

Trade and Investment Diagnostic



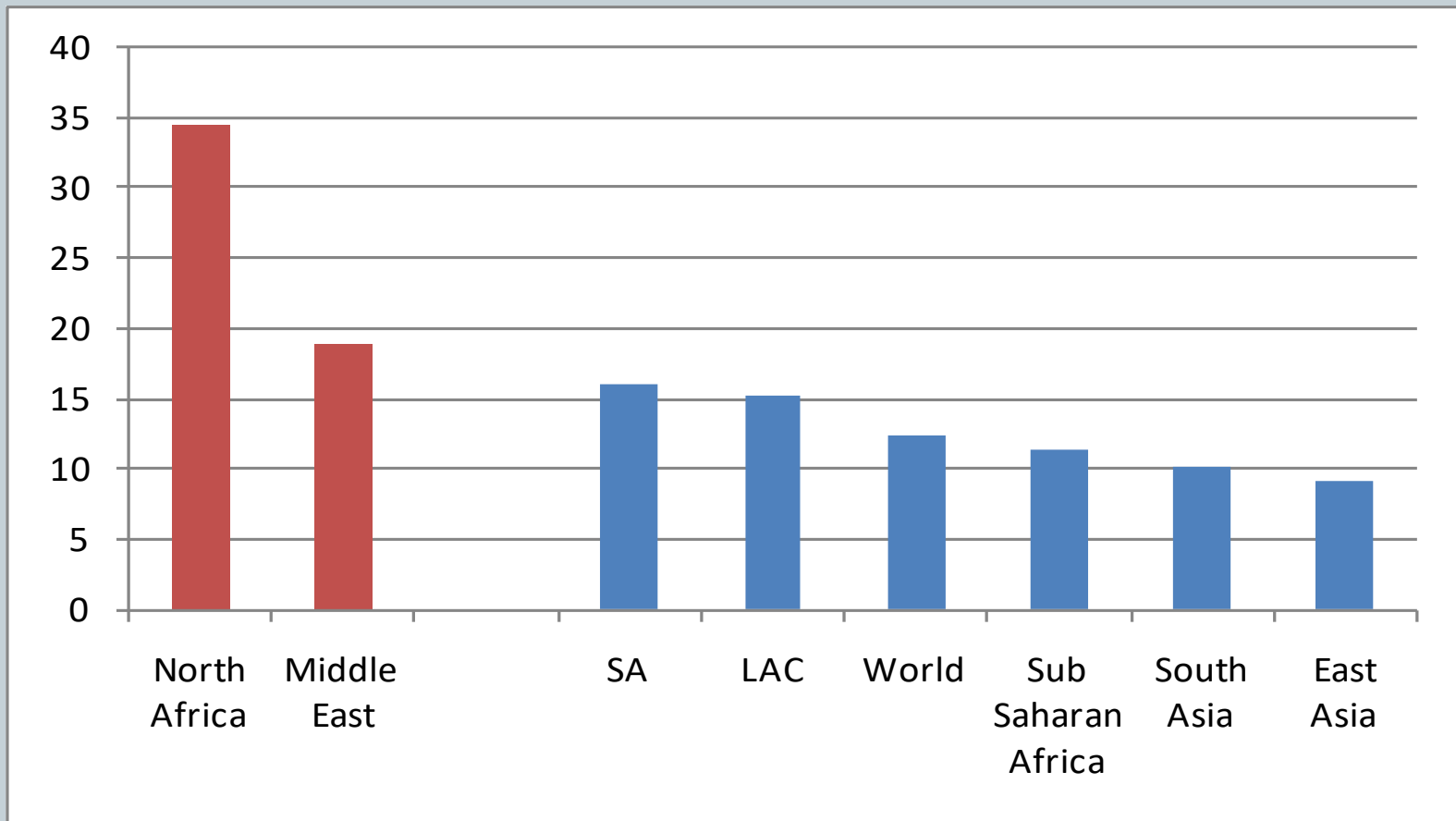
**ABU DHABI
DEAUVILLE PARTNERSHIP
ECONOMIC PILLAR
DEPUTIES' MEETING**

**WORLD BANK
FEBRUARY 9, 2012**

Youth Unemployment Rates

2

MENA has highest youth unemployment rate in the world (%)

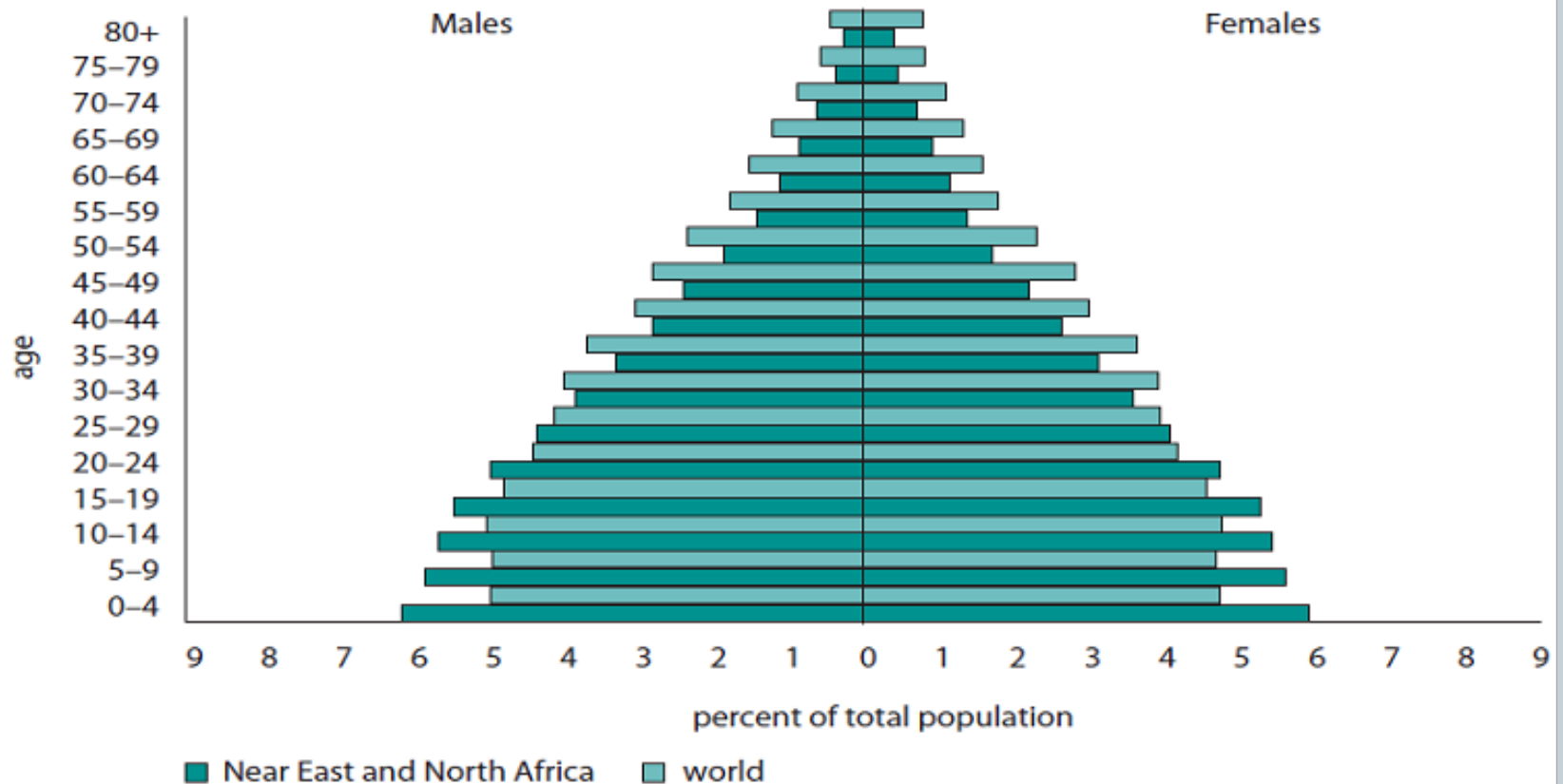


Source: Regional Economic Developments and Prospects, MENA, World Bank, 2011

Soaring youth population

3

Population Pyramid of MENA and the World, 2002



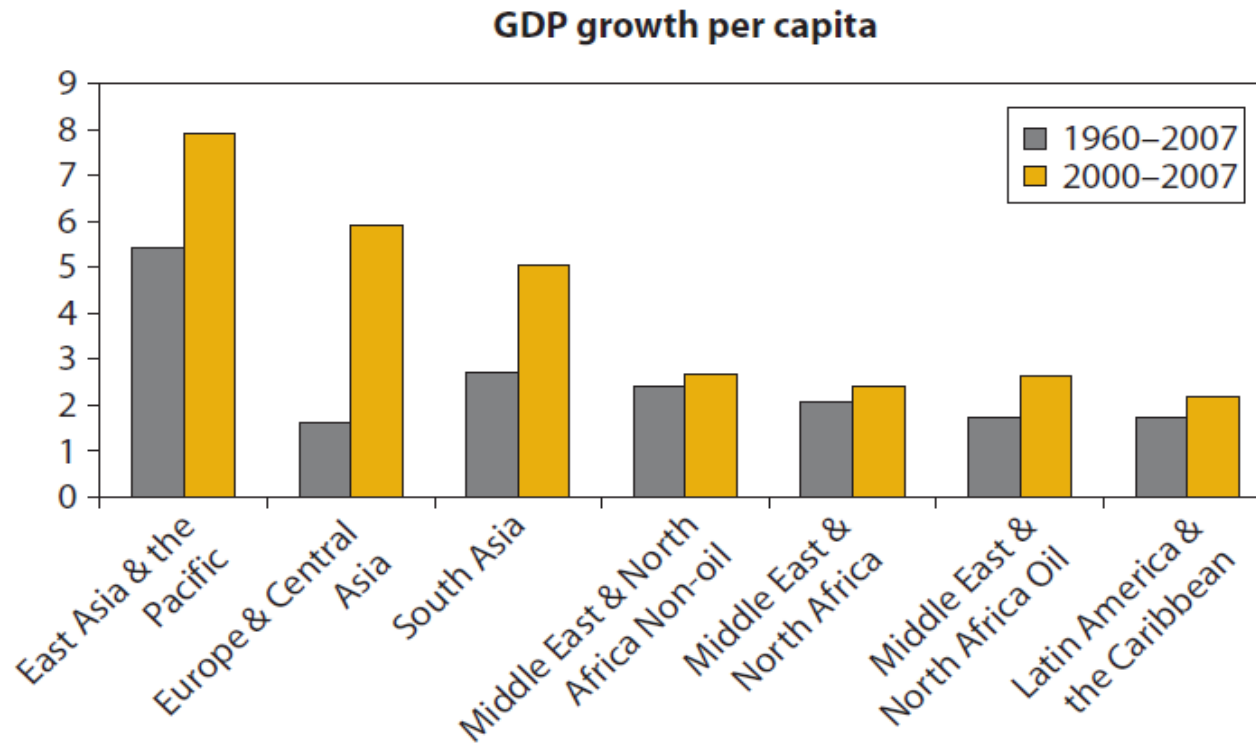
Sources: U.S. Census Bureau 2002. Global Population Profile.

Insufficient economic growth to create enough jobs

4

Middle East and North Africa's Weak Growth in International Perspective

(percent)



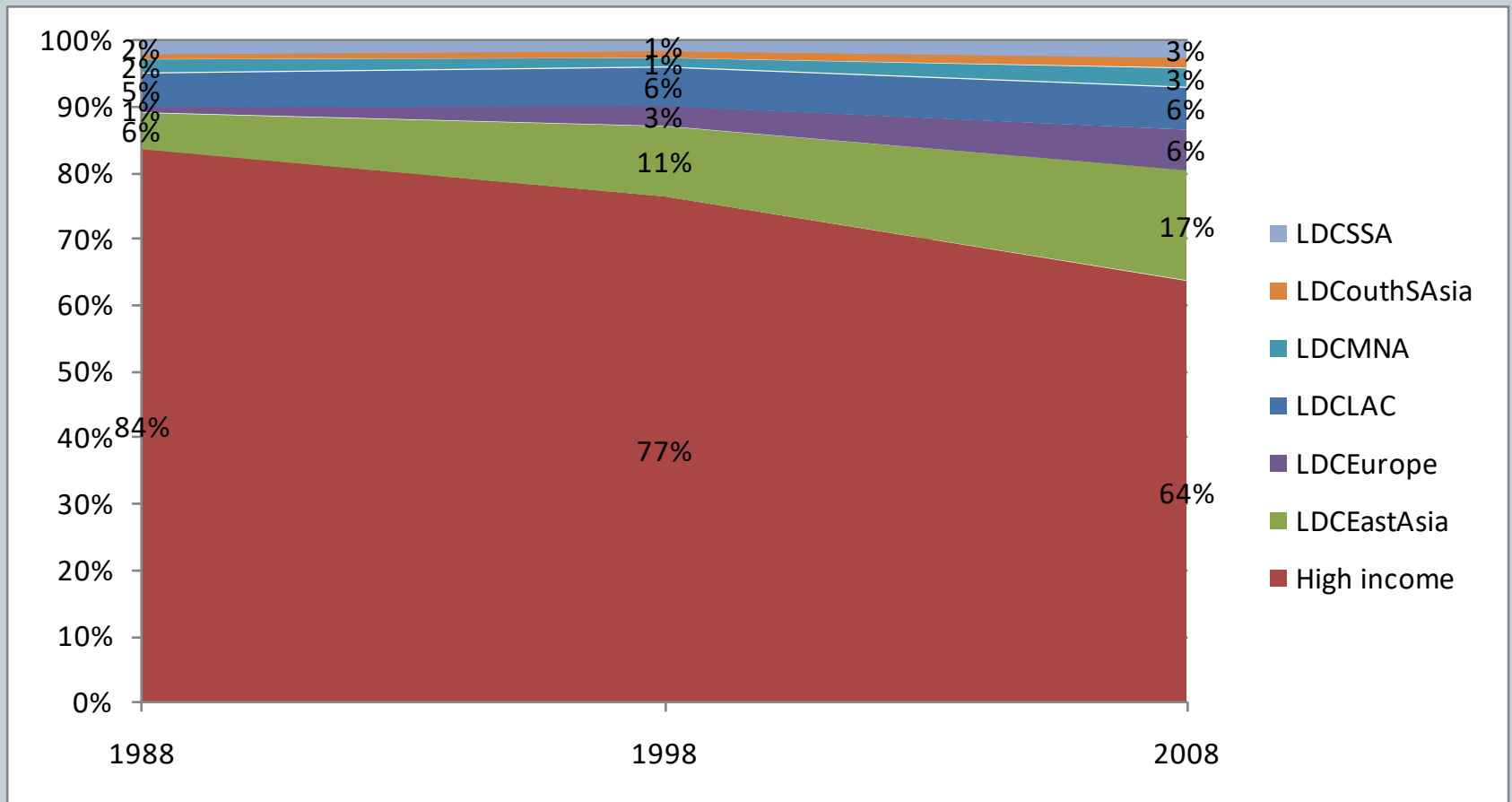
Could Trade & Investment be part of the answer?

5

- **Trade.** MENA could produce more if it were to export more. Excluding oil exports, the MENA region of over 400 million people exports roughly the same amount as Switzerland
- **FDI.** Excluding oil and real estate investment, FDI in manufacturing—the type of investment rich in employment—has remained marginal, accounting for just a fifth of all FDI inflows in the region

Flat share of global exports of goods and services

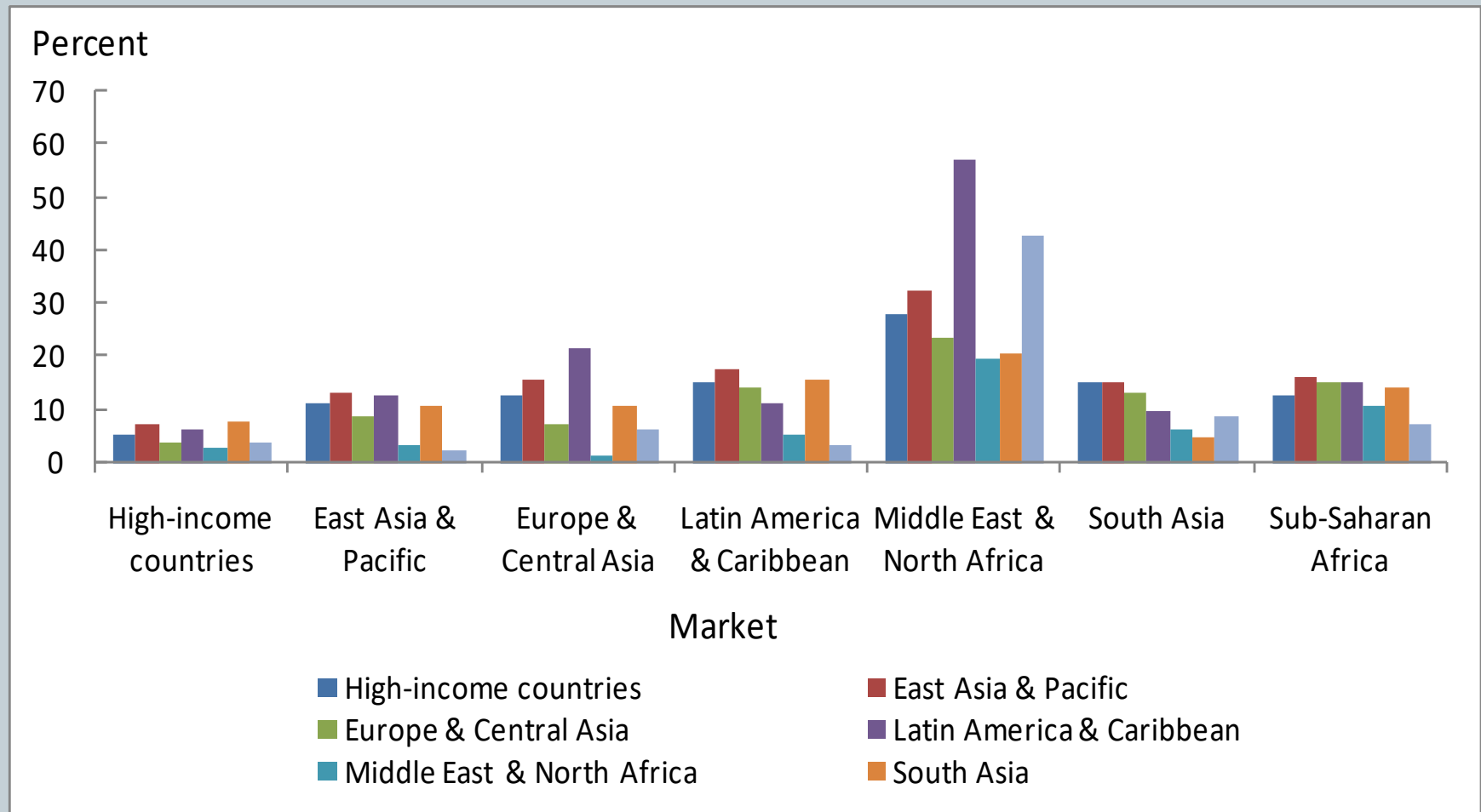
6



A relatively closed MENA region

Market access by regions

7

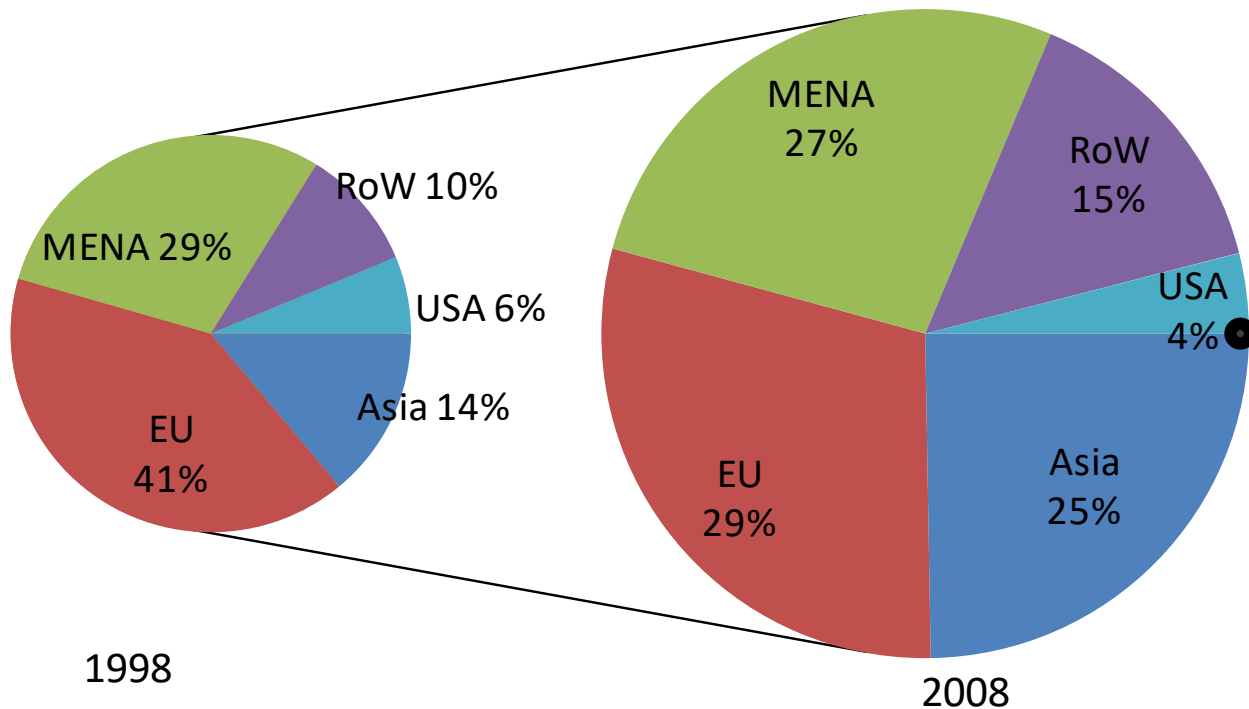


Limited intra-MENA integration

Measured by nonoil exports

8

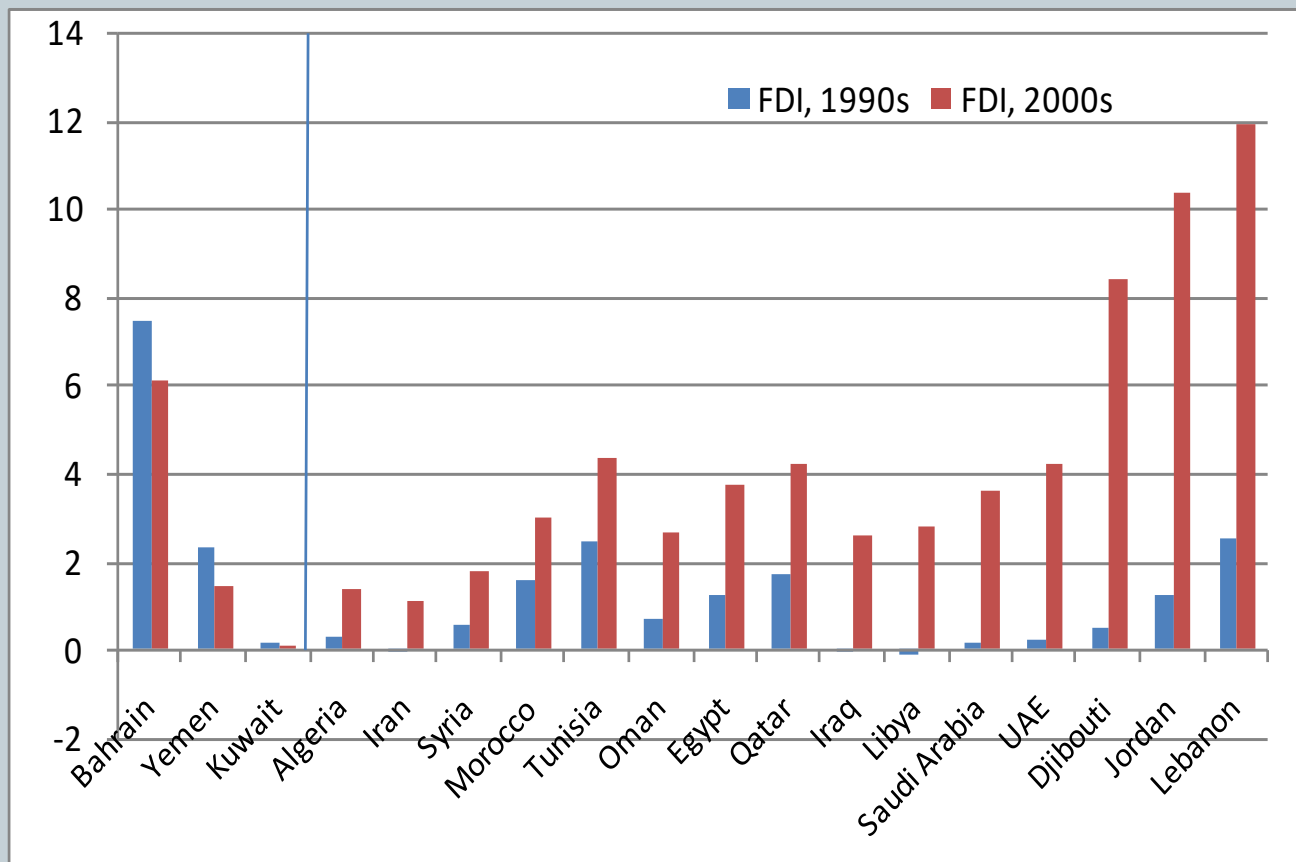
MENA



FDI inflows surged

9

In percent of GDP

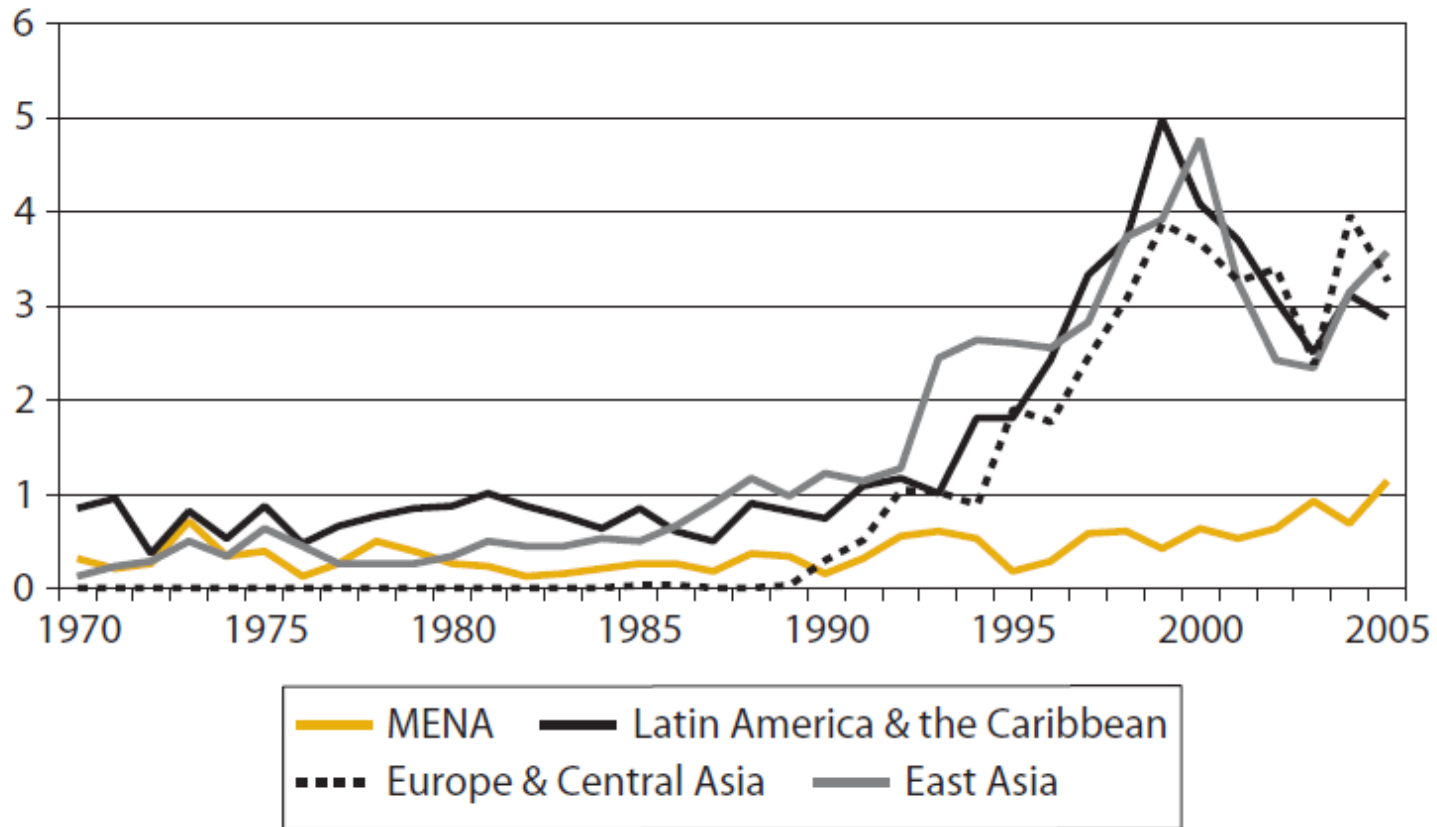


But from a low base

10

Net FDI Flows as a Share of GDP, 1970–2005

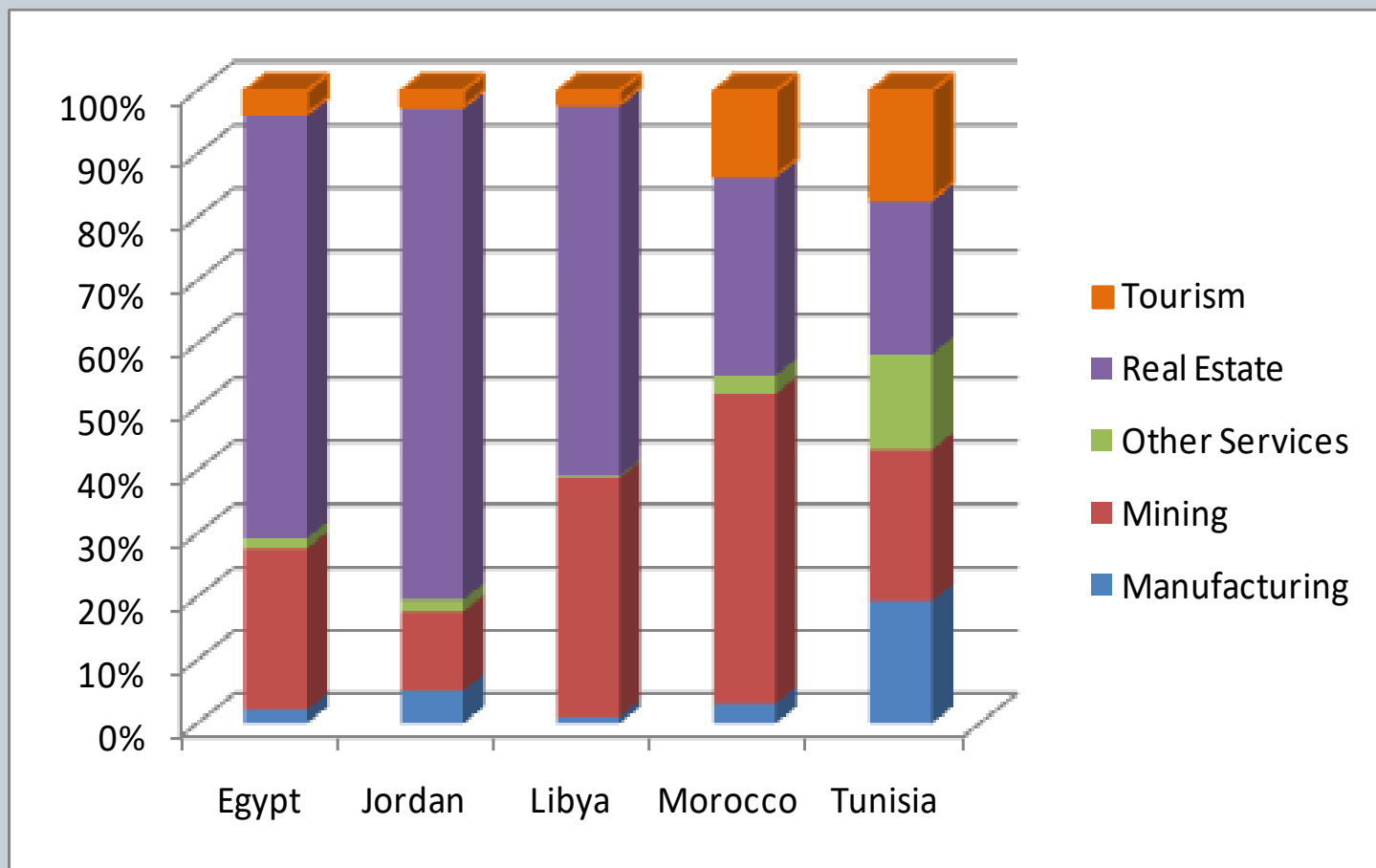
(percent)



Mainly in real estate and mining

11

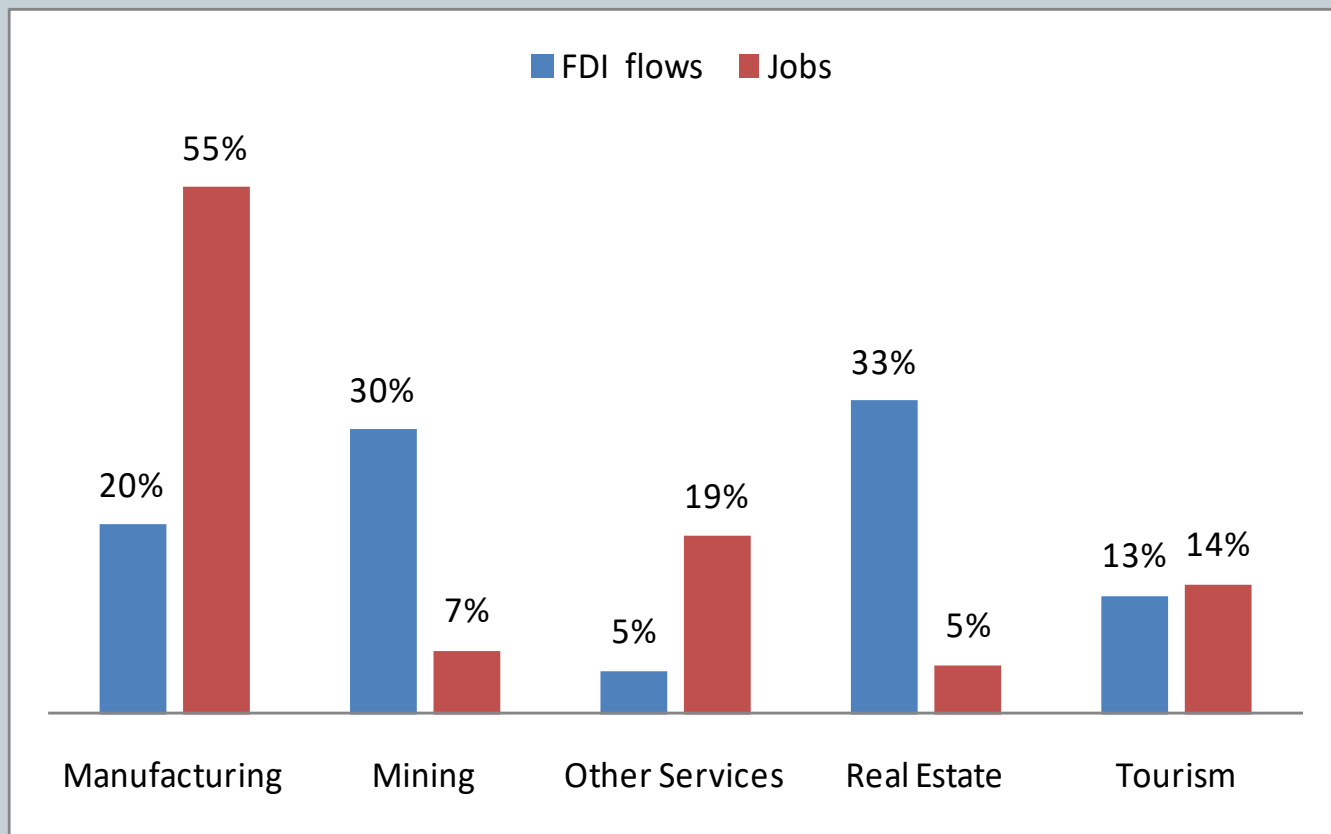
Share of greenfield FDI inflows by sector



With poor employment content

12

FDI and FDI-related employment by sector

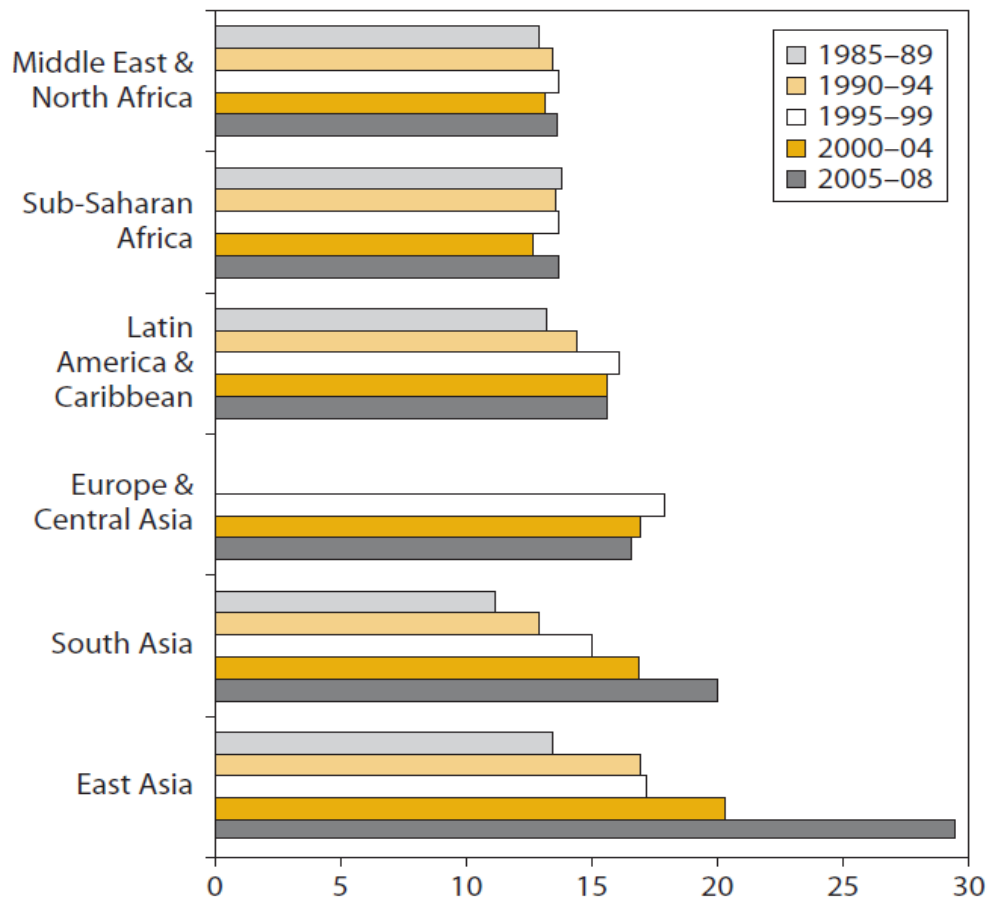


Domestic private investment has not yet taken off

13

Stagnating Private Investment Rates

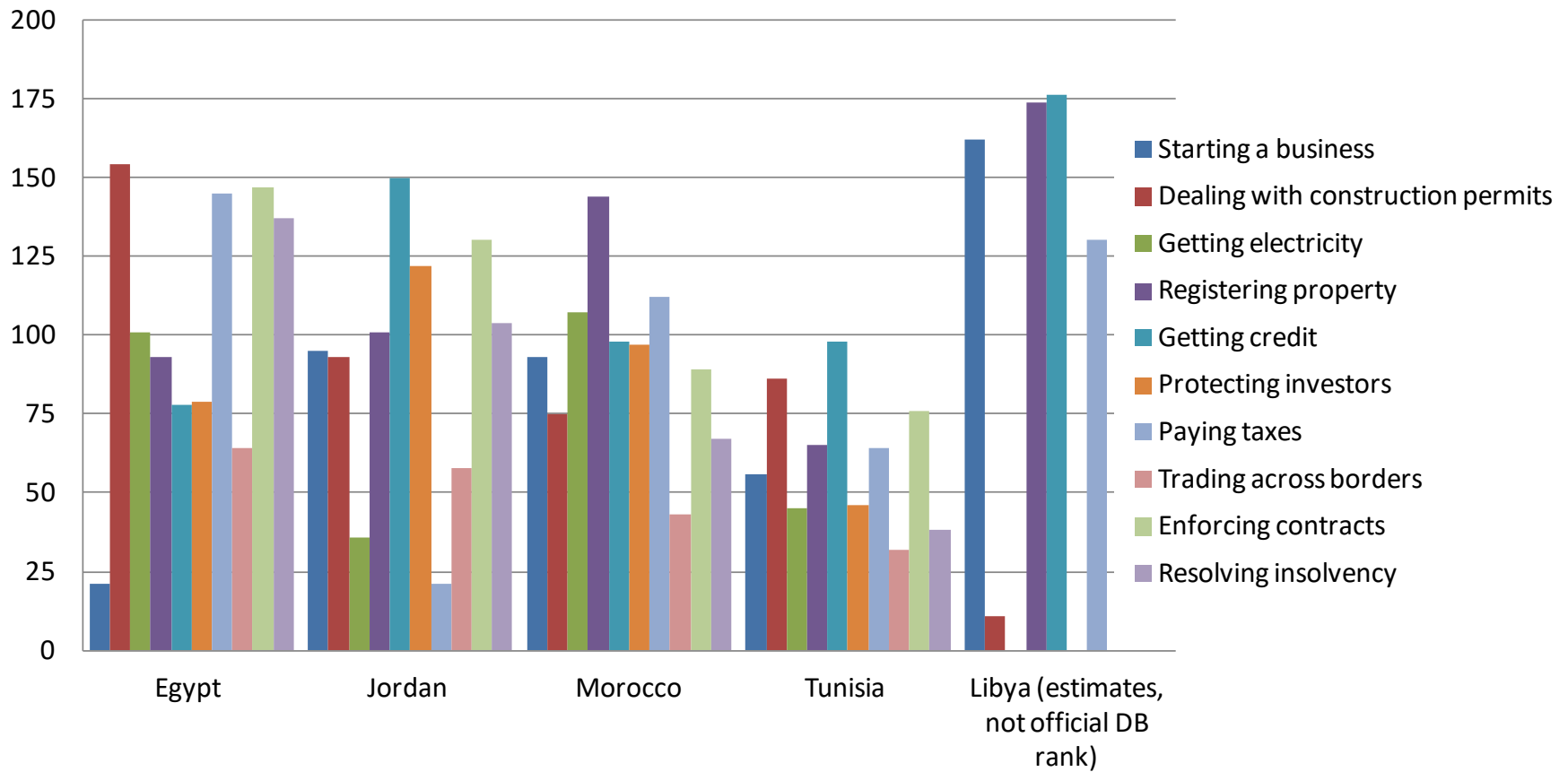
(percent of GDP)



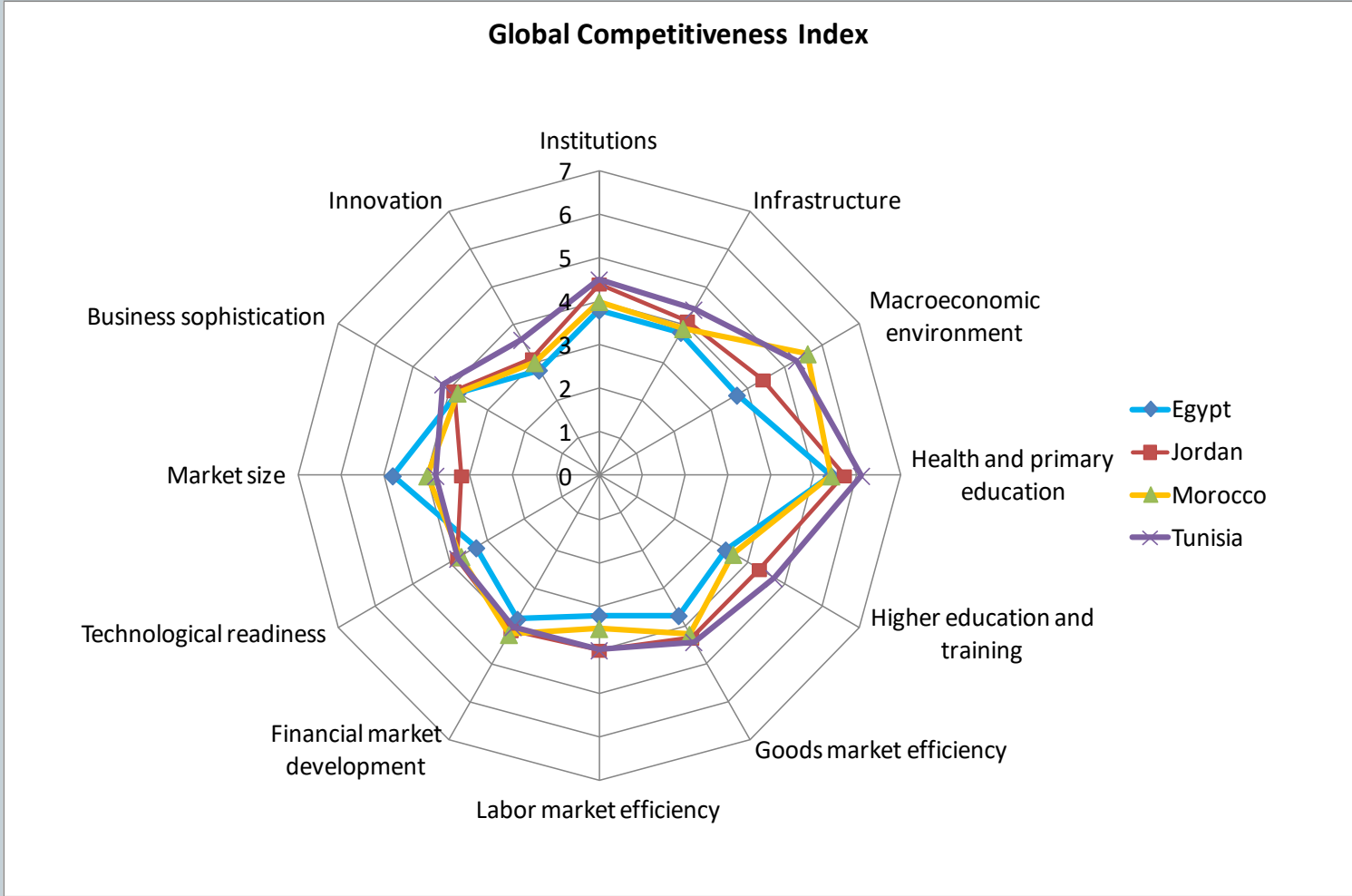
A complex business environment (and indicators hide uneven application of rules)

14

Doing Business 2012 Ratings for 2011 (and Libya Estimates, 2010)



Overall lack of competitiveness



Top 5 features of successful emerging economies:

16

- They have committed, credible, and capable governments
- They maintain macroeconomic stability
- They exploit the world economy
- They let markets allocate resources
- They muster high rates of saving and investment

Source: Growth Commission Report (2008)

How to do it? Leadership and Vision

17

- **Leadership in both Partnership Countries and partner countries is needed to provide a credible long term vision**
- **This vision will need to go beyond the immediate benefits in employment and instead promote sustained growth and job creation, in a framework of common values of peace and stability**

Managing the political economy

18

- **Skepticism about the value and integrity of the private sector, and the merits of trade and foreign direct investment:**
 - Recent opening did not generate all the advertised benefits—“crony capitalism”
 - Benefits have been captured by a well connected few
 - Concerns about income and wealth inequalities
 - Managing expectations – population expects a better life now!
- **In particular, among two groups:**
 - Vested interests that benefited from privileges
 - Groups that have an ideological resistance to economic integration

A Vision beyond Trade & FDI

19

- **Parallel implementation of complementary domestic policies as part of a comprehensive reform agenda to improve competitiveness**
- **Support of the G8 and other partners to help with the restructuring and upgrading of the Deauville partnership economies**
 - Genuine market access and labor mobility
 - Technical assistance and capacity building
 - Financial support

A Contribution - Trade and FDI Report

20

- Deauville Partnership Finance Ministers tasked the Center for Mediterranean Integration (CMI), drawing on the expertise of the World Bank and in partnership with the Islamic Development Bank, to coordinate an analytical report “to provide an appropriate framework to enhance trade and FDI”
- Team of experts co-led by Jean-Pierre Chauffour (World Bank) and Khalid Sekkat (University of Brussels and ERF)
- With inputs from consultations with Partnership countries and Deauville partners (G8, Kuwait, Qatar, Saudi Arabia, Turkey and the UAE)
- With inputs from an advisory committee of 20+ experts from Deauville Partnership countries and partners

Thank you

21
