



UNITED NATIONS

الاسواق
ESCWA

Economic and Social Commission for Western Asia

Executive Committee, 6th meeting
Marrakech, Morocco. 16-15 June 2019

Assessing Arab Economic Integration the Missing Roles of Trade in Services

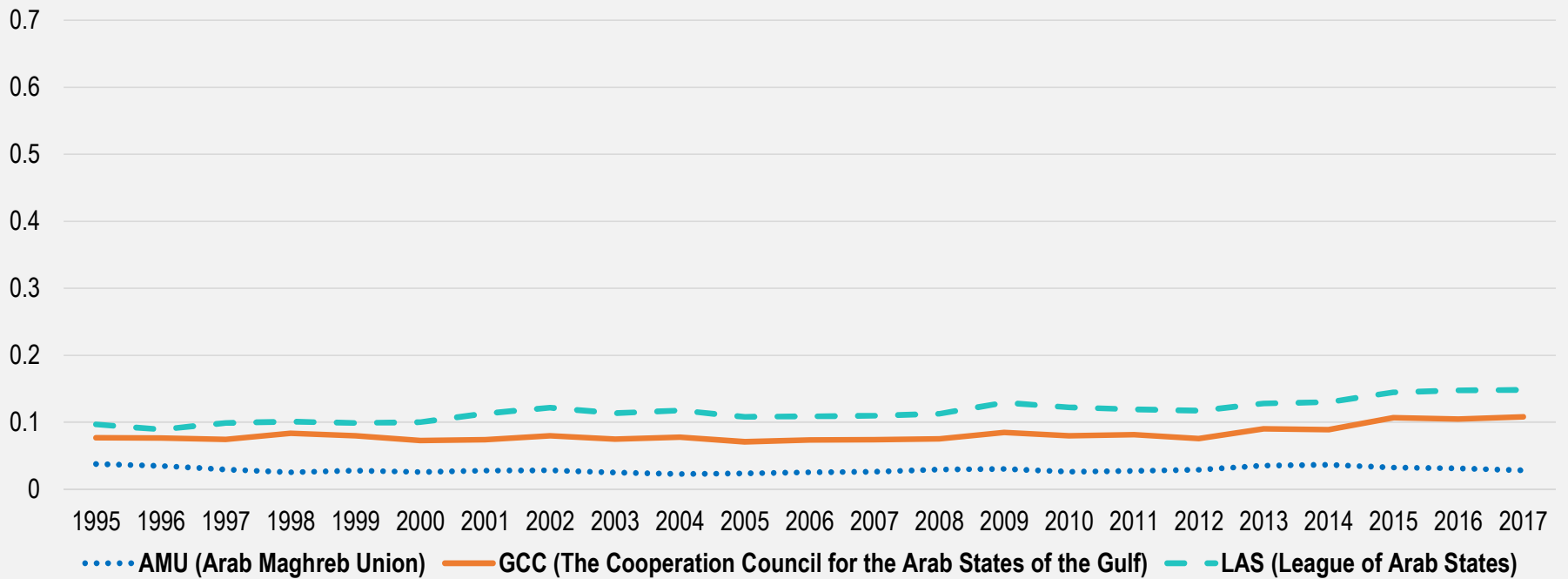
The status of Arab Regional and Global Economic Integration

- Arab intraregional trade failed to surge, mostly stagnant as a share of total trade
- Diversification of products remain limited
- Intraregional and extraregional exports less dynamic: existing products or markets tend make up a greater portion of the change in merchandise exports
- Limited engagement in international production networks
- Prominent factors weighing on Arab economic regional and global integration:
 - Limited scope of trade agreements, covering goods
 - Prevalence of non-tariff measures
 - Restrictive rules of origin
 - Overlapping trade agreements: a challenge for private firms
 - Capital account restrictions

The status of Arab Regional and Global Economic Integration

Intra-Arab trade remains limited...

The share of intraregional trade in total merchandise trade



Source: UNCTAD, 2019

Objectives of the presentation

To present the system of indices to monitor and evaluate Arab regional and global economic integration, developed by ESCWA

To provide some analysis on the missing role of trade in services in the Arab region

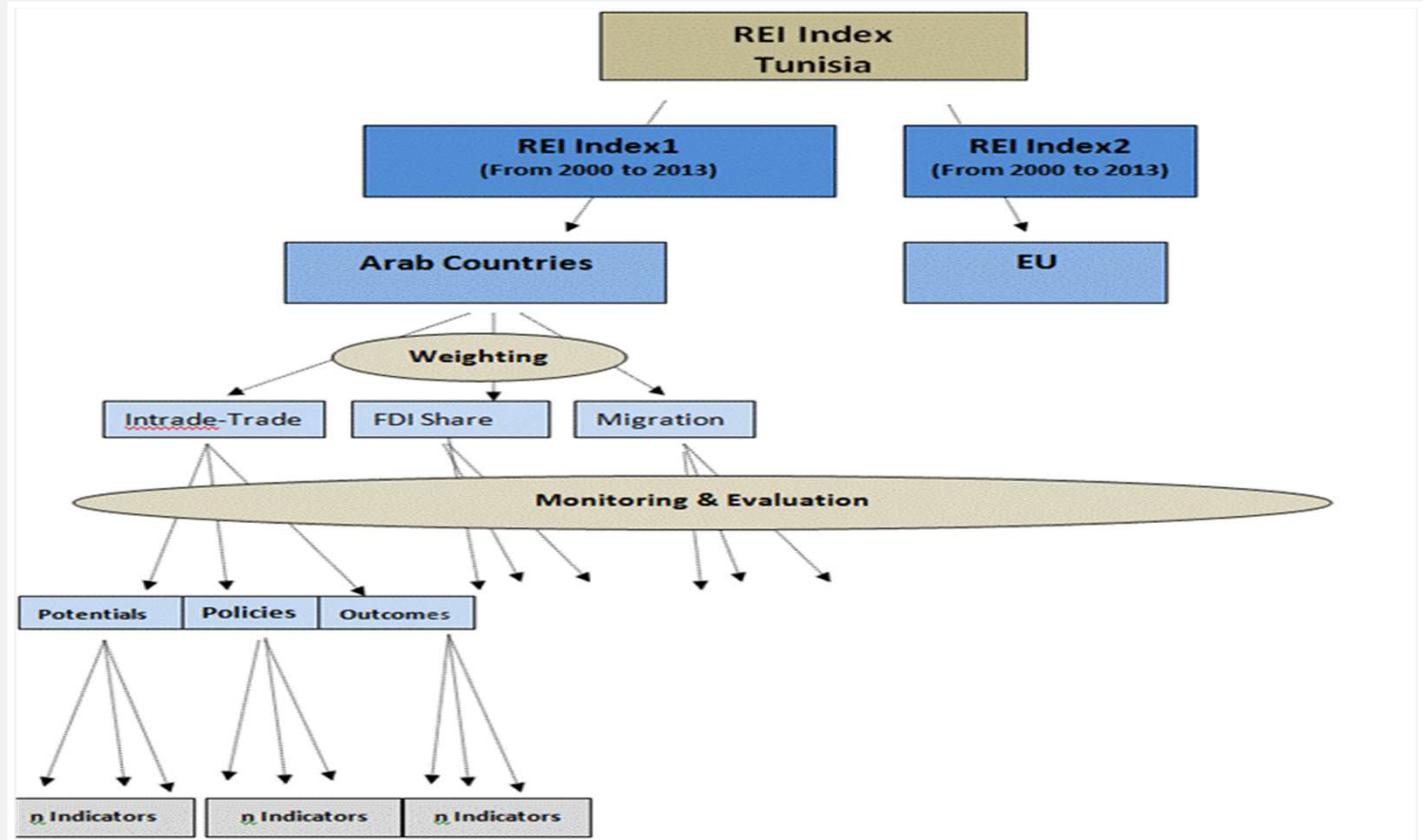
To present the demo version of the Arab Trade Integration Monitoring and Evaluation Platform



ESCWA Monitoring and Evaluating System

Nested Structure of the Composite Arab Economic Integration Index

Arab Economic Integration Index



ESCWA Monitoring and Evaluating System

Structure: 3 Composite Indexes

Global

GLOBALIZATION Index

- Are Arab countries falling behind the top best performers?
- What are the main channels of countries integration?
- Is there regional patterns?

Regional

FLOW INTENSITY Index

- What are the country(ies) that are engine of economic integration at the regional level?
- What linkages between regional and global integration?
- What is countries' level of vulnerability to foreign shocks?
- How integration can help as an engine of economic growth?

Bilateral

Bilateral FLOW INTENSITY Index

- Is the framework in which countries are operating conducive? Are the obstacles structural or not?
- What is the relative intensity of governments' efforts?
- What are the nature, channels, potential for further intraregional integration?
- What is each country comparative advantage?
- ...

ESCWA Monitoring and Evaluating System

3 Scoreboards

Enablers

Structure of the economy

Mining VA as % of GDP
Fossil fuel energy conso (% total)
Gross national savings
Lending rates

Labor Force quality

Life expectancy at birth
Urban to rural pop

Infrastructure quality

Internet bandwidth
Electricity production

Conflict

Policies

Trade

Tariffs
Non-tariff measures
Rules of Origins

Business climate

Taxes on goods and services
Corporate taxes
Chinn-Ito Openness index (0-1)

Human capital

Gov exp in education (% total exp)
Gov exp in education (% GDP)
Health exp Gov (% total exp)
Health exp Gov (% GDP)

Infrastructure

Rail lines (total route km)
Air transport freight (million ton)
Length of total road
Length of paved road

Outcomes

Logistics

Container port throughput (TEU)
Liner shipping connectivity index
Air transport, passengers carried

Trade

Merchandise and services exports and imports (% GDP)

Investment

FDI stocks & flows, in /outflows
Portfolio stocks & flows, in/outflows

People

Emigrants and Immigrants, tourists, students

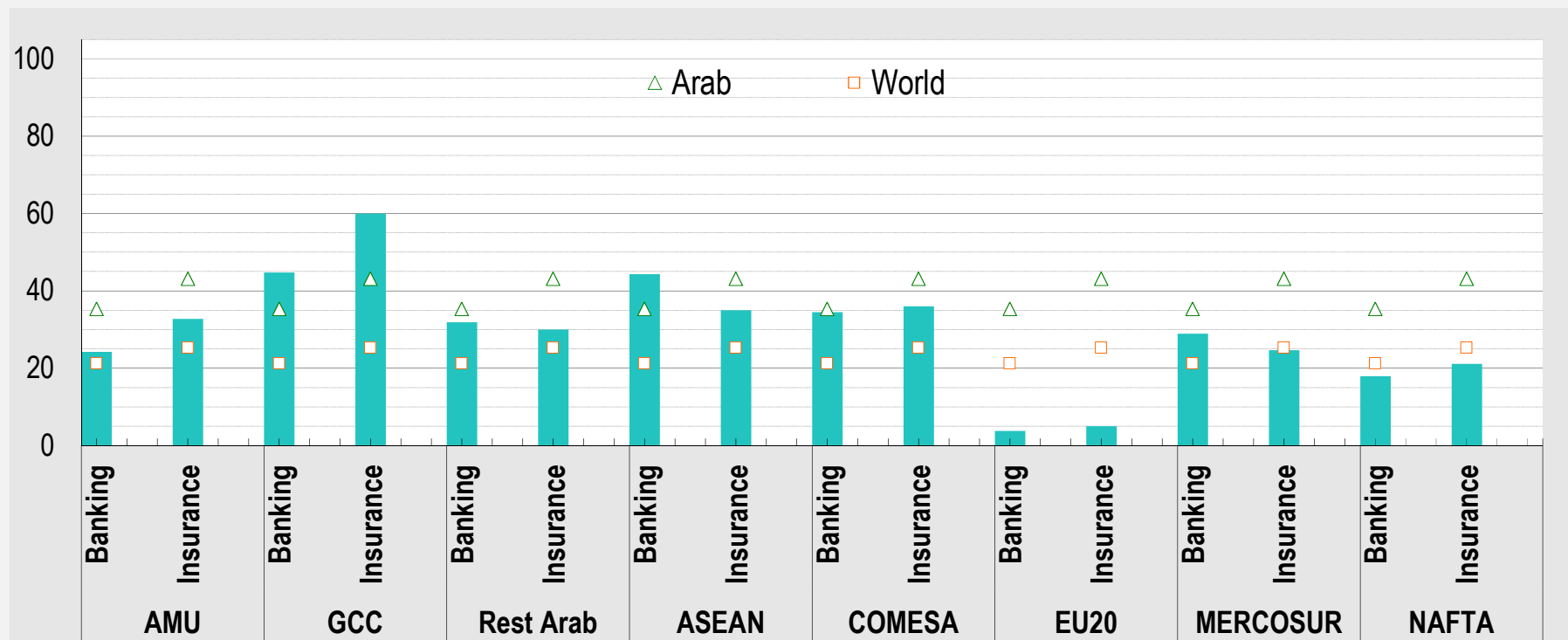
Macro convergence

Net ODA
Foreign Reserves
Inflation
GDP per capita

Services Trade Liberalization in the Region

Why?

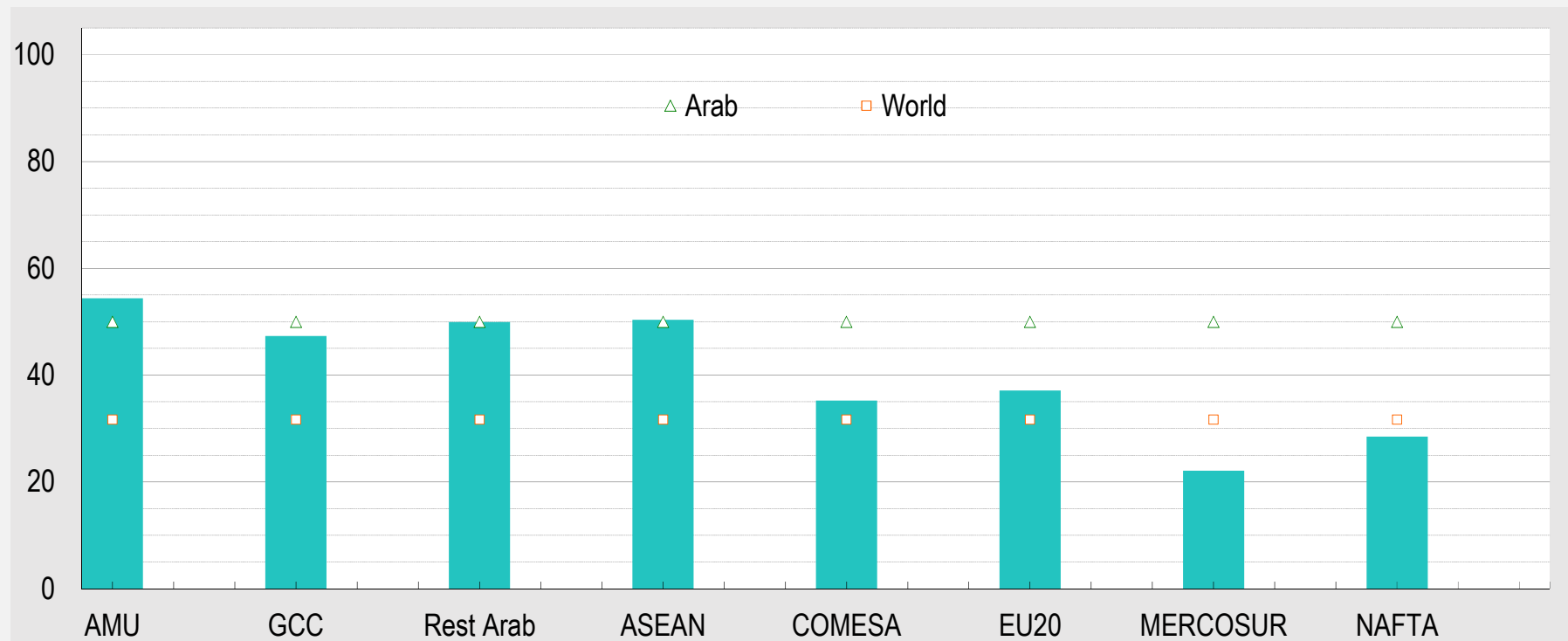
Financial sector restrictiveness index across selected regions and blocs



Services Trade Liberalization in the Region

Why?

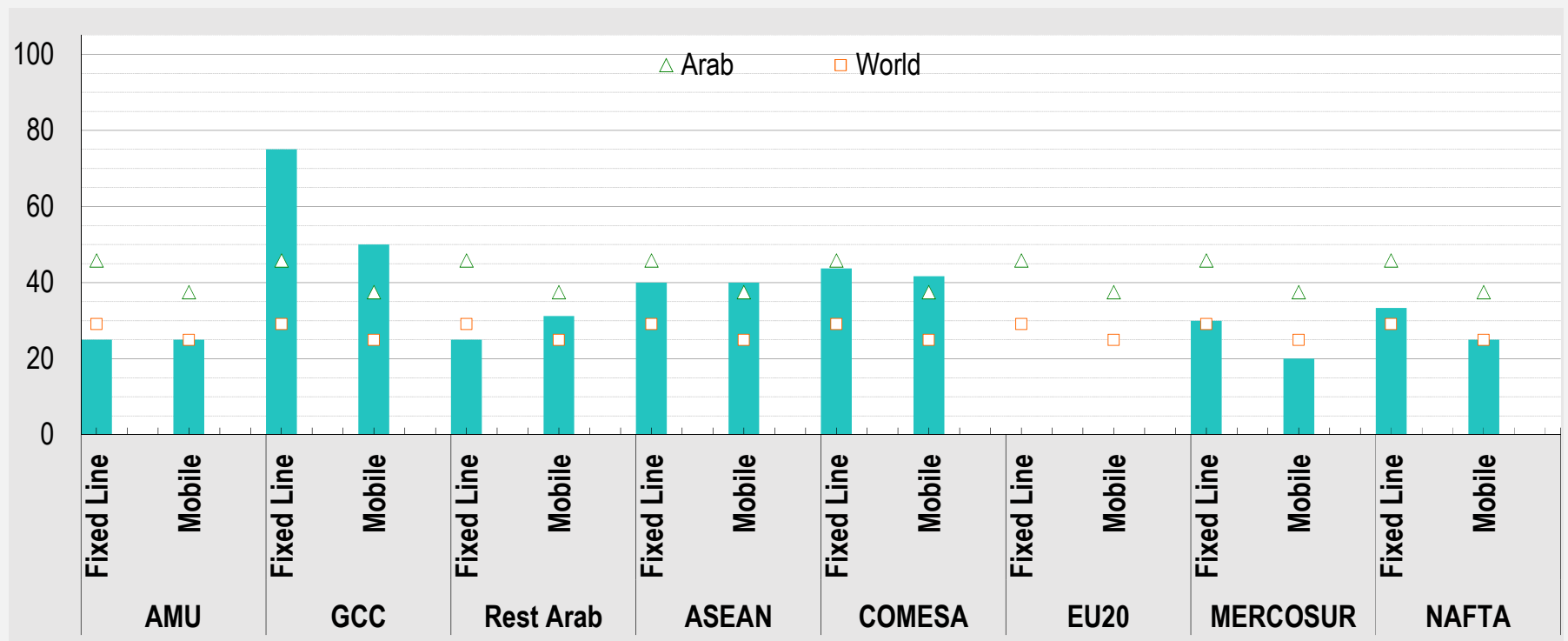
Transportation services restrictiveness index across selected regions and blocs



Services Trade Liberalization in the Region

Why?

Telecommunications services restrictiveness index across selected regions and blocs



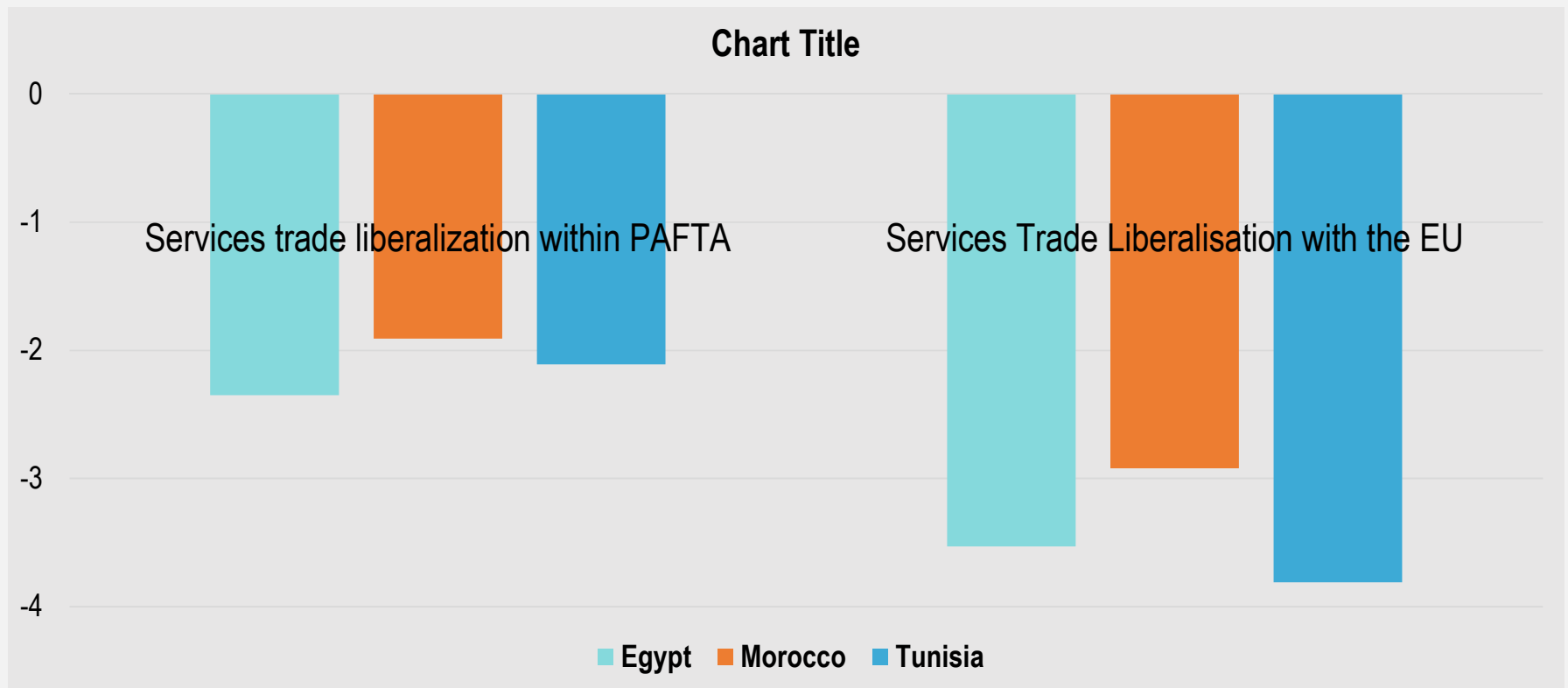
Services Trade Liberalization in the Region

Could yield large dividends

- Countries with fully competitive and open telecom and financial services sectors grow up to 1.5 percentage points faster (estimates 2006)
- Using a simulation model, If Tunisia liberalizes services trade with EU; expected impact on GDP may reach 6% per year, FDI inflows will grow by additional 15 p.p. (estimates 2000)
 - The model has been extended to simulate liberalization scenarios in transport and financial services for Egypt, Morocco, and Tunisia with the EU and the Arab countries
 - Relatively strong positive effect on the GDP
 - Strong poverty mitigation effects. Deepening PAFTA by extending into services, across the region 8 million could be lifted out of poverty!

Services Trade Liberalization in the Region

Impact of scenarios on poverty



Services Trade Liberalization in the Region

Impact on FDI

- FDI is major channel for foreign services operators
 - important to gaining access to services-related know-how, technology and sectoral best practices
 - greater competition in services markets & access to a broader range of differentiated services
 - domestic firms become competitive after gaining access to high quality & cost-efficient services
- Using our estimates, halving the overall STRI score would lead to around 30% increase in FDI inflows into the services sector

Recommendations

Liberalization of key business services (ICT, e-trade, supply chain management services, financial services, & improved logistic services) is a priority for the region

Deepening PAFTA through extending its services offers opportunities. Follow through with the agreement on the liberalization of trade in services among Arab States and ensure that commitments are fulfilled.

Concerned Arab countries should proceed with DCFTA, which represents another chance through which the involved Arab countries could tap into financial resources and technical expertise of their partners to liberalize services

Extending trade integration with other regions should be based on the comprehensive development strategy

Way Forward



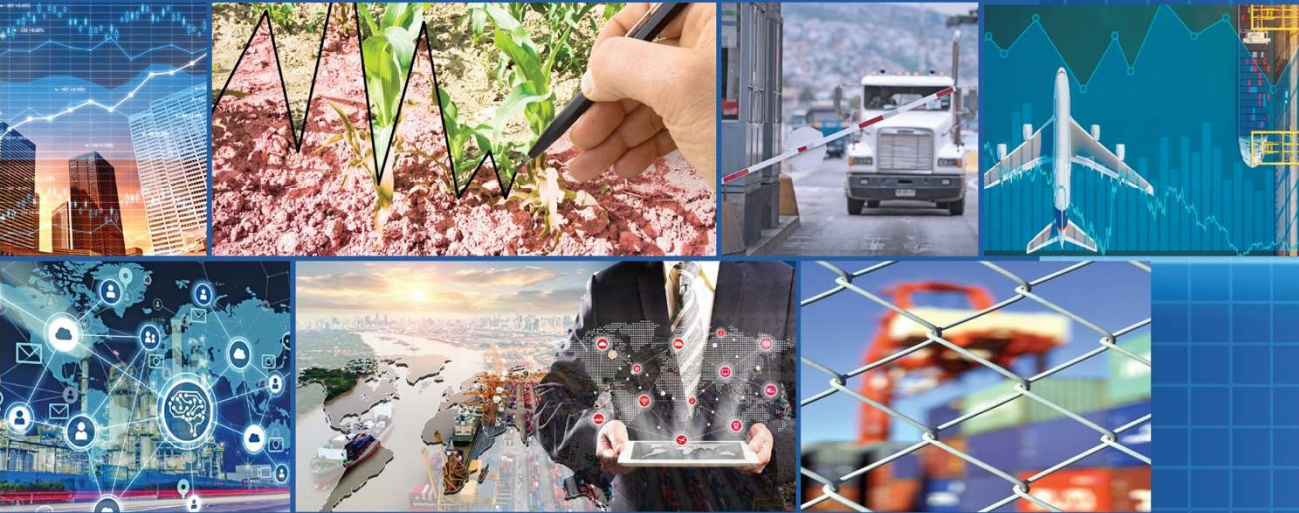
- Updating the system of indexes using the latest data (2018). Results will be published in the third edition of AAEIR (2019-2020)



- Integrate the system of indexes in the ESCWA's platform for monitoring and evaluating Arab regional and global economic Integration



- Assist MSs in their ongoing negotiations among themselves at regional level (LAS) and sub-regional level (GCC, AMU, and Agadir) as well as with the rest of the world: South-South: (Africa, MERCOSUR, and ASEAN) and North-South (EU and USA)



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Thank you