab Union of electricity producers, transmitters and distributors has updated electrical interconnection maps to the Arab countries and to its member companies, both electronically and in hard copy in Arabic and English. The executive bureau of the council of Arab ministers responsible for electricity adopted, at its twenty-third meeting held on 7 February 2008, a decision to update periodically the maps of electrical interconnection every five years.

B. INFORMATION AND COMMUNICATIONS TECHNOLOGY

1. *ICT indicators in the region*

In 2007, the Arab countries continued to make progress in the diffusion and development of ICT, yet they still need to exert additional efforts to catch up with world progress in this field.

Table 25 shows selected ICT indicators for the Arab countries compared with both the world average and the Arab average. Accordingly, only three Arab countries exceeded the world average number of fixed telephone lines per 100 persons (19.23), namely the United Arab Emirates, Bahrain and Qatar. Eleven countries, including the three just mentioned, have exceeded the Arab average (10.04); the other eight are: Tunisia, Libyan Arab Jamahiriya, Syrian Arab Republic, Oman, Kuwait, Lebanon, Saudi Arabia and Egypt. Eleven countries have exceeded both the world average number of mobile phone lines per 100 persons (49.32) and the corresponding Arab average number (50.79), namely Jordan, United Arab Emirates, Bahrain, Tunisia, Libyan Arab Jamahiriya, Algeria, Oman, Qatar, Kuwait, Morocco and Saudi Arabia. It is noteworthy that in 2007 the average number of mobile telephone lines per 100 persons in the Arab countries exceeded the world average.

TABLE 25. SELECTED ICT INDICATORS, 2006 AND 2007

	Number of landlines per 100 inhabitants		Number of mobile phones per 100 inhabitants		Number of Internet subscribers per 100 inhabitants		Number of Internet users per 100 inhabitants		Number of broadband subscribers per 100 inhabitants	
Country	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Jordan	10.52	9.88	74.4	80.53	3.52	3.8	13.65	19.02	0.83	1.55
United Arab Emirates	28.12	31.63	118.51	173.37	14.67	20.64	36.69	52.51	5.17	5.17
Bahrain	26.18	26.3	121.71	148.28	8.06	8.14	21.3	33.22	5.23	5.23
Tunisia	12.42	12.33	71.88	75.94	1.76	2.45	12.68	16.68	0.43	1.11
Algeria	8.52	8.63	62.95	63.34	0.58	0.58	7.38	10.34	0.59	0.51
Comoros	2.12	2.33	2.01	4.77	0.13	0.21	2.56	2.56	..	..
Libyan Arab Jamahiriya	8.09	14.56	65.81	73.05	1.38	1.38	3.96	4.36	..	0.16
Syrian Arab Republic	16.62	17.32	23.96	33.62	1.58	2.13	7.69	10.7	0.03	0.04
Djibouti	1.56	1.56	6.37	5.4	0.5	0.5	1.36	1.36	0.01	0.01
The Sudan	1.72	0.9	12.66	19.36	2.3	00	9.46	9.85	0.01	0.01
Somalia	1.22	1.15	6.08	6.9	0.11	0.11	1.11	1.13	..	..
Iraq	4	4	2.22	48.36	0.06	0.06	0.14	0.19	..	..
Oman	10.65	10.33	69.59	96.33	2.44	2.71	12.22	11.56	0.58	0.73

TABLE 25 (*continued*)

Country	Number of landlines per 100 inhabitants		Number of mobile phones per 100 inhabitants		Number of Internet subscribers per 100 inhabitants		Number of Internet users per 100 inhabitants		Number of broadband subscribers per 100 inhabitants	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Palestine	9.18	9.38	22.1	27.46	2.4	3.17	7.19	9.52	..	1.49
Qatar	27.21	28.24	109.6	150.41	8.36	10.34	34.55	41.75	5.57	8.37
Kuwait	18.99	18.7	88.57	97.28	10.54	10.54	29.53	31.57	0.93	0.93
Lebanon	18.85	18.85	30.53	30.74	8.59	8.58	26.32	26.28	4.7	5.26
Egypt	14.33	14.87	23.86	39.8	2.65	1.75	7.95	11.42	0.27	0.57
Morocco	4.12	7.67	52.07	64.15	1.3	1.55	19.85	23.38	1.27	1.53
Mauritania	1.1	1.1	33.57	41.62	0.11	0.13	3.17	0.95	0.02	0.03
Saudi Arabia	15.68	16.16	78.05	114.74	7.14	7.14	18.66	25.07	0.87	2.43
Yemen	4.62	4.47	9.54	13.76	0.36	0.72	1.25	1.43	..	..
Arab countries average	9.5	10.04	35.98	50.79	2.36	2.07[a/]	9.69	12.33	0.5[b/]	0.78[d/]
ESCWA average	12.42	10.84	32.09	47.6	3.05	2.47[a/]	9.09	11.81	0.52[c/]	0.76[e/]
World average	19.4	19.23	40.76	49.32	6.65	8.17	29.57	22.04	4.3	5.18

Source: ITU, Measuring the Information Society, ICT Development Index, 2006-2007.

Notes: a/ Excluding the Sudan.
b/ Excluding Comoros, Libyan Arab Jamahiriya, Somalia, Iraq, Palestine and Yemen.
c/ Excluding Iraq, Palestine and Yemen.
d/ Excluding Comoros, Somalia, Iraq and Yemen.
e/ Excluding Iraq and Yemen.

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

As to the number of Internet subscribers per 100 inhabitants, four Arab countries have exceeded the world average of 8.17: the United Arab Emirates, Qatar, Kuwait and Lebanon, while additional seven countries exceeded the Arab average of 2.07: Jordan, Bahrain, Tunisia, Syrian Arab Republic, Oman, Palestine and Saudi Arabia. In terms of the number of internet users per 100 inhabitants, seven countries exceeded the world average of 22.04: United Arab Emirates, Bahrain, Qatar, Kuwait, Lebanon, Morocco, and Saudi Arabia. In addition to those countries, Jordan and Tunisia exceeded the Arab average of 12.33.

With regard to the number of broadband internet subscribers per 100 inhabitants, three countries exceeded the world average of 5.18: Bahrain, Qatar and Lebanon, while, in addition, five countries exceeded the Arab average of 0.78: United Arab Emirates, Tunisia, Kuwait, Morocco and Saudi Arabia.

2. *Achievements of some countries of the region in developing their ICT sector*

A number of Arab countries have made significant efforts in 2007 to improve their ICT sector, including Jordan, Bahrain, Tunisia, Oman, Egypt and Saudi Arabia.

Bahrain

Bahrain has sought to provide the infrastructure necessary for reinforcing the ICT sector. The Telecommunications Regulatory Authority (TRA)[25] has taken rapid steps to define the methodology needed for local loop unbundling; such unbundling is a necessary measure to end monopoly in the telecommunications sector in order to attract domestic and foreign capital and facilitate regional and international integration of the region's communications networks.

[25] Additional information is available at the TRA website: www.tra.org.th.

Local loop unbundling is a process by which Batelco allows other service network, such as the local loop that serves subscribers. Such unbundling leads to improved competition in the broadband Internet market and to higher rates of Internet service penetration.

In this connection, the telecommunications sector in Bahrain has, since market liberalization in 2003, grown by 87 per cent; its revenues were over US$ 670 million in 2006, with an annual growth rate of 20 per cent. Mobile phone returns constituted about 50 per cent of those revenues. At present, Bahrain has three operators of fixed line networks, 10 Internet service providers, and two mobile phone companies (Batelco and Bahrain Zain). A third mobile phone company will be licensed before the end of 2008.

Egypt

Egypt continued its efforts to provide the enabling environment needed for transition to the information economy. It adopted measures to combat software piracy, liberalize the telecommunications sector, and to launch government initiatives. Through cooperation between the ministry of communications and information technology and the Information Technology Industry Development Agency (ITIDA),[26] Egypt made significant progress in combating piracy, thus reducing the piracy rate from 69 per cent in 2003 to 60 per cent in 2007,[27] which is comparatively lower than that of some other countries of the region.

Software piracy is a global issue that poses a threat to the process of developing the domestic digital content and limits cultural exchange and holds back the spread of knowledge. On the other hand, the reduction of software piracy rate in Egypt by 10 percentage points over the next 10 years will significantly affect the national economy by providing about 1,750 new job opportunities, which leads to an increase of economic growth estimated at US$ 150 million.

Jordan

Jordan continued its efforts to develop its ICT sector by increasing the flow of Arab and foreign investment into that sector, with a view to completing the development of the whole sector and transforming it into a real industry contributing revenues directly to GDP. The volume of investments in this sector reached US$ 1.36 billion during 2001-2007, including US$ 450 million in revenues to the government in 2007. The ICT sector contributes about 11 per cent of GDP.[28]

The rising returns of investment in the ICT sector provided telecommunications service providers in Jordan with a total of US$ 1.3 billion in 2007, representing an increase of 9.8 per cent over 2006. The number of mobile phone subscribers reached 4.8 million at the end of 2007, while the number of Internet users in the country grew to 1.2 million by 2008.

Oman

Oman has started to sell 25 per cent stake of Oman Telecommunications Company (Omantel), the second largest telecommunications company in the country,[29] with a view to continuing the development of the telecommunications sector, attracting Arab and foreign capital to invest in that sector, and putting an end to monopoly in it. It is hoped that this process will promote the competitiveness of Omantel as it expands beyond the country borders, thus facilitating regional and international integration of the telecommunications networks of the region.

The Government of Oman owns 70 per cent of the company, which will come down to nearly 50 per cent after the sale is completed. The value of the remaining shares will be approximately US$ 1.15 billion. The Government had sold 30 per cent of Omantel in 2005, at a total value of US$ 729.5 million. Omantel provides fixed-line phone, mobile phone, and Internet services.

[26] More information is available at ITIDA's website: www.itida.gov.eg.

[27] Business Software Alliance, *Fifth Annual Business Software Alliance and IDC Global Software Piracy Study 2007*. Available at: http://global.bsa.org/idcglobalstudy2007/.

[28] More information is available at Jordan's Telecommunications Regulatory Commission (TRC) website: http://www.trc.gov.jo.

[29] More information is available at: http://www.telegeography.com/cu/article.php?article_id=23924&email=html.

There were 268,000 fixed-line phone subscribers and 1.48 million mobile phone subscribers at the end of 2007.

In this connection, the largest two mobile phone service companies of the region in terms of market value, namely Emirates Telecommunications Corporation (Etisalat) and Saudi Telecom Company (STC), have expressed interest in buying the Omantel stake offered for sale in order to promote the process of regional integration between the region's telecommunications networks.

Saudi Arabia

Saudi Arabia has pursued policies that encourage the use and diffusion of ICT as well as the transition to information society and digital economy. It continued the implementation of programmes aimed at the liberalization of the ICT sector and the opening up of markets as a preliminary step towards full liberalization of this sector and making it free of monopoly; this would attract Arab and foreign capital and facilitate the process of regional and international integration of telecommunications networks in the region. These policies left a positive impact on the mobile phone sector in the form of increasing investments. Following its bid and qualification for the third mobile operating license in Saudi Arabia, Zain group Kuwait announced the start of its commercial operations in Saudi Arabia,[30] covering nearly 53 per cent of the population in 36 major cities; it provided additional coverage by virtue of a mobile phone agreement with its competitor, Mobily. Zain group provides third-generation services, which will carry the Saudi mobile phone market into a new stage of development and growth, positively influencing quality, penetration and competitiveness.

Tunisia

Tunisia provided the infrastructure needed to encourage the telecommunications sector and an end to monopoly in it, with a view to attracting domestic and foreign capital and facilitating regional and international integration of the telecommunications networks in the region. In fact, the ministry of communication technologies in Tunisia issued a call for tenders to bid for a second license for the fixed-line phone service in the country,[31] thus ending the monopoly of Tunisie Telecom. Bidding will be open to all the international and regional fixed-line phone service operators. In accordance with bidding rules, the new licence is expected to be awarded at the beginning of 2009. In the past two years, the fixed-line phone market in Tunisia was sluggish. In 2007, the number of fixed-line phones reached 1,273 million showing only a slight increase of 0.39 per cent. But in the first three months of 2008, this market lost 16,000 subscribers, reducing the total number to 1,257 million subscribers. The decline was reflected in the rate of penetration which fell from 12.4 per cent at the end of 2007 to 12.3 per cent at the end of March 2008. The entry of a second company into the fixed-line phone market is expected to have a positive effect on the telecommunications sector in Tunisia, in term of increased competition that would lead to better quality, lower cost, and higher penetration rate.

In general, investment in the ICT sector plays a major role in facilitating the process of regional and international integration. At the same time, development of this sector makes it possible to achieve higher growth rates; limit traditional barriers such as time and distance; and provide incentives for trade in goods and services on which modern economies depend. Although ICT investment in the member countries of ESCWA has grown, it has not yet reached the desired level thus limiting the contribution of the ICT sector to economic integration in the ESCWA region and other regions. Despite weak investment in the ICT sector, it is instructive to shed some light on the remarkable achievements of two Arab telecommunications companies: Zain Kuwait and Orascom Telecom of Egypt (see box 5).

---

[30] More information is available at the Saudi Zain website: http://www.sa.zain.com.

[31] Arab Advisors Group Strategic Research Service – Tunisia 082708. Available at: arabadvisors.com/Pressers/presser-082708.htm.

Box 5. New Arab multinational telecommunications companies

Zain group, formerly known as MTC or Mobile Telecommunications Company, was established in 1983 in Kuwait to become in a short period of time one of the major operators of cellular communications in the Middle East and Africa. In mide-2008, it had a capital exceeding US$ 28 billion and more than 50 million subscribers in seven Arab countries (Jordan, Bahrain, the Sudan, Iraq, Kuwait, Lebanon [MTC Touch], Saudi Arabia) and 15 other countries in Africa under the name Celtel (Uganda, Burkina Faso, Chad, United Republic of Tanzania, Democratic Republic of Congo, Zambia, Sierra Leone, Gabon, Ghana, Congo, Kenya, Malawi, Madagascar, Niger, Nigeria).

Zain group succeeded within 20 years in providing the latest mobile phone service; in 2006, it launched the region's first 3G mobile phone service in Bahrain. The 3G service enables mobile phones to have high-speed access to the Internet, using broadband technology. In 2008, Zain group launched its one network making its service available to 75 million people in Jordan, Bahrain, the Sudan and Iraq; this service provides the opportunity to communicate freely across geographical borders without roaming call surcharges and without having to pay to receive incoming calls. With about 16,000 employees, it received high-revenues of US$ 5.91 billion by the end of 2007.

Zain group's expansion strategy will see it become a leading mobile service provider on the global stage by the end of the year 2011 through acquisitions, partnerships and green-field opportunities. The goal of this strategy is to turn Zain into a global company with high standards of quality of service and efficiency to be counted among the top 10 global companies in the mobile telecommunications sector, and with subscribers exceeding 150 million in number.

For its part, Orascom Telecom is a leading global telecommunications company and is considered one of the major operators of telecommunications networks based on the Global System for Mobile Communications (GSM) in the Middle East, Africa and South Asia. Established in 1998 in Egypt, it now operates GSM networks in six active global markets: Egypt (Mobinil), Algeria (Djezzy), Tunisia (Tunisiana), Pakistan (Mobilink), Bangladesh (Banglalink), and Zimbabwe (Telecel). Orascom was recently awarded a license to provide mobile phone service in North Korea. In early 2008, it had more than 74 million subscribers, showing an increase of 45 per cent over the 2006 figure.

With nearly 20,000 employees, Orascom was able in 2007 to increase its net profits by 180 per cent to US$ 2.02 billion and its revenues to US$ 4.72 billion. It had a market value of about US$ 17 billion on 31 December 2007. It seeks to enter new markets in heavily populated countries in 2008. Its base of subscribers is expected to continue to grow to 80 million by the end of 2008.

Source: www.zain.com and www.orascomtelecom.com.

3. *ICT in countries of the region: expenditures and exports*

Table 26 shows ICT expenditures in dollar amounts and as a percentage of GDP in 2005 and 2006 in selected Arab countries; for comparison purposes, the table includes the Islamic Republic of Iran, Ireland, Turkey and the world. It also shows the growing difference in ICT expenditures in 2006 between Turkey (US$ 32,967) and the selected group of Arab countries (Algeria, Egypt, Jordan, Kuwait, Morocco, Saudi Arabia, Tunisia, United Arab Emirates). The difference is almost twice as big between India and that group.

TABLE 26. ICT EXPENDITURES IN DOLLAR AMOUNTS AND AS A PERCENTAGE OF GDP, 2005 AND 2006

	GDP (Millions of US dollars)		ICT expenditures in US dollars and as a percentage of GDP			
			Amount (in millions of US dollars)		Percentage	
Country/world	2005*	2006	2005*	2006	2005*	2006
Jordan	12 611	14 101	1 067	1 128	8.5	8.0
United Arab Emirates	129 702	129 702	4 658	5 101	3.6	3.6
Islamic Republic of Iran	192 015	217 898	4 694	5 312	2.4	2.4
Ireland	200 426	220 137	8 848	9 419	4.4	4.3
Turkey	363 370	402 710	28 517	32 967	7.8	8.2
Tunisia	28 683	30 298	1 672	1 823	5.8	6.0
Algeria	101 786	114 727	2 503	2 797	2.5	2.4
Kuwait	80 781	101 904	1 109	1 212	1.4	1.4
Egypt	89 686	107 484	1 324	1 460	1.5	1.4
Morocco	58 956	65 401	3 267	3 637	5.5	5.6
Saudi Arabia	315 580	349 138	6 992	7 290	2.2	2.1
India	805 732	911 813	46 438	55 304	5.8	6.1
World	44 983 465	4 846 854	3 042 129	3 254 541	6.8	6.7

Source: World Bank, *World Development Indicators* 2008. Available at: www.worldbank.org.

* 2005 figures differ between the database of 2007 and that of 2008 for world development indicators; the 2008 figures were adopted because they are more recent.

As to exports, table 27 shows exports of computer, ICT and other forms of commercial services in 2005 and 2006 both in dollar amounts and as a percentage of total commercial services exports in selected Arab countries and, for the purpose of comparison, in Ireland, Turkey and the world as a whole. Comparison reveals that the amount of Irish exports (US$ 41,546) is almost three times the total amount of the corresponding exports of the selected Arab countries.

In Egypt, these exports fell from US$ 2,657 million in 2005 to US$ 2,569 million in 2006 or by 3 per cent to become 16 per cent of total exports of commercial services in 2006. In spite of the decline, Egypt came in tenth among the top ten developing countries in the export of commercial services in 2006.

TABLE 27. EXPORTS OF COMPUTER AND ICT SERVICES AS A PERCENTAGE OF COMMERCIAL SERVICES EXPORTS, 2005 AND 2006

	Commercial services exports		Computer and ICT services exports in volume and as a percentage of commercial services exports			
	(Millions of US dollars)		(Millions of US dollars)		Percentage	
Country/world	2005*	2006	2005*	2006	2005*	2006
Jordan	2 239	2 432	329	262	14.7	10.8
Ireland	59 402	68 660	37 334	41 546	62.8	60.5
Bahrain	1 662	1 849	60	64	3.6	3.5
Turkey	26 328	24 233	2 711	2 644	10.3	10.9
Tunisia	3 901	4 162	524	530	13.4	12.7
Libyan Arab Jamahiriya	419	385	10	12	2.4	3.1
Syrian Arab Republic	2 560	2 649	370	343	14.5	12.9
The Sudan	101	178	4	8	3.9	4.8
Oman	741	913	36	52	4.9	5.7
Kuwait	3 789	6 024	1 295	3 398	34.2	56.4
Lebanon	10 840	11 609	4 603	5 860	42.5	50.5
Egypt	14 449	15 834	2 657	2 569	18.4	16.2
Morocco	7 570	9 318	1 588	1 772	21.0	19.0
Mauritania	1 604	1 663	328	268	20.5	16.1
Yemen	285	468	59	256	20.6	54.7
World	2 495 490	2 767 235	1 046 974	1 153 543	42.0	41.7

Source: World Bank, World Development Indicators 2008. Available at: www.worldbank.org.

* 2005 figures differ between the database of 2007 and that of 2008 for world development indicators; the 2008 figures were adopted because they are more recent.

Table 28 shows in dollar amounts the high technology exports which require research and an advanced level of development; these exports are also shown as a percentage of total industrial exports of selected Arab countries, the Islamic Republic of Iran, Turkey and the world. Comparison reveals that Iran's exports of those services in 2006 (US$ 375 million) exceeded the total of those of Bahrain, Egypt, Jordan, Oman, Qatar, Saudi Arabia, Syrian Arab Republic and Yemen combined.

TABLE 28. HIGH TECHNOLOGY EXPORTS IN DOLLAR AMOUNTS AND AS A PERCENTAGE OF TOTAL INDUSTRIAL EXPORTS, 2005 AND 2006

	High technology exports			
	Millions of US dollars		Percentage of total industrial exports	
Country/world	2005*	2006	2005*	2006
Bahrain	0.2	0.3	0.04	0.1
Egypt	9	15	0.4	0.5
Islamic Republic of Iran	127	375	2.4	5.9
Jordan	34	35	1.4	1.2
Morocco	707	830	9.6	9.8
Oman	2	4	0.3	0.7
Saudi Arabia	92	148	0.6	0.9
Syrian Arab Republic	18	29	2.1	0.8
Turkey	906	258	00	00
Yemen	0.2	3	0.2	5.1
World	1 243 114	1 418 509	20.9	20.6

* 2005 figures differ between the database of 2007 and that of 2008 for world development indicators; the 2008 figures were adopted because they are more recent.

It is obvious that the Arab countries need to enhance the capacities and intensify their efforts to develop the ICT sector and take advantage of the opportunities provided by new technology, with a view to advancing the development process and achieving the internationally agreed development goals, including the MDGs.

4. *Arabic Internet domain names*

Arabic Internet domain names represent one of the most important technological issues in globalization, in view of its impact on the use of the Internet in the Arab countries. In this regard, ESCWA provided in early 2007 additional financial resources for the Arabic Internet domain names project through the ESCWA trust fund for regional activities. ESCWA also undertook activities aimed at developing an Arabic domain names system in collaboration with the League of Arab States and with international organizations concerned with domain names and Internet standards such as the Internet Corporation for Assigned Names and Numbers (ICANN), the Internet Engineering Task Force (IETF), the Public Internet Registry (PIR), and the registry operator afilias. Numerous significant activities were undertaken in 2008, including:

(a) A study on how to use the Arabic characters in domain names and coordinate between the various languages that use characters similar to the Arabic ones (such as Persian, Urdu, etc.). In collaboration with global institutions and Arab bodies charged with the regulation of telecommunications, ESCWA convened three meetings in 2008 in Dubai and Cairo; participants included official delegations from a number of Arab and Asian countries as well as regional and international organizations;

(b) An evaluation of the regional pilot project initiated by the league of Arab states in 2005 to develop an Arabic domain names system based on technical guidelines drawn up by ESCWA, with a view to elevating the project to the level of large-scale practical implementation and developing those guidelines;

(c) For the Arab countries, the working group on Arabic characters in Internationalized Domain Names (IDNs) adopted the Jordanian proposal to create an Arab organization for Internet top-level domains similar to ones in the other regions of the world.

5. *Development of digital Arabic content*

Availability of digital Arabic content in the Internet is growing as a result of the awareness-raising efforts made in the last few years by Arab Governments, international organizations, and non-governmental organizations. It grew in 2005 and 2006 by nearly 400 per cent,[32] according to studies conducted by Madar Research Group. Notwithstanding the high growth rate, the number of Arabic-language pages on the Internet is still very low in comparison with the corresponding number for other languages of the world. According to the same source, the Arabic-language pages constituted only 0.16 per cent at the end of 2006.[33]

The number of Arabic-speaking users of the Internet grew significantly in comparison with the number of users speaking other languages,[34] increasing by 2063 per cent in the period 2000-2008, compared with only 203 per cent for English-speaking users and 485 per cent for French-speaking users during the same period. Internet penetration for Arabic reached 14.2 per cent while for Japanese it was 73.8 per cent.

The growth rate of Arabic digital content varies from one country to another in the ESCWA region:[35] the United Arab Emirates has the highest percentage of the total Arabic digital content (18.8 per cent), followed by Saudi Arabia (18.5 per cent). In terms of the quantity of the content developed in Arabic, Saudi Arabia and the United Arab Emirates come in first (20 per cent) and second (17 per cent) respectively. The Syrian Arab Republic took first place in terms of the quantity of both the Arabic and English content, which grew 16 times the initial quantity in the period 2005-2007; Kuwait took second place as its corresponding content grew nearly 58 times in the same period.

---

[32] ESCWA, Regional Profile of the Information Society in Western Asia (E/ESCWA/ICTD/2007/15). Available at: www.escwa.un.org.

[33] Madar Research Group: www.madarresearch.com.

[34] More information is available at: www.internetworldstats.com/stats7.htm.

[35] ESCWA. Op. cit.

At the regional level, a number of Arabic digital content projects were launched, including the ESCWA project to promote the Arabic digital content industry through special technology incubators (see box 6) and the joint Arab project named "Memory in the Arab world", which was launched in 2007 following its adoption by the council of Arab ministers of communications and information technology along with other projects to implement the recommendations of the world summit on the information society. With financing and support from ITU, "Memory of the Arab world" is considered one of five strategic initiatives for the region.

"Memory of the Arab world" is a project aimed at documenting Arab culture and heritage in digital form and making them accessible on the internet to the largest possible number of internet users in the Arab region and the world. It also aims at preserving Arab culture, creating a reliable centre for documentation in both Arabic and English, and making that culture accessible to coming generations by modern cultural means. A number of Arab countries participate in the implementation of the project: Jordan, United Arab Emirates, Syrian Arab Republic, Palestine, Qatar, Kuwait, Lebanon, Egypt, Morocco, Saudi Arabia and Mauritania. Several international and regional organizations also take part in its implementation, foremost among them United Nations Educational, Scientific and Cultural Organization, ITU, Islamic Educational, Scientific and Cultural Organization and the League of Arab States.

Box 6. ESCWA project entitled "Promotion of the Arabic digital content industry through technology incubators"

ESCWA launched in 2007 the project entitled "Promotion of the Arabic digital content industry through technology incubators" with the aim of contributing to the development of the Arabic digital content industry in Western Asia through supporting and promoting applications of the Arabic digital content in technology incubators.

Implementation of the projects follows two paths": (a) assessing the requirements of the Arabic digital content industry, proposing applications appropriate for the region's Arabic digital content, and developing models for businesses and partnerships for building this industry; (b) practical application through extending support to a number of Arabic digital content projects in selected ICT incubators in member countries.

ESCWA collaborates with the following five ICT incubators in the region to implement the project: Berytech technology and health incubator in Lebanon, the Palestine information and communication technology incubator in Palestine, the Jordan innovation centre at Philadelphia University, the ICT incubator of the Syrian computer society, and the Aden University ICT incubator.

ESCWA ICT division launched a series of Arabic digital content competitions in member countries participating in the project in June and July 2008, with the aim of selecting the best innovative projects regarding the Arabic digital content which may contribute to various social and economic sectors such as education, health, Government, culture and media in order to host these projects in selected incubators. The competitions are meant to serve as incentives for young entrepreneurs to work in the important field of digital development which provides new job opportunities.

Projects that won the competitions were picked in September 2008 and will be hosted by partner incubators to continue the development of the selected applications for one year.

Source: http://www.escwa.un.org/divisions/projects/dac/index.asp.

At the country level, several projects and initiatives were launched in the past two years. In the United Arab Emirates, a number of initiatives were launched in 2007 for the purpose of disseminating knowledge in the Arab countries, including the establishment of the Arabic e-content fund which seeks to develop the Arabic content on the Internet.

In Kuwait, several cultural and scientific institution took serious steps to develop the quality and quantity of electronic publishing and paid attention to linguistic diversity. Many of their recent printed publications include CDs containing their texts and translations. Such institutions include the Kuwait foundation for the advancement of sciences which issue Majallat Al-Oloom, a translated version of the Scientific

American, Dar Al-Athar al Islamiyyah, the national council for culture, arts and literature, Suad Al-Sabah publishing for literature, and Al-Babtain central library for Arabic poetry.

Saudi Arabia continues to develop the Arabic digital content; its libraries now make their indices accessible on the Internet and develop their electronic contents. Such libraries include the King Abdul Aziz public library and the King Fahd national library.

In Oman, the Ministry of Heritage and Culture collected and professionally prepared comprehensive indices for 4,500 manuscripts to be published on the ministry's website in order to make them available to researchers and interested people.

In Palestine, work on multimodal Arabic digital content made progress and a number of projects were launched to develop museums and electronic sites. Birzeit University is considered a pioneer in this field. Furthermore, centres were created at Bethlehem University and Palestine Polytechnic University to develop and produce multimodal digital content.

The Syrian Arab Republic saw significant progress in recent years in the development of the Arabic digital content as well as in the expansion of the use of chat rooms and personal blogs. The Syrian computer society launched two national projects: the national blog (www.esyria.sy) and electronic information on Government services (www.e.sy), both of which are aimed at enriching the Syrian national content of the Internet and upgrading the electronic services available to Syrian citizens.

Egypt was the only country of the region to adopt a strategy in 2007 to develop tools for the Arabic digital content industry.

V. SUMMARY AND RECOMMENDATIONS

A. SUMMARY

1. *Globalization*

The development of links between the economies of the Arab countries and the world economy slowed down in 2007, as the Arab share of global FDI in 2007 was smaller than in 2006 because FDI inflows of the Arab countries increased in 2007 at a rate smaller than that of the growth of global FDI.

Foreign trade of the Arab countries as a share of global foreign trade increased from 4.25 per cent in 2006 to 4.31 per cent in 2007, primarily due to the great increase in the price of oil which dominates Arab exports.

Tourism index declined as the Arab share of global tourism fell from 5.57 per cent in 2006 to 5.36 per cent in 2007 for the growth rate of tourism in the Arab countries was lower than the growth rate of global tourism.

Crude oil production of the Arab countries as a share of global production fell from 28.4 per cent in 2006 to 26.1 per cent of global production in 2007 as a result of increasing production in other countries and observance by Arab OPEC member countries of their agreed share determined by that organization. Rising oil prices led to increasing production involving higher costs in other regions. In addition, as a share of global natural gas production, Arab production fell from 13.1 per cent in 2006 to 10.5 per cent in 2007.

2. *Regional integration*

The performance of the Arab countries did not witness significant change in regional integration in 2007. Available figures show a degree of stability of performance in intraregional trade, investment, tourism and migrant workers' remittances. But lack of data about intraregional investment and tourism for a number of Arab countries, particularly statistics about countries with significant impact on regional integration, makes it difficult to evaluate the progress made in regional integration.

Arab intraregional trade is still subject in its performance to a set of non-tariff barriers, incending those relating to quality of products and similarity of production neither which encourages trade. Its performance is also affected by the dominant role of the oil sector in exports and its inadequate impact on imports; the low volume of agricultural production; geographical distance; and high transport costs, especially between the countries of the Arab Mashreq and the Arab Maghreb.

Arab investment and capital often move towards the developed countries, especially the European Union and the United States of America, which limits the growth of Arab intraregional investment notwithstanding the progress it has achieved in the past few years in some Arab countries. Likewise, confining Arab intraregional investment to certain countries denies other Arab countries of its benefits, as confining it to certain sectors such as telecommunications, construction and tourism leaves other significant economic sectors such as agriculture and industry lagging behind in the development process. However, the global economic crisis is expected to have a positive impact on the flow of Arab intraregional investment as it is likely that part of Arab capital invested outside the region, particularly in countries whose economies have been hurt by the financial crisis, will return to Arab countries, especially those on which the impact of the financial crisis was limited. But in the absence of an Arab strategy to absorb returning investments and encourage them through protection of investment and reform of the business sector, the benefits of such investments will remain limited.

Potential growth of Arab intraregional tourism is considered very significant in view of geographical proximity, common language and cultural affinity among the Arab countries. But growth of Arab intraregional tourism faces obstacles such as high cost accommodation; inadequate and costly means of transportation; political and security crises in some Arab countries which otherwise have a comparative advantage in tourism; and strong competition from other Asian and European countries. In view of these considerations, the Arab countries need to exert greater efforts to raise the number of tourist arrivals and promote regional integration in this vital sector by improving services to tourists in hotels and touristic places, at borders, airports and the like.

Remittances from migrant workers play an active role in supporting regional integration, as they contribute to raising the standard of living of their families and consequently to combating poverty and unemployment in their home countries. However, the role of remittances in economic development remains limited due to a number of factors, including the high cost of sending remittance, the absence of banking services in rural areas, and spending of the greater part of remittances on family consumption or in small enterprises in real estate, land and so on.

ODA from some countries to other Arab countries fell from US$ 17 billion in 2005 to US$ 9 billion in 2006, the year in which Iraq continued to receive the greatest share of Arab ODA (53 per cent), followed by the Sudan (12.6 per cent) and Palestine (8.9 per cent).

The Arab countries made remarkable progress in the various electric interconnection projects such as the seven-country interconnection project which was joined in 2008 by Lebanon and Palestine, the GCC electric interconnection project, and the electric interconnection project between Egypt, Ethiopia and the Sudan. These projects would reduce the problems of electricity facing some Arab countries that suffer a deficit in the production of electrical power and moved support regional integration.

Likewise, the Arab countries continued to make progress in ICT, surpassing the progress achieved by many other countries; they exceeded the global average number of fixed-line phones and mobile phones per 100 inhabitants. The average number of Internet users, in each of 10 Arab countries was higher than the global average. Demonstrating the speed of computer penetration of a number of Arab countries, particularly the GCC countries, Egypt, Jordan and Lebanon.

B. Recommendations

On the basis of the "annual review of developments in globalization and regional integration in the Arab countries, 2007", a number of recommendations have been formulated to be addressed to the Arab countries for action to ensure greater economic growth and further progress in regional integration and involvement in the global economy. The recommendations are as follows:

1. Support needs to be given to policies of economic diversification, expansion of the productive base, and mitigation of the effect of oil on growth. Greater attention needs to be paid to sectors that constitute a solid foundation for the economy such as agriculture and industry which would help solve the problem of rising food prices. Exports need support and diversification, especially industrial exports.

2. The Arab countries need to increase their share of global FDI inflows, stressing quality of investment rather than its volume only, taking into consideration the diversification of the productive base, the inflow of new technologies that enhance efficiency of production and reduce cost, thus increasing export opportunities.

3. The Arab countries need to increase their share of FDI through corporate acquisitions or mergers which dominate the flow of FDI; their share continues to be limited, which requires greater privatization and merger of domestic companies with other companies, especially in major sectors such as banking, industry, telecommunications and so forth.

4. Companies owned and managed by FDI should have ties with domestic companies, especially in the fields of training, management and production, with a view to enhancing efficiency of domestic companies and bolstering the local economy.

5. Measures should be taken to open the door for the return from abroad of Arab capital affected by the global financial crisis, by means including the existence of favourable investment conditions such as an improved business environment, better mechanisms for dispute settlement and wider participation in such investment.

6. Aid policies have proved to slow down regional integration because they are based on political decisions needed to be reviewed in order to observe the comparative advantage of each Arab country, include phased implementation programmes, continuous follow-up and annual review, as in the case of the European Union; this should be done through the establishment of a bank to extend aid and loans to the least developed countries to qualify them for regional integration and to assign a major role to the private sector in achieving such integration, leaving to Governments the role of coordination and facilitation.

7. Arab intraregional tourism needs to be promoted through the provision of Government services, facilitation of transport, especially between the Arab countries of the Mashreq and Maghreb, reduction of the cost of travel and accommodation and improvement of tourist services in order to reap the benefits of tourism such as the creation of job opportunities, reduction of unemployment, confirmation of solidarity and propinquity among the Arab peoples, which would be reflected positively in regional integration.

8. Regional integration requires expansion of the productive base, fostering integrated production instead of competition and continued production of similar goods, facilitation of transport between the Arab countries of the Maghreb and Mashreq, reduction of costs, and the simplification of rules and regulations which leads to the promotion of Arab intraregional trade.

9. Arab donor countries should increase the development assistance they extend to less developed Arab countries in view of the possible reduction of assistance from non-Arab donor countries in the wake of the global financial crisis which has affected their economies and ability to honour their ODA obligations vis-à-vis the developing countries, including Arab countries.

10. Greater attention should be given to launching projects based on public-private partnership.

11. National bodies to supervise the electronic programmes of Governments should be established, granted the powers they need to carry out their tasks, and given the financial appropriations they need to implement their programmes.

12. Regional and international cooperation and coordination should be made more effective in the effort to take advantage of the best practices in the development of e-government and construct regional indices for e-government, paying particular attention to the specific conditions of the Arab region.

13. Stress should be placed on joint Arab action to support the rise of an Arabic digital content industry; sharing of resources and allocation of roles among the various Arab countries; and drawing lessons from the experience of the European Union in the local languages digital content to be applied in building the Arabic digital content industry.

14. Arab banks and funds should be urged to finance the Arabic digital content industry and the establishment of capital venture funds.