Trade, Growth, and Jobs

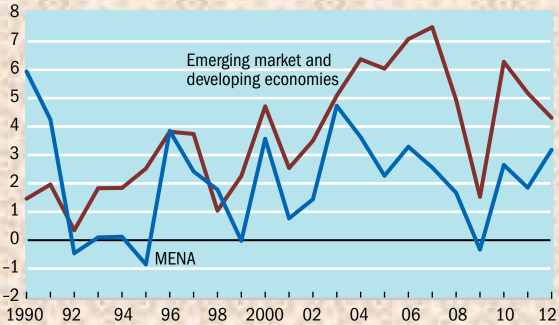
Closer trade integration would reward countries in the Middle East with increased growth and jobs

COUNTRIES in the Middle East and North Africa (MENA) have lagged behind emerging market and developing economies in both economic growth and trade over the past two decades, and trade has not been the significant engine of growth in these countries that it has been in others. Not surprisingly, lackluster economic growth in the MENA region has restrained employment growth, which has not kept pace with a rapidly expanding workforce.

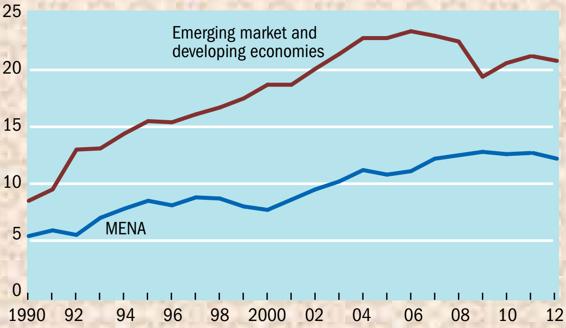
Worker collects barley in Algiers, Algeria.

GDP per capita and exports in the MENA region are significantly lower than the average for emerging market and developing economies.

(real GDP per capita, annual percent change)



(non-oil merchandise exports, percent of GDP)



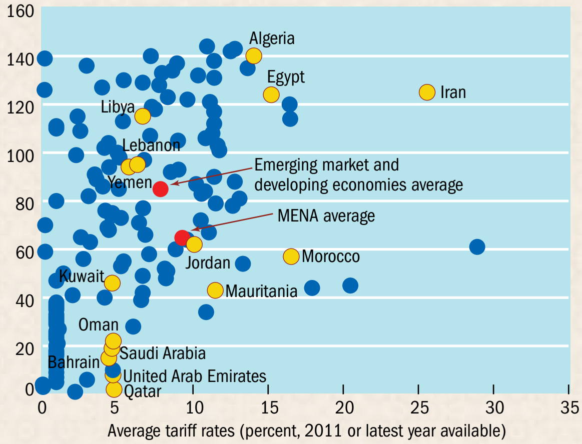
Source: IMF, World Economic Outlook database.

Market access

Trade restrictiveness is one important problem holding back the region. It remains high despite significant tariff reforms. Most MENA oil importers have streamlined and lowered tariffs over the past two decades, often via trade agreements with the European Union and the United States. But oil importers' tariffs—averaging about 10 percent in 2011—remain high.

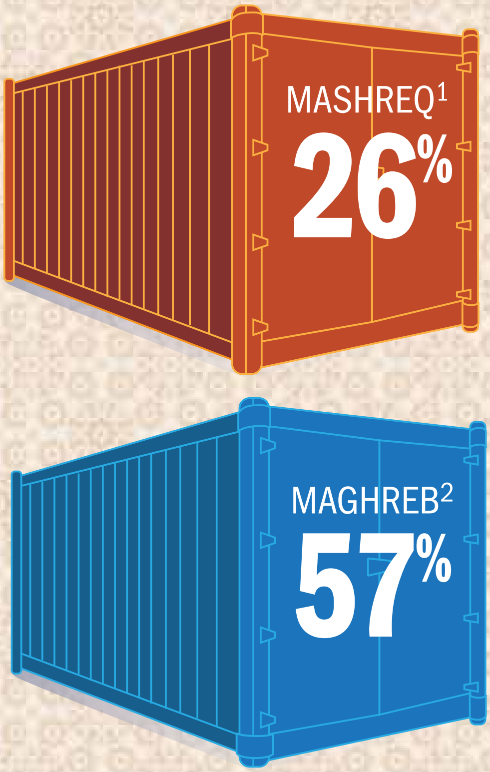
MENA countries have considerable trade restrictions among the 139 countries surveyed.

(overall trade barriers, ranking from 1 to 144, with 1 being the least restrictive)



Source: World Economic Forum, *The Global Competitiveness Report*, 2012–2013.

Europe is a key export destination for the MENA region.
(exports to the European Union, percent of total exports, 2011)



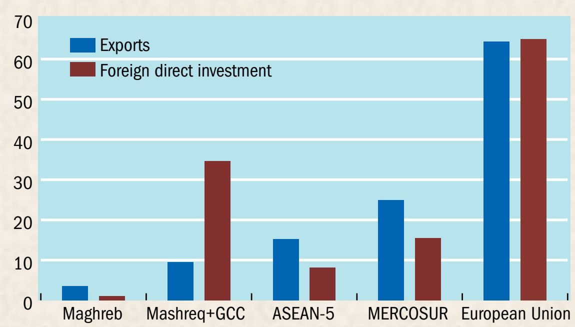
Source: IMF, Direction of Trade Statistics database.
[1]Egypt, Jordan, Lebanon, and Syria.
[2]Algeria, Libya, Mauritania, Morocco, and Tunisia.

Operations at Khalifa Bin Salman Port in Hidd, Bahrain.

Regional integration

Trade, particularly in the North African countries, remains oriented mainly toward Europe, and the region has thus benefited relatively little from the high growth of many emerging markets. Deeper trade integration with international markets could give the MENA region a substantial economic boost. Empirical evidence suggests that increasing the region's openness to equal that of emerging Asia could raise annual per capita GDP growth by almost a full percentage point. MENA oil importers also trade little with their immediate neighbors. Given their close proximity (distance is one of the most important determinants of trade), these countries could be exporting about 50 percent more than they currently are.

Trade within the MENA regional groups remains very low.
(intraregional share of exports and stock of foreign direct investment, 2011 or latest available, percent)



Sources: ASEAN; EUROSTAT; IsDB; UNCTAD; Arab Investment and Export Credit Guarantee Corporation; and national sources.
Note: Maghreb = Algeria, Libya, Mauritania, Morocco, and Tunisia; Mashreq + GCC = Egypt, Jordan, Lebanon, Syria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates; MERCOSUR = Argentina, Brazil, Paraguay, and Uruguay; and ASEAN-5 = Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

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