

ECONOMIC INTEGRATION IN THE MAGHREB



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Office of the Chief Economist
Middle East and North Africa Region
The World Bank

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Acknowledgements	iv
Foreword	v
Acronyms and Abbreviations	vii
Executive Summary	1
1. Introduction	2
2. Participation in Integration Agreements	5
3. Integration through Trade, Capital, and Labor Flows	7
4. Financial Integration	13
5. Integration through Physical Infrastructure	15
6. Constraints to Integration in the Maghreb	18
Conclusion	21

Boxes

Box 1	Potential Gains of Trade Integration in the Maghreb	3
Box 2	The Main Characteristics of the Financial System in the Maghreb	14

Tables

Table 1	Importance of Trade in the Maghreb (% of GDP)	8
Table 2	Maghreb Trade with the EU (2008)	9
Table 3	Distribution of Services Trade by Category (% total trade in services)	10
Table 4	International Migrants by Development Group and Arab World Sub-regions	12
Table 5	Logistics Performance Index 2010	20

Figures

Figure 1	Total Trade (% GDP)	8
Figure 2	Share of Intra-Maghreb Trade	9
Figure 3	Participation in Intra-Maghreb Trade	9

Figure 4	Concentration and Diversification Indices of Export Products in MENA	10
Figure 5	FDI and Remittances (% GDP)	11
Figure 6	Trends in Remittances (% GDP)	11
Figure 7	Applied Tariff Rates for Maghreb Countries (2006)	19
Figure 8	Ease of Doing Business Ranking	19
Figure 9	Logistics Performance Index	19

Annexes

Annex 1	Trade Agreements in the MENA Region	25
Annex 2	Statistical Tables	26

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Though the Middle East and North Africa (MENA) region has weathered the recent global financial and economic crisis relatively well, it still faces daunting medium-term challenges. These include high unemployment (especially among young people), vulnerability to oil and food price shocks and water scarcity and inefficiencies of public sectors. Integration of the region into the global economy has been slow. Of particular concern is the stagnation in the region's share of global non-oil exports, an indication of missed opportunities for diversification and growth. Integration within the region, while rising, is also on the low side when compared with other middle- and high-income regional blocs.

Over the last year or so, there has been an increasing momentum on the part of the region and the World Bank Group to focus on a set of initiatives to promote more cooperation within the region. These initiatives include a host of analytical pieces to examine the current state of regional collaborative arrangements with emphasis on assessing and exploring ways of fostering greater trade integration, labor mobility and migration prospects, prospects for energy integration and resource sharing and infrastructure development to reduce nontariff barriers.

The region has been able to make some inroads, albeit at different degrees in each of the geographical groupings, to support the integration of the Arab world into the global economy. To start off the removal of intra-regional tariffs under the Pan-Arab Free Trade Area (PAFTA)

and the adoption of low common tariffs by the Gulf Cooperation Council (GCC) which coupled with improvements in infrastructure, especially roads and telecommunications is generating benefits. But much remains to be done, especially in reducing nontariff barriers to trade, harmonizing policies and procedures, and facilitating cross-border trade through development of infrastructure links and trade facilitation. Fortunately, trade in services has recently emerged on the agenda of national and regional authorities—this is an area of substantial potential welfare gain for the region.

Recognizing the problems, the World Bank has been working closely with the MENA region to develop and implement regional activities—investment projects, institution-building, harmonization of policies and procedures—that are likely to enhance economic growth

and address common challenges across the region. As part of this endeavor, the Office of the Chief Economist, MENA Region, has prepared a series of reports to assess the achievements of the region with respect to integration. The first report, “*2008 Economic Developments and Prospects*,” looks at the role of integration in global competitiveness for the region as a whole and special reports have been prepared to take stock of the regional cooperative frameworks, their issues and prospects. These reports examine economic integration among three sub-regions: the *Gulf countries* (Bahrain,

Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates), the *Maghreb* (Algeria, Libya, Mauritania, Morocco, and Tunisia), and the *Mashreq* (Iraq, Jordan, Lebanon, Syria, and West Bank and Gaza). Egypt is sometimes classified in the literature as a Mashreq country though with ties with North Africa given its location.

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Acronyms and Abbreviations

AMF	Arab Monetary Fund
AMU	Arab Maghreb Union
ASEAN	Association of Southeast Asian Nations
BMICE	The Maghreb Bank for Investment and Foreign Trade
CEN-SAD	Community of Sahel-Saharan States
COMESA	Common Market for Eastern and Southern Africa
EU	European Union
FDI	Foreign direct investment
GAFTA	Greater Arab Free Trade Agreement
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GSM	Global system for mobile communication
IMF	International Monetary Fund
MENA	Middle East and North Africa
MERCOSUR	Mercado Común Sur (Argentina, Brazil, and Uruguay)
MFN	Most Favored Nation
NAFTA	North American Free Trade Agreement
NPLs	Nonperforming loans
NTMS	Nontariff measures
OECD	Organization for Economic Cooperation and Development
OTRI	Overall Trade Restrictiveness Index
PAFTA	Pan-Arab Free Trade Area
STRI	Services Trade Restrictiveness Index
TRAINS	Trade Analysis and Information System
TTRI	Tariff-only Trade Restrictiveness Index
UNCTAD	United Nations Conference on Trade and Development
WDI	World Development Indicators
WTO	World Trade Organization

Executive Summary

This report reviews the status of Maghreb countries' economic integration with the world, with the Arab world, and within the Maghreb itself.¹ It focuses on trade in goods and services, labor and capital flows, financial integration and cross-border infrastructure integration. It discusses the potential benefits of and key constraints to greater integration.

Maghreb countries' trade with the Arab world and with the rest of the world is relatively small, with exports concentrated in a few commodities. There are wide country variations, however, with Morocco and Tunisia exhibiting higher trade volume and export diversification.

Despite the establishment of the Arab Maghreb Union over two decades ago, the bulk of the Maghreb's trade is with Europe. The level of intra-Maghreb trade is lower than that of many of the world's trading blocs. In 2007, intra-Maghreb trade represented less than 2 percent of the subregion's combined gross domestic product (GDP) and less than 3 percent of the subregion's total trade. Some of the reasons for this low performance include high barriers to trade, logistical bottlenecks, lack of production base diversification, and political considerations.

The focus on trade liberalization with the European Union (EU) provides an opportunity for individual Maghreb countries to lock in policies that would eventually help them harmonize policies within their own region. The same argument can be made regarding accession to the World Trade Organization (WTO). The Maghreb countries would reap significant additional benefits if, in parallel to reforms undertaken to improve trade liberalization with Europe, they improved conditions for streamlined trade among themselves.

There is significant potential for trade in services in the financial sector, transportation and logistics, and communications and information, among other sectors. According to some studies, comprehensive services reforms that involve increased competition and regulatory streamlining would yield benefits that are at least twice the magnitude of those achieved through tariff removal alone.

¹ See World Bank (2006) and Hufbauer and Brunel, eds. (2008) for extensive coverage of issues related to economic integration in the Maghreb. Both studies provide recommendations on how to achieve the potential benefits of regional integration. They underline the need for economic reforms that reduce tariff and nontariff barriers, create a better investment climate, and foster regulatory harmonization.

Chapter 1

INTRODUCTION

The Maghreb subregion comprises five countries: Algeria, Libya, Mauritania, Morocco, and Tunisia. All but Mauritania are part of the Middle East and North Africa (MENA) region. Taken together, the Maghreb countries comprised 86 million people (around one-fourth of MENA) and US\$ 391 billion in GDP (more than one-third of MENA) in 2008. Algeria and Morocco are the largest countries, accounting for over three-quarters of the subregion's population and two-thirds of the subregion's GDP.

The countries of the Maghreb are quite diverse in terms of resource endowments. Libya is a resource-rich and labor-importing country and Algeria a resource-rich and labor-abundant one. Both are undergoing economic transitions. The other three countries are resource-poor, labor-abundant countries.

Though quite large geographically, a high proportion of the subregion's land is desert and thus not suitable for agriculture. However, Morocco and Tunisia have relatively significant tracts of arable and cultivated land. The subregion's main natural resources are oil, metallic and nonmetallic minerals, and fisheries. In the context of renewable energy, the Maghreb could be a major source of solar energy.

Like the rest of the MENA region, the Maghreb countries face major development challenges. These include a rapidly growing young population, high unemployment rates, and vulnerability to price shocks and climate change. The subregion also faces some political and security challenges, including extremism.

In light of these challenges, consensus is growing that the subregion could improve its economic performance through regional integration (Box 1).² Deep integration refers to service sector and investment climate reforms aimed at improving competition and market contestability. A World Bank study (Brenton et. al. 2006) suggests that per-capita GDP in each of the three countries examined—Algeria, Morocco, and

² See also Bchir, et. al. (2006). The study suggests that the overall gains from liberalizing trade in goods (including the removal of nontariff measures) could reach at least US\$ 350 million and outstrip the static gains, with productivity improvements as the main driver. The estimate is based on a simulation and includes Egypt among the North African countries.

BOX 1 Potential Gains of Trade Integration in the Maghreb

Hufbauer et. al. (2008) estimated some of the gains of the Arab Maghreb Union (AMU) by comparing selected indicators of economic performance between 1989—the year of the AMU's inception—and 2007. Their findings include: (i) a reduction in inflation rates, except in Libya; (ii) a 30 percent increase in real per-capita GDP; (iii) an increase in the share of total merchandise in GDP from 41.7 percent in 1989 to 72.5 percent in 2007; and (iv) an increase in inward FDI stock as a share of GDP by more than 100 percent between 1990 and 2006.

Casero and Seshan, authors of a 2006 World Bank study on Maghreb economic integration, estimate the potential implications of regional integration under different scenarios for overall GDP growth over a ten-year period (2005–2015.) Their findings suggest that countries in the Arab Maghreb Union (AMU) would reap substantial economic benefits from deeper and wider integration among themselves and with the EU.

Scenario 1: Under the status quo, per-capita GDP is estimated to grow by 30, 27, and 41 percent, respectively, in Algeria, Morocco, and Tunisia between 2005 and 2015.

Scenario 2: If tariff barriers to intra-Maghreb trade are assumed to be removed, the results are similar to those of the status quo scenario. But if Maghreb countries were to sign trade arrangements with the EU, either unilaterally or as a bloc, the gains would be greater. Under unilateral arrangements, per-capita GDP growth would be expected to increase by an additional 15 percent in Algeria, 16 percent in Morocco, and 14 percent in Tunisia relative to the status quo. Implementation of a trade agreement between the Maghreb as a bloc and the EU would yield additional growth of 27, 16, and 22 percent, respectively.

Scenario 3: If reforms in each Maghreb country were to achieve complete service liberalization and an investment climate aligned with international best practice, real per-capita GDP would be expected to rise an additional 34 percent in Algeria, 27 percent in Morocco, and 24 percent in Tunisia between 2005 and 2015. This would boost FDI, raising stock levels by 8.8 percent of GDP in Algeria, 8.5 percent in Morocco, and 9.2 percent in Tunisia.

Scenario 4: This scenario combines deeper and wider integration through the creation of a trading bloc with the EU, liberalization of services, and investment climate reforms. The results estimate that per-capita real GDP would rise by an additional 57, 51, and 38 percent, respectively in Algeria, Morocco, and Tunisia, as compared with Scenario 1.

Source: World Bank. 2006. *Is There A New Vision For Maghreb Economic Integration?* Report No. 38359. Washington D.C.: World Bank.

Tunisia—would nearly double between 2005 and 2015 if meaningful regional integration were to take place. Concerns expressed in the literature about the distortions brought about by discriminatory policies inherent to regional

trade agreements, while legitimate, seem excessive. Freund and Ornelas (2010) show that trade creation, not trade diversion, is the norm in regional trade agreements.³

³ In Morocco and Tunisia, which already enjoy free trade in manufactures with the EU, the potential for trade diversion is minimal.

Since the mid-1980s, the countries in the sub-region have moved to reform their economies at different speeds and with different results.

- Algeria's transition to a market economy is proceeding slowly. Steps toward liberalizing trade have slowed down since 2008 and, as a result, the long-awaited WTO accession has not yet occurred. Reforms to improve the business environment and expand privatization have been deferred. Public banks control more than 90 percent of banking assets, and credit intermediation is underdeveloped.
- Libya, with its sizeable oil wealth, has managed to achieve decent living standards for its citizens, which compare favorably with other MENA countries. The main issue facing Libya is the transition to a competitive, market-led economy. The country would benefit greatly from enhancing the investment climate, with strong institutions to support open markets; developing the banking system so that it can play its full role in financing investment; enhancing human resources; and improving the quality of governance.
- Mauritania is the country in the sub-region that faces the greatest challenges on all fronts, notably weak administrative capacity, poor infrastructure, and a deficient business environment. The economy remains undiversified. Maintaining macroeconomic stability and transparently managing natural resource wealth are two areas of high priority for the government.
- Morocco has gained advanced status within the framework of the EU's Neighborhood Policy, marking the culmination of the process of deepening integration between Morocco and the EU based on reforms undertaken by Morocco to modernize and open its economy.
- Tunisia has made important strides in reforming its economy since the mid-1980s, notably in macroeconomic management, trade, the financial sector, and the business-enabling environment. However, the country continues to pursue a cautious policy regarding privatization.

PARTICIPATION IN INTEGRATION AGREEMENTS

Chapter 2

Maghreb countries are involved in a variety of bilateral and multilateral integration agreements (Annex 1). Mauritania, Morocco, and Tunisia are the only Maghreb countries with membership in the WTO. All five countries are founders of the AMU, which was established in February 1989 by the Treaty of Marrakech, whose objectives are: (i) consolidation of fraternal relations between member states, the realization of progress and well-being in their communities, and protection of their rights; (ii) progressive achievement of the free movement of people, services, goods, and capital between member states; and (iii) adoption of common policies in all spheres. In the economic domain, the common policy aims to ensure the industrial, agricultural, commercial, and social development of member states. The end goal of establishing an economic union in the Maghreb will require the following steps, as agreed in the treaty: a free trade area, including the dismantlement of all tariff and nontariff obstacles to trade; a customs union with a common external tariff with the rest of the world; and a common market with no remaining restrictions on the movement of production factors.

The AMU is governed by a council of all heads of state. Decisions are reached with a unanimous vote by the heads of all five states. Other governing institutions include the council of Prime Ministers, the council of Ministers of Foreign Affairs, the permanent General Secretariat, and various specialized ministerial commissions. The permanent General Secretariat is headquartered in Rabat. There are four specialized ministerial commissions dealing with human resources, infrastructure, economy and finance, and food security.

In addition to their membership in the AMU, Libya, Morocco, and Tunisia are members of the Pan-Arab Free Trade Area (PAFTA), which was signed in 1997. Morocco and Tunisia are founders of the Agadir Agreement for the Establishment of a Free Trade Zone, signed in 2004. Three Maghreb countries have signed association agreements with the EU: Tunisia in 1995, Morocco in 1996, and Algeria in 2002. All Maghreb countries are members of the League of Arab States, founded in 1945, which has historically taken the lead on integration efforts in the region. In addition, Morocco signed a free trade agreement with the United States in 2006. Mauritania withdrew from the Economic Community of West African States (ECOWAS) in 2001 and joined the Community of Sahel-Saharan States (CEN-SAD) in 2009.

Many of these intraregional agreements have yet to become fully operational or achieve their stated objectives. For example, the AMU aimed to intensify trade among member countries in order to enable the creation of a North Africa customs union by 1995 and an economic common market by 2000. Yet none of these measures has been achieved,

and intra-Maghreb trade remains low despite some reform efforts on the part of Maghreb countries.

On the positive side, PAFTA has benefited the region by spurring the removal of tariffs on intraregional trade,⁴ as well as marked improvements in customs clearance procedures. These are the findings of a survey (Hoekman and Zarrouk 2000) of trading firms in nine PAFTA countries, including Morocco and Tunisia. The survey covered official trade and tax policies, administrative requirements that confront traders, and the costs and quality of transport infrastructure.

There are some indications that, while EU association agreements have significantly increased Maghreb countries' imports from the EU, they have not had a positive impact on exports to the EU (see, for example, Cieslik and Hagemeyer 2007).⁵ Overall, the subregion comprises two countries that are quite advanced in trade openness (though the agenda is unfinished) and two major countries that are not yet WTO members (Algeria and Libya). This might help explain the pattern of trade and investment within the region.

⁴ The average uniform tariff equivalent of all tariffs (*ad valorem* and specific) for the MENA region fell from 14.7 percent in 2002 to 6.7 percent in 2007, and by another 0.8 percent during 2008–2009 in spite of the global economic crisis. The MENA region was the region where tariffs decreased the most, especially on manufactured goods, during the financial crisis. See Chauffour 2010.

⁵ This finding was based on an augmented gravity model for seven MENA countries for which association agreements have been signed, but estimates for individual MENA countries show significant heterogeneity. In the case of bilateral imports, the authors obtained positive coefficients on the indicator variables for the new EU association agreements only for Morocco, Tunisia, and Turkey. In the case of bilateral exports, all estimated parameters displayed negative signs.

INTEGRATION THROUGH TRADE, CAPITAL, AND LABOR FLOWS

As compared with its potential, trade in the Maghreb is low in terms of both intraregional exchanges and trade with MENA and the rest of the world. Based on a gravity model, Al-Atrash and Youssef (2007) found that Maghreb countries traded less with the rest of the world than the model would have predicted. Furthermore, the level of regional trade among Maghreb countries is low compared with other trading blocs.⁶ There are some indications, however, that official data do not fully capture trade within the region. This is particularly true for trade between Libya and Tunisia, and between Algeria and Tunisia. Quite recently, there has been some dynamism in trade and, to some extent, investment, particularly between Tunisia and the three other North African countries.⁷ Some of the reasons for the overall low performance in trade include high barriers to trade, the lack of diversification of the production base (though this should be treated cautiously),⁸ logistical bottlenecks, and political conditions.

⁶ Intraregional trade was 65 percent at the inception of the EU, 41 percent for NAFTA, 14 percent for MERCOSUR, and 16 percent for ASEAN. Merchandise trade within the Maghreb (as a share of total merchandise trade) is the lowest among comparator regional trading blocs.

⁷ Libya is a big importer of health and tourism services from Tunisia, as is Algeria to some extent. It should also be mentioned that recent years have seen a rapid rise in trade, as illustrated by the case of Tunisia. Over the period 2003–2008, exports from Tunisia to Libya grew from nearly US\$ 500 million in 2003 to nearly US\$ 1.1 billion in 2008. Exports to Algeria rose from US\$ 100 million to US\$ 500 million over the same period. Tunisia's imports from both countries saw a similar pattern. There was also a surge in cross-border investment, though the amount is still modest.

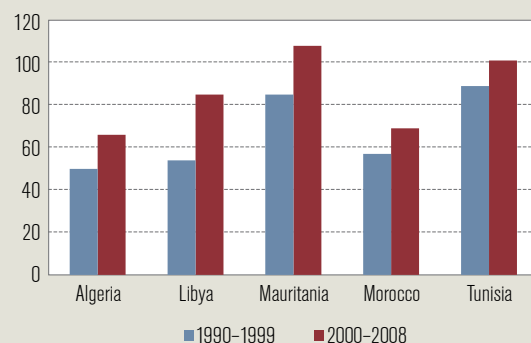
⁸ The attribution of lower regional trade to the similarity of production structures within the region should be treated cautiously. Similarity indices are often calculated at a highly aggregated level. Yet there are huge opportunities for intraindustry trade at a disaggregated level (8+ digit level).

Trade in Goods

Trade accounted for more than 85 percent of GDP in the Maghreb during the period 2000–2008 (Table 1 and Figure 1). This represents a significant increase from trade levels in the 1990s (67 percent of GDP), with Libya showing the greatest increase. Mauritania and Tunisia are the most open economies in the subregion, with average trade volumes exceeding GDP during 2000–2008. The EU is the Maghreb's largest trading partner (Table 2). Exports to the EU average 60 percent of total exports, and imports from the EU a average 55 percent of total imports.

Despite the establishment of the AMU, intra-Maghreb trade has remained small relative to GDP and total trade. Political tensions have impeded intraregional exchanges. For example, the border between Morocco and Algeria has been effectively closed since 1994 for political reasons, and threats of terrorism have prompted tighter controls over border-crossing activities. Algeria, Mauritania, Morocco, and Tunisia decided to implement the 1992 United Nations embargo on Libya and, in retaliation, Libya boycotted the AMU (Hufbauer and Brunel 2008). These tensions and restrictions have delayed integration.

FIGURE 1 Total Trade (% GDP)



Source: World Bank, GDF and WDI data, April 2010.

Total trade within the subregion represented less than 2 percent of combined GDP in 2007 (Annex 2). On average, less than 3 percent of Maghreb countries' total trade has been with subregional partners over the period 2000–2009 (Figure 2 and Figure 3). Only Libya and Tunisia have exceeded this benchmark, representing more than 35 and 28 percent, respectively, of both total exports and total imports within the AMU. Mauritania is the least integrated in the region. Algeria's share of total Maghreb exports is higher than its share of imports, while Morocco's imports are higher than its exports to the region. Tunisia and Libya import about the same proportion as they export.

TABLE 1 Importance of Trade in the Maghreb (% of GDP)

Country	1990-1999		2000-2008	
	Exports	Imports	Exports	Imports
Algeria	26	24	42	23
Libya	29	25	57	28
Mauritania	37	48	40	68
Morocco	26	31	32	37
Tunisia	43	47	49	52

Source: World Bank, GDF and WDI data, April 2010.

TABLE 2 Maghreb Trade with the EU (2008)

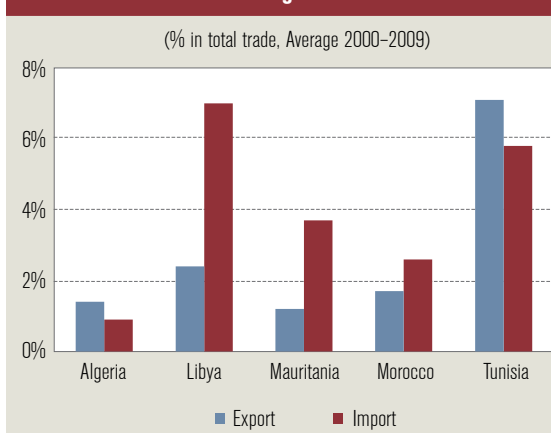
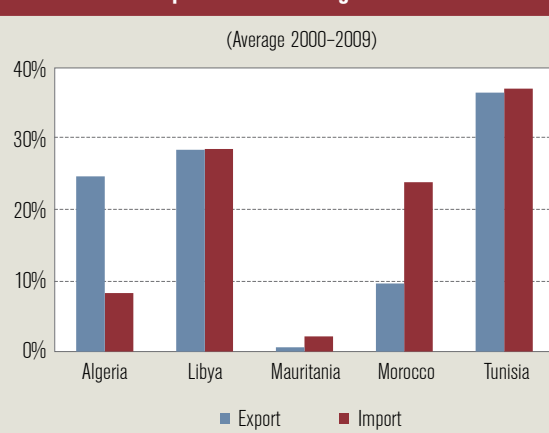
Country	Exports to EU (% total)	Imports from EU (% total)
Algeria	52	53
Libya	77	48
Mauritania	37	46
Morocco	59	59
Tunisia	72	64

Source: World Bank, GDF and WDI data, April 2010.

Morocco and Tunisia are among the least concentrated countries in the MENA region with respect to export products, with a concentration index of less than 0.2. These countries have seen some improvement between 1995 and 2007, but Algeria and Libya have not. Both the Maghreb and MENA more broadly are less diversified than the world average,

though both regions have seen some improvement during the same period (Figure 4).

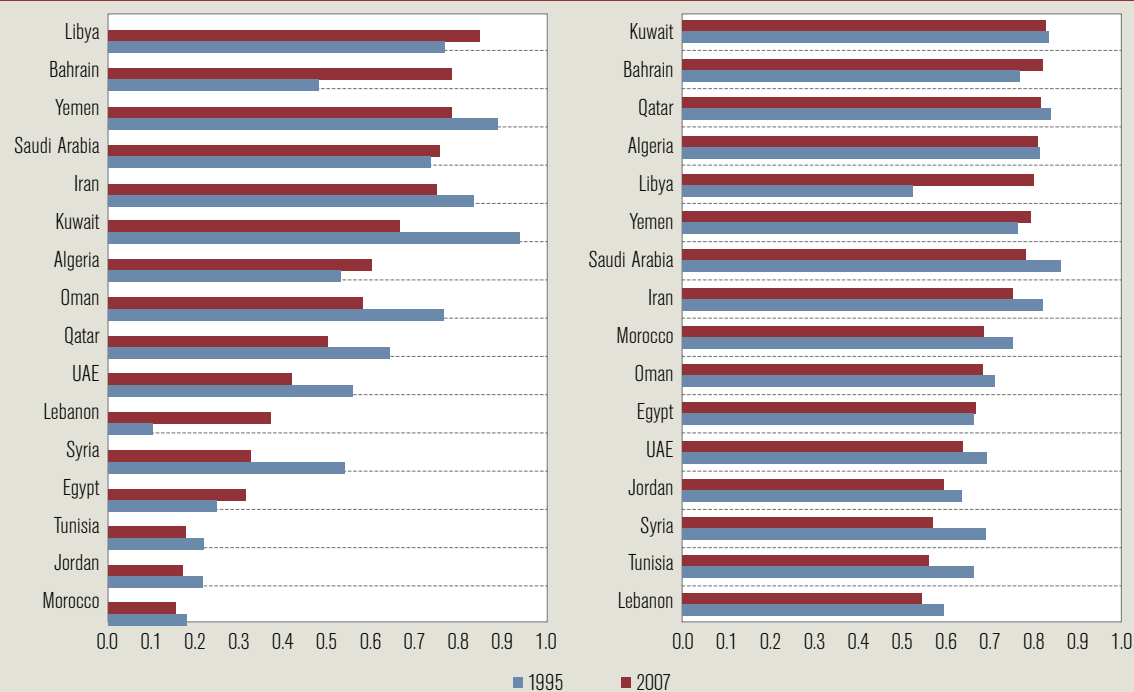
The Maghreb subregion shows significant country variations in export patterns. While Algeria and Libya export almost nothing but fuels, Tunisia and Morocco export a large share—72 percent and 66 percent, respectively—of manufactured goods, including chemicals, machinery, and equipment parts. Exports from Mauritania are dominated by primary commodities such as iron ore, copper, and fisheries.⁹ The MENA region as a whole is characterized by exports of primary commodities, largely oil and gas (86 percent); manufactured goods account for the remaining 14 percent. (Detailed information on exports from MENA and its subregions in 2007 is provided in Annex Table A2.5). Overall, Maghreb countries export a low range of products compared to other regional groupings.¹⁰

FIGURE 2 Share of Intra-Maghreb Trade**FIGURE 3** Participation in Intra-Maghreb Trade

Source: World Bank, GDF and WDI data, April 2010.

⁹ Achy (2006) shows the pattern of exports for 2004. Algeria and Libya's fuel exports account for 96 and 95 percent of total exports, respectively. Mauritania is dependent on the export of minerals and metals (40 percent). Morocco and Tunisia are slightly more diversified, but with high concentration in the export of manufactured products (67 and 78 percent, respectively).

¹⁰ In 2004, for example, Maghreb countries exported 100 products, half the range of products exported by NAFTA and ASEAN. Maghreb merchandise exports have lower intensity of technology use than other regional trading blocs. See World Bank (2006).

FIGURE 4 Concentration and Diversification Indices of Export Products in MENA

Source: Table A2.6.

TABLE 3 Distribution of Services Trade by Category (% total trade in services)

Country*	Communications and Computer Services	Insurance and Financial Services	Transport Services	Travel Services
Libya (2004)	22	8	35	35
Morocco (2008)	30	2	26	41
Tunisia (2008)	21	4	40	36

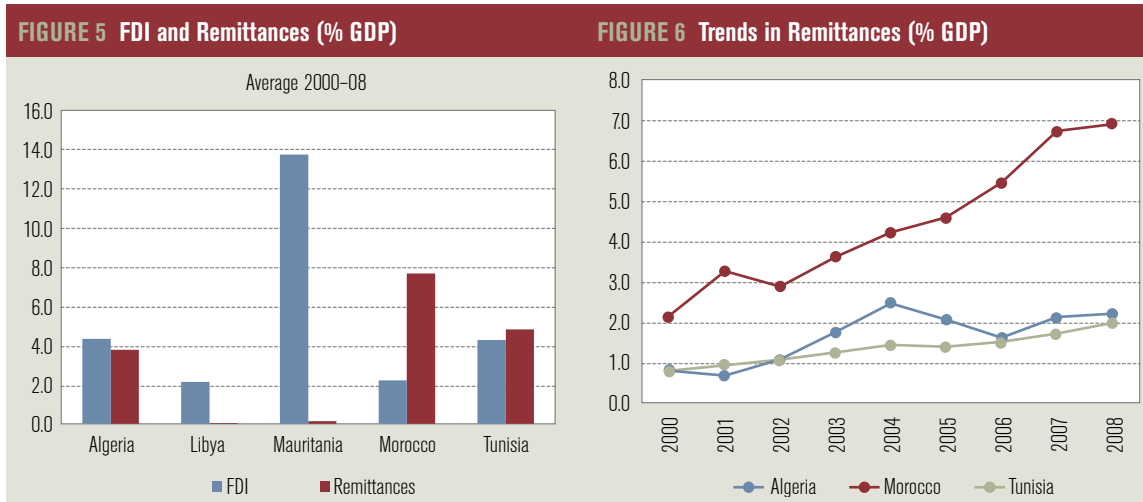
Source: World Bank's GDF and WDI data, April 2010.

* Available data for Algeria are for the period 1977–91 (34%, 6%, 42% and 18%, respectively). Data for Mauritania are for the period 1975–98 (30%, 2%, 51%, and 17%, respectively). Data may not add up due to rounding.

Capital Flows—FDI and Remittances

Foreign direct investment and remittances play an important role in the Maghreb. The Mashreq is the destination of choice for FDI within the broader MENA region, followed by the Maghreb. FDI directed to Maghreb countries averaged 5.3 percent of GDP dur-

ing 2000–2008, with Mauritania benefiting the most (Figure 5). FDI inflows to Mauritania amounted to 3.7 percent of GDP in 2000, before growing quickly to 44 percent in 2005, reflecting investment in the oil sector. Remittances in the Maghreb subregion averaged 3.3 percent of GDP over the period 2000–2008. The major receivers of remittances are Mo-



Source: World Bank's GDF and WDI data, April 2010.

rocco, Tunisia, and Algeria. Morocco has the highest level of remittances (in absolute and relative terms), which more than tripled as a share of GDP over the period 2000–2008 (Figure 6).¹¹

Labor Mobility

In the broader Arab World, the labor market shows many signs of regional integration where workers from labor-abundant countries move to resource-rich countries. However, migration is less important in the Maghreb than

in the Mashreq and GCC. The number of migrants in the Maghreb increased by about 20 percent between 1990 and 2010, as compared to 132 and 75 percent, respectively, for the Mashreq and GCC (Table 4). The migrant population dropped from 1.4 percent of the total population in 1990 to 1.3 percent in 2010. In 2000, Morocco had the highest emigration rate (to OECD and GCC countries combined), at about 9 percent of the resident population. Migrants from the Maghreb countries are often unskilled workers searching for opportunities that allow them to settle permanently in Europe.¹²

¹¹ The North Africa Region (Algeria, Egypt, Morocco, and Tunisia) is estimated to have experienced a 10.6 percent drop in remittances in 2009 as a result of the global financial crisis. World Bank and European Union (2010), p. vxi.

¹² See World Bank and European Union. 2010. p. xv.

TABLE 4 International Migrants by Development Group and Arab World Sub-regions

	Number of Migrants (millions)		Incremental Change (millions)	Percentage Change	Migrants as Percentage of Population	
	1990	2010	1990-2010		1990	2010
World	155.5	213.9	58.4	37.6	2.9	3.1
More developed regions	82.4	127.7	45.4	55.1	7.2	10.3
Less developed regions	73.2	86.2	13.1	17.9	1.8	1.5
Arab region of which	13.1	24.4	11.3	86.8	7.1	8.7
Maghreb	0.9	1.1	0.2	20.2	1.4	1.3
Mashreq	3.5	8.2	4.7	132.0	3.6	5.3
GCC	8.6	15.1	6.5	75.4	37.4	38.6

Source: International Migration Stock: 2008 Revision (<http://esa.un.org/migration/index.asp?panel=1>) and Bank staff calculation

FINANCIAL INTEGRATION

Chapter 4

Although financial systems in the Maghreb have seen improvement in recent years, much remains to be done. Thus far, reforms have focused more on global than on regional integration. Gradually, each country has been lifting restrictions on cross-border capital flows and foreign ownership in order to strengthen domestic financial markets. For example, Tunisia aims to achieve full capital convertibility with a freely floating exchange rate, and Morocco is transitioning to a flexible exchange rate.

Aware of the importance of modernizing their financial sectors, Maghreb countries have initiated reforms to improve their financial sectors (Box 2). Reforms in Morocco have targeted the legal and regulatory framework. Tunisia's objectives are to improve bank governance, to increase transparency and accountability, and to strengthen the regulatory framework. Algeria has modernized its financial system with the promulgation of the Currency and Credit Law in 1990, which liberalized the sector. Reforms in Mauritania are nascent and focused on the regulatory and legal framework of microfinance, exchange market, and the money market. Finally, Libya is in the process of reforming the predominantly state-owned financial system.¹³ Despite these reforms, serious challenges remain to ensuring a sound banking system, strengthening competition in banking, deepening financial markets, strengthening financial sector oversight, and upgrading financial sector infrastructure.

Financial integration is of great importance in the Maghreb. The AMU treaty envisaged the creation of a regional bank, the Maghreb Bank for Investment and Foreign Trade (BMICE). The agreement was signed in 1991, and the Maghreb Ministerial Commission for Finance approved the draft statute for the BMICE in March 2006. The BMICE will be headquartered in Tunisia with a subscribed capital of US\$ 500 million and is expected to be fully operational in the fall of 2010.

¹³ In 2005, the Maghreb countries decided to revive their efforts at regional integration with support from the International Monetary Fund (IMF). They focused on four areas: trade facilitation, financial integration, promotion of the private sector, and joint projects. Four high-level regional conferences were held, but so far only limited progress has been achieved. Some actions have been taken toward harmonizing payment systems and technical platforms, but these remain modest. Agreement was reached to start the Maghreb Bank for Investment and Foreign Trade by this fall after lengthy delays. A few bilateral agreements between central banks have been signed.

BOX 2 The Main Characteristics of the Financial System in the Maghreb

- Bank dominance and heavy public sector presence in most countries
- Limited financial sector openness in some countries; foreign currency purchases by residents are restricted including surrender requirements on foreign exchange receipts that are high in some cases; capital transactions are limited; financial transactions in money, securities, and derivatives markets are subject to restrictions; and the entry of foreign banks remains limited in Algeria and Libya
- Bank soundness exhibits significant cross-country variations
- Public banks burdened with inefficiencies and a high level of nonperforming loans in certain countries
- Still embryonic fixed-income and equity markets, with the exception of Morocco and Tunisia
- Nascent institutional investor industry and generally underdeveloped microfinance
- Relatively weak legal, regulatory, and supervisory frameworks in some countries
- Largely cash-based payment systems in need of further modernization.

Source: Tahari et al. (2007)

The Arab Monetary Fund is coordinating planned improvements to financial integration in MENA, which also benefits the Maghreb subregion. Reforms include ongoing work to identify obstacles to further integration, a project to harmonize payments systems in the region, and analytical work on financial regulation. It is important to note that MENA fi-

nancial systems are generally weak compared to other regions (for example, with regard to transparency and crisis resolution mechanisms). Improving transparency and designing cross-border resolution mechanisms will be even more challenging at a regional level than domestically.

INTEGRATION THROUGH PHYSICAL INFRASTRUCTURE

There is growing evidence of the importance of improved infrastructure and cross-border trade facilitation on the volume of trade and the extent of economic integration. According to a review of the literature on this subject (World Bank 2006), a 10-percent increase in transport costs may reduce trade volume by more than 20 percent, and the decline in transport costs accounts for 8 percent of average world growth since 1945. Doubling the number of paved airports per square kilometer of territory in a country would be expected to boost imports by 14 percent, and doubling the kilometers of paved roads per 100 square kilometers would increase trade by an estimated 13 percent.

Most countries in the subregion have made good progress on investing in and reforming infrastructure and cross-border trade institutions such as customs. There are areas, however, where investment and reforms are still needed to better integrate the subregion. On the infrastructure side, there are missing road links between Algeria and Morocco; railway links and standardization between Algeria, Morocco, and Tunisia; and highway links between Libya and Tunisia. Most of the bottlenecks relate to standardization and harmonization of procedures and institutional capacity building (including training and information sharing). The World Bank is carrying out a study on cross-border trade facilitation and infrastructure in the Maghreb with a view to helping the concerned countries to develop an action plan similar to the one recently completed for the Mashreq.¹⁴

Transport Sector¹⁵

While road density in the Maghreb is higher than the average in Central and Eastern Europe (and in the MENA region), access to railway infrastructure is lower in the

¹⁴ The World Bank's work aims to complement the priorities of the Regional Transport Action Plan for the Mediterranean Region (2007–2013) prepared by the European Union under the Euromed Initiative.

¹⁵ For a summary of the progress made on transportation and logistics in Algeria, Morocco, and Tunisia, see Benabderrazik (2008).

Maghreb. Morocco and Tunisia have higher-density road networks, but only in Tunisia is the road system well developed and maintained. In the domain of maritime transport, Morocco holds the lead due to its strategic geographical position and its 3,000 kilometers of Mediterranean and Atlantic coastline. Morocco has 26 ports and Algeria has 10. The Maghreb's performance on air travel is less strong than other regions, and the main airlines remain small.

Morocco has recently initiated reforms to liberalize the transport sector. In 2003, the country undertook reforms to upgrade the road transport sector and open it up to foreign competition. In 2005, Morocco connected its road network with that of Mauritania by building the Nouadhibou–Nouakchott road. The public railway company was restructured in the late 1990s, and the state-owned maritime company was restructured in 2004. A partial liberalization of air transport took effect in 2004 with two major objectives: making Casablanca Mohammed V Airport a hub for North and West Africa and attracting 10 million tourists by 2010. These reforms have contributed to improving the quality of the transport sector in Morocco.

Additional reforms are still needed. These reforms include privatizing port services and promoting private investment in ports, facilitating foreign investors' access to trade-related transport, modernizing and restructuring state-owned enterprises in the railway sector, and liberalizing airport and air transport services.

Telecommunications Sector

The telecommunications sector serves as input for most other economic activities. Most importantly, the sector plays the role of connector both within national economy and with

the global economy. Jansen and Nordas (2004) found a positive correlation between the ratio of trade to GDP and the density of fixed and mobile phone lines.

The Maghreb lags behind regional comparators on telecommunications infrastructure. Countries in the Maghreb are characterized by low fixed telephone and high mobile phone densities, as well as high costs for making calls. With regard to Internet and multimedia services, the Maghreb is comparable to East Asia in terms of usage but lingers behind other regions on cost and quality. Though the benefits of harmonizing telecommunications policies in the context of regional integration are less evident than for other services, regional cooperation in telecommunications can be a good channel for sharing experiences and good practices. This is the case, for example, among ASEAN economies.

Maghreb countries have initiated telecommunications reforms. Ongoing initiatives include the separation of regulatory functions from operational functions, the creation of independent regulators, privatization of the incumbent telecommunications company, the gradual opening of the fixed-wire network to competition, tendering of competing GSM licenses, and the full liberalization of value-added services. Mauritania has shown more interest in opening its network to regional companies. Three-quarters of the telecommunications sector in Mauritania is owned by Maroc Telecom and Tunisian companies.

Power and Water Sectors

Power and water are excellent drivers for regional integration in the Maghreb. In recent years, many interconnection projects have

allowed the countries of the Maghreb to be hooked to their neighbors' transmission networks. However, the low capacity of these connections permits only emergency and peak exchanges. To further regional integration, several expansions of capacity are planned, including the North Africa–Middle East–Europe Mediterranean Power Pool to connect the power grids of Algeria, Morocco, Tunisia, Libya, Egypt, Spain, and the Middle East. In terms of alternative energy sources, the Maghreb, together with other countries in MENA, has the world's best potential for production of solar power.

The Maghreb performs relatively well within the MENA region on access to electricity, water supply, and sanitation services. Tunisia

has achieved universal coverage in urban areas and 24-hour service. In Morocco, the four largest cities enjoy universal coverage. However, Algeria uses an intermittent supply system. The use of government subsidies in the Maghreb ensures that the cost to consumers of power and water services is relatively low.

The acceptable performance of the Maghreb's power and water sectors could be enhanced through a number of reforms. These sectors continue to be dominated by state-owned monopolies, as recent reforms to introduce competition, restructure the state-owned utilities, and liberalize and modernize the regulatory framework remain marginal. Within the sub-region, Morocco has made the most meaningful progress in reforming its electricity sector.

Chapter 6

CONSTRAINTS TO INTEGRATION IN THE MAGHREB

Trade in the Maghreb has suffered as a result of high tariff levels. The level of applied tariffs in Maghreb countries is nearly double the world average (Hufbauer and Brunel 2008). Applied Most Favored Nation (MFN) tariffs are 19 percent in Algeria and over 20 percent in Tunisia and Morocco. This high level of protection has serious implications for trade in the region.¹⁶ Firms have an incentive to produce import-competing goods, which can limit trade. High duties on imported inputs lower the competitiveness of products exported from the region. There are also significant nontariff barriers to trade in the Maghreb. Using Trade Analysis and Information System (TRAINS) data,¹⁷ the Peterson Institute indicates that Algeria applies nontariff measures to 417 products as compared to 746 and 1,204, respectively, for Tunisia and Morocco (Figure 7).¹⁸

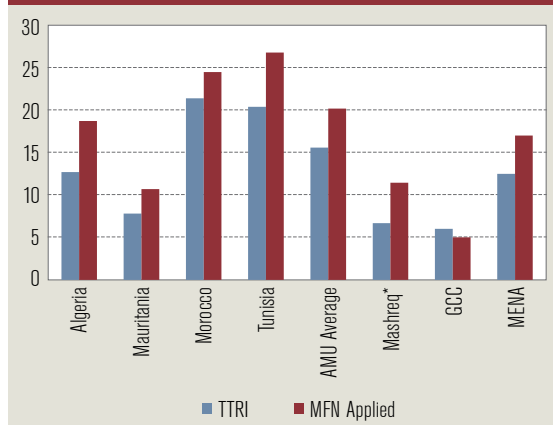
Second, notwithstanding recent improvements in some Maghreb countries (notably Tunisia and Morocco),¹⁹ the overall investment climate in the subregion could be strengthened substantially to promote trade, growth, and jobs. With the exception of Tunisia, all the countries in the subregion rank in the bottom third of the world's countries on the ease of doing business (Figure 8). Overall scores on the Logistics

¹⁶ See Brenton et al. 2006 for a detailed discussion of these implications.

¹⁷ Trade Analysis and Information System.

¹⁸ Nontariff measures (NTMs) have become the most important barriers to trade in the Arab world. These include straightforward border closures, excessive delays resulting from lengthy clearance and inspection processes, the large number of documents and signatures needed to process a trade transaction, and the frequency of problems with customs and other government authorities. According to the Tariff-only Trade Restrictiveness Index (TTRI), only the South Asia region had higher levels of tariff restrictiveness than the MENA region in 2008. When NTMs are included in the calculation of the overall trade restrictiveness index (OTRI), the MENA region comes across as the most restrictive region in the world, driven by high NTMs on agriculture goods. See Chauffour 2010.

¹⁹ As reflected in *Doing Business* reports and the Logistics Performance Indices, World Bank Group.

FIGURE 7 Applied Tariff Rates for Maghreb Countries (2006)

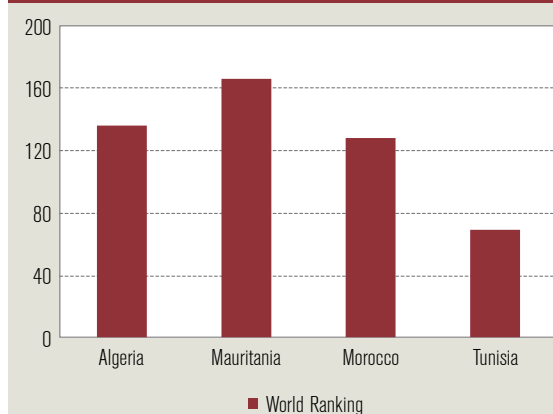
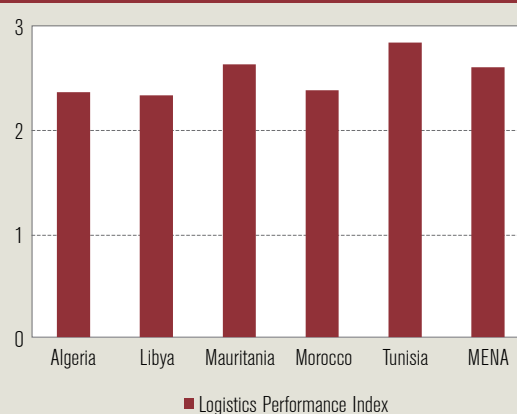
Source: World Trade Indicators

* For the Mashreq, only Jordan has data for MFN Applied and only Lebanon, Jordan, and Egypt have TTRI data.

TTRI reflects the equivalent uniform tariff of a country tariff schedule that would maintain domestic import levels constant. The MFN applied tariff is the simple average of the MFN applied tariff rates (*ad valorem* and *ad valorem* equivalents of specific tariffs).

Performance Index are low, including in comparison to China and India (Figure 9, Table 5).

Third, trade continues to be hindered by high transport, logistics, and communication costs, and by inefficient trade facilitation processes and procedures, underdeveloped transport infrastructure, and inadequate provision of logistics and transport services. A recent IMF study (Bhattacharya and Wolde 2010) shows that only Morocco has an open skies policy. Maghreb countries still lack a well-defined environment for transit and cross-border movement of trucks, which tends toward informality. International railway services have not operated between Morocco and Algeria for years and have been reduced to a minimum between Algeria and Tunisia. The lack of adequate infrastructure constitutes a serious concern for investors.²⁰

FIGURE 8 Ease of Doing Business Ranking***FIGURE 9 Logistics Performance Index****

Source: World Bank's GDF and WDI data, April 2010.

* Doing Business 2010 ranks 183 countries on the ease of doing business, taking the simple average of its percentile rankings in each of ten areas: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business. No score is available for Libya.

** These scores range from one to five, with one indicating the worst performance. The Logistics Performance Index is the weighted average of a country's scores on six key dimensions: customs, infrastructure, international shipments, logistics competence, tracking and tracing, and timeliness. Data are not available for Mauritania or Morocco.

²⁰ See Bhattacharya and Wolde 2010. According to Hufbauer and Brunel 2006, "poor transport infrastructures are reflected in higher direct transport costs and longer time of delivery leading to higher domestic production and trading costs."

TABLE 5 Logistics Performance Index 2010

Country	LPI	Global Rank	Customs	Infrastructure	International Shipments	Logistics Competence	Tracking and Tracing	Timeliness
Tunisia	2.84	61	2.43	2.56	3.36	2.36	2.56	3.57
Morocco*	2.38	94	2.20	2.33	2.75	2.13	2.00	2.86
Mauritania*	2.63	67	2.40	2.20	2.60	2.70	2.80	3.10
Algeria	2.36	130	1.97	2.06	2.70	2.24	2.26	2.81
Libya	2.33	132	2.15	2.18	2.28	2.28	2.08	2.98
India	3.12	47	2.70	2.91	3.13	3.16	3.14	3.61
China	3.49	27	3.16	3.54	3.31	3.49	3.55	3.91

Source: <http://info.worldbank.org/etools/tradesurvey/mode1b.asp#ranking>.

* Figures are for 2007.

Finally, notwithstanding the AMU, political commitment to intraregional integration seems to take second priority behind intensifying each Maghreb country's individual trade ties with the EU. Integration with the EU could serve as a driver for subregional integration within the Maghreb, as it helps individual

countries to harmonize their trade policies with the EU and to become more competitive in the international market, but it should not preclude needed improvements in the enabling environment for deeper trade integration within the Maghreb.

As in MENA more broadly, trade between the Maghreb countries and the rest of the world is limited, with exports concentrated in a few commodities or products. There are wide country variations, however, with Morocco and Tunisia exhibiting higher trade volumes and greater export diversification. The bulk of Maghreb trade is with Europe, which is partly a reflection of historical conditions, the nature of trade commodities, and, more recently, efforts on the part of individual countries to liberalize trade with Europe.

Despite the establishment of the AMU some two decades ago, trade within the Maghreb remains low in absolute and relative terms and by comparison to other world trading blocs. In 2007, intra-Maghreb trade represented less than 2 percent of the subregion's combined GDP and less than 3 percent of total sub-regional trade. This goes against the conventional gravity model, which predicts that countries trade more with nearby countries. Some of the reasons for the Maghreb's low trade performance include high barriers to trade, logistical bottlenecks, lack of diversification of the production base, and political considerations. The region has seen some increases in intraregional infrastructure links and trade facilitation improvements, but much remains to be done, notably on cross-border facilitation logistics and physical infrastructure investments.

The focus on trade liberalization with the EU is a welcome development, as it enables individual Maghreb countries to lock in policies that would eventually help them harmonize their own policies. The same argument can be made

regarding accession to the WTO. It will be critical for Maghreb countries to align and harmonize their policies so as to reduce market segmentation and the costs arising from border trade barriers. Countries in the subregion would reap significant additional benefits if, in parallel to their work on liberalizing trade with Europe, they improved conditions for trade among themselves and within MENA more broadly. The high level of market and product concentration is a source of vulnerability for the Maghreb economies. One of the key policy steps that Arab countries can take in the context of PAFTA is the streamlining of non-tariff measures, which are exceptionally high in the Maghreb.

Trade in services varies from one Maghreb country to another and over time. Morocco has seen the most substantial growth in the services trade as a share of GDP in recent years. Tunisia is the most active country, with trade representing more than 20 percent of GDP. Both countries are net exporters of services (especially tourism), while Algeria is a net importer. Comprehensive

services reforms in areas such as the financial sector, transportation and logistics, and communications and information, which involve increased competition and regulatory streamlining, would yield benefits that are two to three times the magnitude of those achieved

through tariff removal alone. The capital market is also showing signs of integration, with countries implementing significant structural reforms (particularly Morocco and Tunisia) and investors from the GCC searching for opportunities.

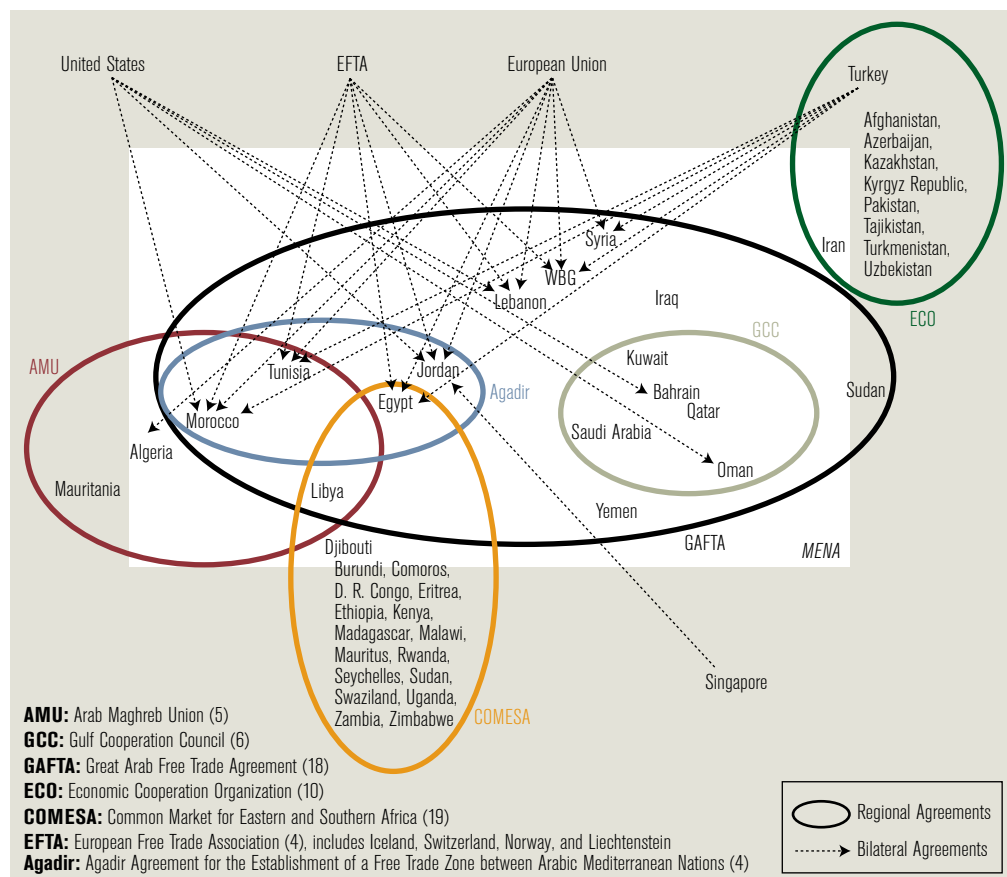
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TRADE AGREEMENTS IN THE MENA REGION

Annex1



Source: World Bank. 2008. MENA Economic Developments and Prospects.

Annex 2 STATISTICAL TABLES

TABLE A2.1 MENA Total Trade, 2007 (US\$ millions)

TOTAL TRADE WITH THE WORLD			
	Total Exports (in US\$ million)	Total Imports (in US\$ million)	Total Trade
MENA Region	752,054	482,435	1,234,489
<i>By geographic sub-region</i>			
GCC Countries	458,055	279,455	737,509
Bahrain	6,878	11,511	18,389
Kuwait	57,799	21,248	79,047
Oman	22,137	15,952	38,088
Qatar	40,586	23,388	63,974
Saudi Arabia	220,359	89,540	309,899
United Arab Emirates	110,296	117,816	228,112
Maghreb	132,697	78,324	211,020
Algeria	54,859	27,629	82,488
Libya	45,674	11,561	57,234
Morocco	17,188	31,624	48,812
Tunisia	14,976	19,071	34,046
(Mauritania)*	1,316	1,430	2,746
Mashreq	50,562	43,192	93,754
Iraq	36,302	10,437	46,739
Jordan	4,437	13,406	17,843
Lebanon	2,642	11,990	14,632
Occ.Pal.Terr	64	3,141	3,206
Syrian Arab Republic	7,117	14,655	21,772
Other	110,741	81,465	192,206
Egypt	24,344	26,927	51,271
Djibouti	202	2,051	2,253
Iran	79,407	43,985	123,392
Yemen	6,788	8,502	15,290

Source: World Trade Integrated Solution.

*Mauritania is not part of the aggregates.

TOTAL TRADE WITHIN REGIONS			TOTAL TRADE WITHIN SUB-REGIONS		
Total Exports (in US\$ million)	Total Imports (in US\$ million)	Total Trade	Total Exports (in US\$ million)	Total Imports (in US\$ million)	Total Trade within each Sub-Region (in US\$ million)
65,314	57,107	122,421			
49,015	26,076	75,091	26,559	19,516	46,076
1,465	1,106	2,571	1,189	1,012	2,201
1,811	3,150	4,961	1,186	2,244	3,430
3,989	5,020	9,009	3,341	4,748	8,089
2,247	3,682	5,929	2,015	3,283	5,298
21,245	6,889	28,134	13,046	3,786	16,832
18,259	6,228	24,487	5,783	4,443	10,225
3,981	7,644	11,626	2,808	3,142	5,950
1,239	927	2,166	709	280	988
744	749	1,494	744	749	1,494
568	4,328	4,896	198	1,091	1,288
1,431	1,639	3,070	1,157	1,022	2,179
4,444	14,531	18,975	1,380	1,380	2,760
288	1,976	2,264	233		233
1,285	4,708	5,993	276	510	787
1,197	1,731	2,928	274	281	556
40	2,386	2,427	31	45	76
1,635	3,729	5,364	565	543	1,109
7,873	8,857	16,730	194	162	356
4,671	4,752	9,423	135	49	183
148	715	863	7	28	35
2,807	1,236	4,042	29	9	39
247	2,154	2,401	23	77	99

TABLE A2.2 MENA Total Trade, 2007 (% GDP)

TOTAL TRADE WITH THE WORLD			
	Total Exports (% GDP)	Total Imports (% GDP)	Total Trade (% GDP)
MENA Region	46.5	29.8	76.3
<i>By geographic sub-region</i>			
GCC Countries	57.7	35.2	92.9
Bahrain	62.5	104.6	167.2
Kuwait	52.5	19.3	71.9
Oman	55.3	39.9	95.2
Qatar	57.2	32.9	90.1
Saudi Arabia	57.7	23.4	81.1
United Arab Emirates	61.3	65.5	126.7
Maghreb	42.3	24.9	67.2
Algeria	40.9	20.6	61.6
Libya	65.2	16.5	81.8
Morocco	22.9	42.2	65.1
Tunisia	42.8	54.5	97.3
(Mauritania)*	49.8	54.1	103.9
Mashreq	35.6	30.4	66.0
Iraq	58.6	16.8	75.4
Jordan	27.7	83.8	111.5
Lebanon	10.6	48.0	58.5
Occ.Pal.Terr	—	—	—
Syrian Arab Republic	18.2	37.6	55.8
Other	30.1	22.1	52.3
Egypt	18.4	20.4	38.8
Djibouti	25.2	256.4	281.6
Iran, Islamic Republic of	36.8	20.4	57.1
Yemen	35.7	44.7	80.5

Source: Table A2.1.

*Mauritania is not part of the aggregates.

TOTAL TRADE WITHIN REGIONS			TOTAL TRADE WITHIN SUB-REGIONS		
Total Exports (% GDP)	Total Imports (% GDP)	Total Trade (% GDP)	Total Exports (% GDP)	Total Imports (% GDP)	Total Trade (% GDP)
4.0	3.5	7.6			
6.2	3.3	9.5	3.3	2.5	5.8
13.3	10.1	23.4	10.8	9.2	20.0
1.6	2.9	4.5	1.1	2.0	3.1
10.0	12.6	22.5	8.4	11.9	20.2
3.2	5.2	8.4	2.8	4.6	7.5
5.6	1.8	7.4	3.4	1.0	4.4
10.1	3.5	13.6	3.2	2.5	5.7
1.3	2.4	3.7	0.9	1.0	1.9
0.9	0.7	1.6	0.5	0.2	0.7
1.1	1.1	2.1	1.1	—	—
0.8	5.8	6.5	0.3	1.5	1.7
4.1	4.7	8.8	3.3	2.9	6.2
3.1	10.2	13.4	1.0	1.0	1.9
0.5	3.2	3.7	0.4	—	—
8.0	29.4	37.5	1.7	3.2	4.9
4.8	6.9	11.7	1.1	1.1	2.2
—	—	—	—	—	—
4.2	9.6	13.8	1.4	1.4	2.8
2.1	2.4	4.5	0.1	0.0	0.1
3.5	3.6	7.1	0.1	0.0	0.1
18.5	89.4	107.9	0.9	3.4	4.4
1.3	0.6	1.9	0.0	0.0	0.0
1.3	11.3	12.6	0.1	0.4	0.5

TABLE A2.3 MENA Non-Oil Trade, 2007 (US\$ millions)

TOTAL NON-FUEL TRADE WITH THE WORLD			
	Total Non-Fuel Exports (in US\$ million)	Total Non-Fuel Imports (in US\$ million)	Total Non-Fuel Trade (in US\$ million)
MENA Region	142,436	453,725	596,161
<i>By geographic sub-region</i>			
GCC Countries	71,811	271,369	343,180
Bahrain	4,279	5,524	9,802
Kuwait	2,778	21,126	23,904
Oman	2,169	15,391	17,560
Qatar	3,993	23,263	27,255
Saudi Arabia	29,912	89,316	119,228
United Arab Emirates	28,680	116,750	145,429
Maghreb	33,422	69,211	102,633
Algeria	2,478	27,319	29,797
Libya	1,548	1,210	2,758
Morocco	16,736	25,274	42,009
Tunisia	12,661	16,618	29,279
(Mauritania)*	977	994	1,971
Mashreq	10,456	31,620	42,076
Iraq	664	215	879
Jordan	4,397	10,460	14,857
Lebanon	2,636	9,372	12,008
Occ.Pal.Terr	64	1,917	1,981
Syrian Arab Republic	2,695	9,870	12,565
Other	26,748	81,524	108,272
Egypt	14,339	22,953	37,292
Djibouti	175	782	957
Iran, Islamic Republic of	11,814	3,682	15,495
Yemen	420	6,678	7,098

Source: World Trade Integrated Solution.

*Mauritania is not part of the aggregates.

TOTAL NON-FUEL TRADE WITHIN REGIONS			TOTAL NON-FUEL TRADE WITHIN SUB-REGIONS		
Total Non-Fuel Exports (in US\$ million)	Total Non-Fuel Imports (in US\$ million)	Total Non-Fuel Trade (in US\$ million)	Total Exports (in US\$ million)	Total Imports (in US\$ million)	Total Trade (in US\$ million)
52,960	38,217	91,177			
40,124	24,904	65,028	21,182	18,514	39,696
1,457	1,064	2,521	1,181	973	2,154
1,801	3,066	4,868	1,179	2,161	3,340
3,444	4,617	8,061	2,800	4,345	7,144
1,215	3,576	4,791	1,001	3,178	4,179
14,166	6,834	21,000	9,320	3,743	13,064
18,041	5,747	23,788	5,701	4,114	9,815
2,276	3,776	6,051	1,516	1,660	3,176
211	909	1,121	177	278	455
117	741	858	—	830	—
562	1,476	2,038	192	391	584
1,385	650	2,035	1,146	161	1,307
4,207	6,615	10,822	1,158	1,158	2,317
66	22	88	16	—	—
1,284	2,003	3,286	276	500	776
1,191	1,251	2,442	274	279	553
40	1,167	1,207	30	44	75
1,627	2,172	3,799	562	335	896
6,352	2,923	9,276	162.15	74.59	237
4,164	1,210	5,374	135	—	135
148	591	738	—	27	27
1,841	237	2,078	28	—	28
200	885	1,085	—	47	47

TABLE A2.4 MENA Non-Oil Trade, 2007 (% GDP)

TOTAL NON-FUEL TRADE WITH THE WORLD			
	Total Non-Fuel Exports (% GDP)	Total Non-Fuel Imports (% GDP)	Total Non-Fuel Trade (% GDP)
MENA Region	8.81	28.06	36.87
<i>By geographic sub-region</i>			
GCC Countries	9.04	34.18	43.22
Bahrain	38.90	50.22	89.11
Kuwait	2.53	19.21	21.73
Oman	5.42	38.48	43.90
Qatar	5.62	32.76	38.39
Saudi Arabia	7.83	23.38	31.21
United Arab Emirates	15.93	64.86	80.79
Maghreb	10.64	22.04	32.69
Algeria	1.85	20.39	22.24
Libya	2.21	1.73	3.94
Morocco	22.31	33.70	56.01
Tunisia	36.17	47.48	83.65
(Mauritania)*	36.97	37.61	74.58
Mashreq	7.36	22.27	29.63
Iraq	1.07	0.35	1.42
Jordan	27.48	65.38	92.86
Lebanon	10.54	37.49	48.03
Occ.Pal.Terr	—	—	—
Syrian Arab Republic	6.91	25.31	32.22
Other	7.27	22.17	29.44
Egypt	10.86	17.39	28.25
Djibouti	21.84	97.80	119.64
Iran, Islamic Republic of	5.47	1.70	7.17
Yemen	2.21	35.14	37.36

Source: Table A2.3.

*Mauritania is not part of the aggregates.

TOTAL NON-FUEL TRADE WITHIN REGIONS			TOTAL TRADE WITHIN SUB-REGIONS		
Total Non-Fuel Exports (% GDP)	Total Non-Fuel Imports (% GDP)	Total Non-Fuel Trade (% GDP)	Total Non-Fuel Exports (% GDP)	Total Non-Fuel Imports (% GDP)	Total Non-Fuel Trade (% GDP)
3.28	2.36	5.64	—	—	—
5.05	3.14	8.19	2.67	2.33	5.00
13.24	9.67	22.92	10.73	8.85	19.58
1.64	2.79	4.43	1.07	1.96	3.04
8.61	11.54	20.15	7.00	10.86	17.86
1.71	5.04	6.75	1.41	4.48	5.89
3.71	1.79	5.50	2.44	0.98	3.42
10.02	3.19	13.22	3.17	2.29	5.45
0.72	1.20	1.93	0.48	0.53	1.01
0.16	0.68	0.84	0.13	0.21	0.34
0.17	1.06	1.23			
0.75	1.97	2.72	0.26	0.52	0.78
3.96	1.86	5.81	3.27	0.46	3.73
2.96	4.66	7.62	0.82	0.82	1.63
0.11	0.04	0.14	0.03		
8.02	12.52	20.54	1.72	3.13	4.85
4.76	5.01	9.77	1.10	1.12	2.21
—	—	—	—	—	—
4.17	5.57	9.74	1.44	0.86	2.30
1.73	0.79	2.52	0.04	0.02	0.06
3.15	0.92	4.07	0.10	—	0.10
18.45	73.84	92.29	—	3.42	3.42
0.85	0.11	0.96	0.01	—	0.01
1.05	4.66	5.71	—	0.25	0.25

TABLE A2.5 A MENA Exports by Products, as % of total Exports of Products, 2007

Table 3 as % of total exports of products	Primary commodities (SITC 0 + 1 + 2 + 3 + 4 + 68 + 667 + 971)	Primary commodities, excluding fuels (SITC 0 + 1 + 2 + 4 + 68 + 667 + 971)	All food items (SITC 0 + 1 + 22 + 4)	Food, basic (SITC 0 + 22 + 4)	Food, basic excluding tea, coffee, cocoa and spices (SITC 0 + 22 + 4 less 07)	Beverages and tobacco (SITC 1)
MENA	86.3	5.5	2.4	2.3	2.1	0.2
GCC	87.4	4.5	1.1	1.0	0.9	0.1
Bahrain	90.2	11.1	0.5	0.4	0.4	0.1
Kuwait	94.9	0.5	0.2	0.2	0.2	0.0
Oman	90.4	3.6	2.4	2.2	2.2	0.2
Qatar	90.3	0.2	0.1	0.1	0.1	0.0
Saudi Arabia	89.4	1.3	0.9	0.8	0.8	0.1
UAE	77.5	13.7	2.2	1.9	1.7	0.3
Maghreb	81.9	5.7	3.6	3.5	3.5	0.1
Algeria	99.1	0.7	0.2	0.1	0.1	0.0
Libya	96.9	0.4	0.1	0.1	0.1	0.0
Morocco	34.9	31.0	19.1	18.9	18.6	0.1
Tunisia	28.3	11.7	9.8	9.2	8.9	0.6
Mauritania *	94.6	69.6	12.9	12.9	12.9	—
Mashreq	84.0	8.3	5.9	5.4	4.9	0.5
Iraq	99.7	0.1	0.1	0.1	0.1	
Jordan	20.8	20.1	13.1	11.4	11.1	1.7
Lebanon	51.5	51.2	16.1	12.7	11.3	3.4
Syria	64.9	23.4	21.0	20.0	17.9	1.0
Other	87.5	9.0	5.8	5.6	5.2	0.2
Egypt	77.8	15.4	9.4	9.4	9.2	0.0
Djibouti	95.1	81.8	73.3	73.3	71.5	0.0
Iran	88.6	8.0	5.0	4.8	4.4	0.2
Yemen	96.7	6.2	5.3	4.8	4.5	0.4

Source: UNCTAD, Statistical Report 2009

*Mauritania is not part of the aggregates.

Agricultural raw materials (SITC 2 less 22, 27 and 28)	Ores, metals, precious stones and non-monetary gold (SITC 27 + 28 + 68 + 667 + 971)	Ores and metals (SITC 27 + 28 + 68)	Non-ferrous metals (SITC 68)	Other ores and metals (SITC 27 + 28)	Pearls, precious stones and non-monetary gold (SITC 667 + 971)	Fuels (SITC 3)
	0.2	2.9	1.6	0.9	1.3	80.7
0.1	3.3	1.4	0.9	0.4	1.9	82.8
0.0	10.6	10.6	9.0	1.6	0.0	79.1
0.1	0.2	0.2	0.0	0.2	0.0	94.4
0.0	1.2	1.2	0.6	0.6	0.0	86.8
0.0	0.1	0.1	0.0	0.1	0.0	90.1
0.1	0.4	0.3	0.1	0.2	0.1	88.1
0.3	11.2	3.4	2.5	0.9	7.8	63.8
0.3	1.8	1.8	0.4	1.4	0.0	76.2
0.0	0.5	0.5	0.1	0.4	0.0	98.4
0.0	0.3	0.2	0.0	0.2	0.1	96.5
1.5	10.4	10.3	2.2	8.2	0.1	3.8
0.5	1.4	1.4	0.4	1.0	0.0	16.6
0.0	56.7	53.9	—	53.9	2.8	25.0
0.3	2.1	1.4	0.3	1.1	0.7	75.7
0.0	0.0	0.0		0.0		99.6
0.3	6.7	5.9	0.9	5.0	0.8	0.7
1.0	34.1	17.2	3.2	14.0	16.9	0.3
1.2	1.2	1.2	0.7	0.5		41.5
0.6	2.6	2.5	1.5	1.0	0.1	78.5
1.9	4.0	3.3	1.7	1.6	0.7	62.4
2.8	5.7	2.1	0.3	1.8	3.6	13.2
0.4	2.5	2.5	1.6	0.9	0.0	80.6
0.2	0.8	0.3	0.1	0.2	0.5	90.5

TABLE A2.5 B MENA Exports by Products, as % of total Exports of Products, 2007

Table 3 as % of total exports of products	Manufactured goods (SITC 5 to 8 less 667 and 68)	Chemical products (SITC 5)	Machinery and transport equipment (SITC 7)	Other manufactured goods (SITC 6 + 8 less 667 and 68)	Iron and steel (SITC 67)
MENA	13.7	4.3	4.0	5.5	0.7
GCC	12.6	4.6	4.5	3.6	0.5
Bahrain	9.8	4.5	1.9	3.4	0.1
Kuwait	5.1	2.6	1.7	0.7	0.0
Oman	9.6	3.3	3.5	2.8	0.6
Qatar	9.7	7.7	1.0	0.9	0.7
Saudi Arabia	10.6	6.1	2.4	2.1	0.5
UAE	22.5	2.0	11.4	9.0	0.5
Maghreb	18.1	3.7	4.5	9.9	0.8
Algeria	0.9	0.5	0.0	0.4	0.3
Libya	3.1	1.9	0.1	1.2	1.1
Morocco	65.1	14.8	16.7	33.7	1.4
Tunisia	71.7	9.7	19.7	42.3	1.4
Mauritania *	0.0	—	—	0.0	—
Mashreq	16.0	4.0	2.9	9.1	0.2
Iraq	0.3	0.0	0.2	0.0	
Jordan	79.2	26.4	17.7	35.1	1.2
Lebanon	48.5	13.1	4.7	30.7	1.1
Syria	35.1	5.4	5.0	24.8	0.3
Other	12.5	3.6	1.2	7.7	2.7
Egypt	22.2	5.5	0.4	16.3	5.5
Djibouti	4.9	1.0	1.2	2.8	0.0
Iran	11.4	3.6	1.2	6.6	2.4
Yemen	3.3	0.4	2.1	0.8	0.0

Source: UNCTAD, Statistical Report 2009

TABLE A2.6 Concentration and Diversification Indices of Export Products in MENA

Exporters	1995			2007		
	Number of products	Concentration Index	Diversification Index	Number of products	Concentration Index	Diversification Index
MENA	152	0.51	0.71	196	0.49	0.69
GCC	174	0.69	0.78	214	0.62	0.76
Bahrain	138	0.48	0.77	150	0.78	0.82
Kuwait	135	0.94	0.83	187	0.66	0.82
Oman	189	0.77	0.71	210	0.58	0.68
Qatar	102	0.64	0.83	238	0.50	0.81
Saudi Arabia	220	0.74	0.86	242	0.76	0.78
UAE	258	0.56	0.69	258	0.42	0.64
Maghreb	123	0.42	0.69	165	0.44	0.71
Algeria	99	0.53	0.81	121	0.60	0.81
Libya	29	0.77	0.52	95	0.85	0.80
Morocco	169	0.18	0.75	203	0.15	0.68
Tunisia	193	0.22	0.66	240	0.18	0.56
Mashreq	177	0.28	0.64	203	0.29	0.57
Iraq						
Jordan	221	0.21	0.64	231	0.17	0.59
Lebanon	180	0.10	0.59	190	0.37	0.54
Syria	131	0.54	0.69	188	0.32	0.57
Other	136	0.66	0.75	202	0.62	0.74
Egypt	164	0.25	0.66	238	0.31	0.67
Djibouti						
Iran	175	0.83	0.82	238	0.75	0.75
Yemen	70	0.89	0.76	130	0.78	0.79

Sources: UN Comtrade statistics

Concentration index reflects the Herfindahl-Hirschmann index of the export product concentration of a country or a group of countries. It ranges between 0 to 1 where 1 represents total concentration. Diversification index reveals the extent of the differences between the structure of trade of the country or group of countries and the world average. The index value ranges from 0 to 1.

Djibouti Egypt Jordan Kuwait Lebanon Libya Iran Iraq Morocco
Mauritania Oman Qatar Syria Saudi Arabia Tunisia United Arab
Emirates West Bank and Gaza Yemen Algeria Bahrain Djibouti Egypt Jordan
Kuwait Lebanon Libya Iran Iraq Morocco Mauritania Oman Qatar
Syria Saudi Arabia Tunisia United Arab Emirates West Bank and
Gaza Yemen Algeria Bahrain Djibouti Egypt Jordan Kuwait Lebanon
Libya Iran Iraq Morocco Mauritania Oman Qatar Syria Saudi Arabia
Tunisia United Arab Emirates West Bank and Gaza Yemen Algeria
Bahrain Djibouti Egypt Jordan Kuwait Lebanon Libya Iran Iraq M
Mauritania Oman Qatar Syria Saudi Arabia Tunisia United Ara
West Bank and Gaza Yemen Algeria Bahrain Djibouti Egypt Jor
Kuwait Lebanon Libya Iran Iraq Morocco Mauritania Oman Qatar
Syria Saudi Arabia Tunisia United Arab Emirates West Bank a
Yemen Algeria Bahrain Djibouti Egypt Jordan Kuwait Lebanon L
Iran Iraq Morocco Mauritania Oman Qatar Syria Saudi Arabia T
United Arab Emirates West Bank and Gaza Yemen Algeria Bahr
Djibouti Egypt Jordan Kuwait Lebanon Libya Iran Iraq Morocco

Economic Integration in the Maghreb



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