

Arab Integration

A 21st Century Development
Imperative



ESCWA



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United Nations Economic and Social Commission for Western Asia

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Foreword

There is general agreement that the current state of the Arab world warrants serious concern. Observers concur that the Arab countries appear to be at a development impasse, evidenced by persisting knowledge gaps, fragile economies and the prevalence of human injustice. But when it comes to the reasons for the status quo, or what it will take to change it, agreement gives way to heated debate.

This report, entitled “Arab Integration: A 21st Century Development Imperative”, suggests an alternative to the present predicament. Readers may wish to study its ideas and recommendations, take up those which they find relevant and reflect constructively on how to adapt others that may seem contentious. The report results from an ESCWA initiative conducted with a group of distinguished Arab thinkers from various schools of thought, occupations and regional backgrounds. What unites this eclectic group is a common belief in the role of the Arab world and a shared desire to protect its future. Its members firmly agree on the main aims and recommendations of the report, if not with every detail in it.

This group believes that a history of fragmentation, actively encouraged by outside forces, combined with some flawed policy choices by Arab countries, have left the region vulnerable to oppression, foreign intervention and stifled development. A disruptive legacy that has affected every Arab country’s prospects will not be overcome through further discord. Rather, it requires a consolidated response from all: nothing less than the comprehensive integration and renewal of the region in all dimensions of its political, economic, cultural and educational life.

The present report considers integration to be a means and an end. An end in the sense that integration fulfils the aspirations of three hundred and fifty million people, sharing a common historical, cultural and spiritual heritage; bound by the Arabic language; and linked through geographical proximity. This is a nation endowed with a strategic location and enviable riches, yet burdened with unique challenges that should have motivated its members to identify and pursue their common destiny.

Integration is also a vital means, perhaps the most important, for launching a human renaissance throughout the Arab world, in which all Arabs, regardless of ethnicity, religion or gender, would participate as free citizens, equal in human dignity and equipped with the knowledge and creativity to build vibrant, open and just societies.

The authors of this report believe that such an Arab revival cannot be achieved in a region without an independent will, creative cognizance, real power and continuous renewal; and that such strengths can only be found through effective integration, enabling Arabs to secure once more their proper and flourishing role in human civilization.

This report examines the reasons for that failure, evaluating its causes and effects, and develops a strategic vision of integration, founded on three pillars. The first pillar is political cooperation for good democratic governance in the Arab world. This cooperation would establish a vital bloc that could work effectively at international forums to protect Arab rights and interests and to free occupied Arab territory, especially in Palestine, the Syrian Golan Heights and southern Lebanon. The strategy’s second pillar centres on deepening economic integration by completing the implementation of existing agreements. The goal is to revive the project of economic union — one of the first aims of formal Arab cooperation — and bring it in line with contemporary development thinking.

The third pillar — possibly the hardest and most crucial to achieve — is cultural and educational reform. This would enable Arabs to reclaim their spirit of initiative and unleash their potential to build knowledge societies and thriving economies. Without that transformation, development will remain a dream in a world where knowledge draws the line between wealth and poverty, between power and impotence, and between success and failure.

At first glance, a proposal for Arab integration in the present strife-torn situation of the region may seem a quixotic fantasy. Conflicts that were previously limited to ruling elites have penetrated the fabric of some Arab societies, heightening ethnic and sectarian tensions, fuelling separatism and extinguishing tolerance where previously diversity was celebrated. In some countries, sectarian feuds have splintered whole populations, igniting civil unrest and violence that threaten national unity, territorial integrity and societal peace. Too often, foreign intervention has fanned the flames of strife to divert conflict in the region from a struggle against occupation, dependency and underdevelopment to one between religions, sects and ethnicities, thus damaging all Arab countries and undermining their capacity to liberate themselves.

The present report does not overlook this legacy of division and fragmentation but, rather, ensures that the recommendations presented in its final chapter go a long way towards redressing the situation. Integration among parts strengthens all parts. Social cohesion can only be restored when all persons enjoy equal opportunities and equal rights. The appeal of sectarian discourse, which has inflicted extreme misery upon all, will only recede when a comprehensive reform is achieved, restoring a flourishing culture that thrives on diversity. Foreign interference will only be bridled when faced with an integrated Arab world whose unity will shield it from violations, strengthen its resilience and reinforce its solidarity in addressing emerging challenges.

The call for Arab integration builds upon reforms already launched in some Arab countries to meet the aspirations of their people, expressed most vividly by the recent awakening across the Arab world. Crystallized in popular uprisings led mainly by young Arabs, that awakening produced demands for freedom, dignity and justice which will eventually lead to participatory democracies. This historic change lends powerful impetus to Arab integration, which can deliver for the vast majority of Arabs those benefits denied them by its absence.

Sceptics maintain that these popular revolts were merely abortive interruptions of the status quo that have now petered out. The report, however, does not similarly underestimate an awakened Arab public, drawing a distinction between failure and incompleteness. It reminds us that the path to democratization and good governance is long, tortuous and perilous, and that those who thrived for decades on violating people's rights and appropriating national wealth will not easily yield to change. Experience shows that anti-revolutionary forces will defend their interests to the end by whatever means available. If the people happen to succeed, their victories are short-lived.

Those sceptics do not recognize that overthrowing a regime is only one of many transformations brought about by the Arab revolts. Permanent gains were made through the consolidation of change in the consciousness of a people who have broken the shackles of fear and misery driven deep into their minds and hearts. The Arab peoples have made themselves heard and felt: they have demanded their freedom, exercised their right to dissent, expressed pride in their culture and shown confidence in their abilities. There is no going back from that new mindset.

These are the messages of the report, which makes no claim to be perfect or infallible. Its main objective is to initiate a frank dialogue among Arabs on the status quo, the best strategy for moving beyond it and how comprehensive Arab integration could fulfil the aspirations of the people.

I warmly thank all who contributed to this endeavour, especially the panel of authors, for their professionalism and creativity. I also express my sincere gratitude to the members of the Advisory Board for advice and guidance that made the report more comprehensive and credible.

Finally, I extend my thanks to the ESCWA team for its support, professionalism and expertise in preparing the report and producing it in two languages. If this report promotes the kind of action-oriented discussion about our joint Arab future that our fellow citizens have been waiting to hear and to join, it will have served its purpose.



Rima Khalaf

Under-Secretary-General
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Abbreviations and acronyms

AFED	Arab Forum for Environment and Development
AFESD	Arab Fund for Economic and Social Development
AFTZ	African Free trade Zone
AGFUND	Arab Gulf Programme for Development
AIECGC	Arab Investment and Export Credit Guarantee Cooperation
ALESCO	Arab League Educational, Cultural and Scientific Organization
AMF	Arab Monetary Fund
AOAD	Arab Organization for Agricultural Development
ASCII	American Standard Code for Information Interchange
ASEAN	Association of Southeast Asian Nations
BADEA	Arab Bank for Economic Development in Africa
CAMRE	Council of Arab Ministers Responsible for the Environment
CGE	computable general equilibrium
COMESA	Common Market for Eastern and Southern Africa
CSO	civil society organization
DAC	Development Assistance Committee
DSGE	Dynamic Scholastic General Equilibrium
EAC	East African Community
EEC	European Economic Community
EFTA	European Free Trade Association
ESCWA	Economic and Social Commission for Western Asia
EUROMED	Euro-Mediterranean Partnership
GAFTA	Greater Arab Free Trade Area
GASERC	Gulf Arab States Educational Research Center
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	gross domestic product
GEP	growth elasticity of poverty
GFI	Global Financial Integrity

GTAP	Global Trade Analysis Project
HS	Harmonized Commodity Description and Coding System
IAEA	International Atomic Energy Agency
ICT	information and communications technology
IDB	Islamic Development Bank
IETF	Internet Engineering Task Force
IFF	illicit financial flow
ILO	International Labour Organization
IMF	International Monetary Fund
ITC	International Trade Centre
ITSAM	Integrated transport System in the Arab Mashreq
MDGs	Millennium Development Goals
MENA	Middle East and North Africa
MERCOSUR	Southern Common Market
MFA	Multi-Fibre Arrangements
NEPAD	New Partnership for Africa's Development
NGO	non-governmental organization
NLP	natural language processing
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OFID	OPEC Fund for International Development
OPEC	Organization of the Petroleum Exporting Countries
QIZ	Qualifying Industrial Zones
SADC	Southern African Development Community
TIMSS	Trends in the International Mathematics and Science Study
UAE	United Arab Emirates
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commission for Refugees
US\$	United States dollar
WDI	World Development Indicators
WGI	World Governance Indicators
WHO	World Health Organization
WTO	World Trade Organization

Overview

﴿Surely this nation of yours is one nation﴾

The Holy Koran

Overview

Arab integration is not a new idea. It has been adopted as an official goal, attempted and abandoned at different times since the 1950s. Some types of integration succeeded while many others did not, the casualties of wavering political will and unclear plans.

Failure has deterred further attempts. Some believe that, just as external and internal obstacles thwarted integration in the past, they would do so again. Advocates of integration, however, argue that the region is enviably placed for close cooperation, with a common language and culture, a shared history and geographical proximity. No other regional grouping in the world started from such promising beginnings.

This report opens with this argument and goes on to make a case for integration as a prerequisite for human development and renaissance in the region. The extraordinary wave of civil revolts across the region has made comprehensive integration both more urgent and more feasible. These liberating rebellions shook republics and monarchies from the Atlantic to the Gulf. They unified the Arab political space with their common call for justice, equality, economic opportunities and freedom. But their hopes and expectations are on a scale that no single Arab country by itself can satisfy. Only through integration can the Arab countries initiate a renaissance equal to such sweeping demands. This historic change, and the popular movements behind it, provide an unprecedented impetus for integration, and a powerful assurance that, this time, the Arabs will see that the process is sustained and completed.

Why integration?

Around the world, even the greatest powers have seen fit to become part of larger entities in order to manage globalization and the fierce competition it brings. Meanwhile, Arab countries — fragmented and divided — try to face external pressures, domestic challenges and emerging risks in a world more interconnected and complex than ever before.

Comprehensive integration as advocated in this report is an altogether larger idea than conventional integration, and one greater than the sum of its parts. It is not just about linking political systems; it is about reinventing those systems in a free area of Arab citizenship to address real challenges to stability and peace by guaranteeing every Arab justice, equality, human rights and autonomy in all the Arab countries.

While comprehensive integration builds on expanded intraregional flows of goods, services and capital, it does not stop with the enhancement of the Greater Arab Free Trade Area. Rather, it is about directing the significant material benefits of enhanced trade towards sustainable human development so that millions more Arabs may lead fulfilling, decent lives in a more environmentally secure future that is free from poverty, unemployment and violation. This integration draws on Arab cultural identity and strengthens it by embracing diversity, pluralism, enlightened religion and the exchange of continuously developing knowledge.

The Arab region has missed out on the benefits that even a minimum level of integration could bestow on human development and national security. Fragmentation has caused the region's development efforts to falter in the past, and may do so again in the future.

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development
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past**

Initially ambitious, the attempts at joint Arab action that started over half a century ago soon descended into narrow economic experiments that fell far short of their original inspiration: the dream of Arab unity

Integration offers a serious process of cooperation that would free the Arab people from fear and want, and restore the region to its rightful place in the world.

An integrated region is not closed to the world. In fact, Arab integration seeks to consolidate relations with other regional groups and bring together the best achievements of its own history with those of other civilizations through mutual learning and enrichment.

Comprehensive integration therefore goes well beyond economic integration to include all components of human civilization as defined by the Arab sociologist Ibn Khaldun: the economy and governance provide its material basis while culture and education make up its moral dimension. This broader scope defines the concept adopted in this report. While economic integration remains its mainstay, the concept looks beyond the narrow scope of trade liberalization to new foundations for production and diversification, new knowledge-based economies and new patterns of cooperation for developing integrated human, technological and productive capacities in the Arab region.

Shortcomings in joint Arab action

For over half a century, the Arab region has witnessed repeated attempts at joint action. Initially ambitious, these attempts soon descended into narrow economic experiments that fell far short of their original inspiration: the dream of Arab unity. Moreover, even economic cooperation became limited to trade facilitation between under-productive economies and was chiefly directed at capital mobility, which often aims for quick and easy gains. The path to a common Arab labour market was strewn with obstacles which prevented the implementation of existing agreements.

These treaties became mere declarations of principles with little or no effect. Arab industrial integration shrank to a few joint ventures, which barely tapped the potential of comprehensive integration.

In the absence of political will, Arab regional bodies have made little headway with economic and cultural integration. Consequently, important opportunities have slipped through their hands, such as the establishment of a regional system to support knowledge acquisition and production. The neglect of educational quality and scientific research and technological development goes against the first premise of renaissance, namely, the re-birth of intellectual, cultural and scientific creativity.

Post-independence Arab countries adopted policies that divided the common Arab space and suppressed Arab history, actively extending the destructive legacy of their former colonial masters. In many countries, efforts to legitimize new nation-States undermined the common Arab culture, language and memory in a bid to erase a proud history. As a result, opportunities to lay the foundations of a common education for Arab youth were lost.

But the common heritage, language and history of the Arab people are irrepressible forces. They survived their repudiation by modernizing nation-States just as they resisted elimination by colonial powers. They live on in the minds, hearts and memory of the Arab peoples who do not submit to artificial borders and barriers, and they have rebounded from official denial and suppression.

Peoples precede Governments

Not surprisingly, then, Arab popular integration has surpassed official Arab cooperation. Popular solidarity across the region has created new channels of communication and interaction, opening

up the spontaneous potential of human integration outside official frameworks, and sometimes in spite of them.

Arab popular cooperation thrives on the diversity of the Arab region, a vibrant feature of its civilization. Identity is only enriched through diversity, which has been celebrated for centuries in a region that was, for a long time, the crossroads of the world.

Literature and the arts have done more to unite Arabs than any official plan of integration. Poems, novels and short stories speak across borders to the shared experiences, hopes and tragedies of the Arab people, weaving a seamless cultural fabric from communities of feeling. Music, the language of emotion, continues to bring Arabs together wherever they may be, as the universal appeal of singers such as Um Kulthoom and Fairouz demonstrates. Artistic creations in one country are understood and appreciated by the people of another, thanks to cultural television programmes, publications and the reach of the Internet. Popular cultural integration in the region is a fact, made possible by a shared language and history. Its triumph is to have shaped a living Arab identity, an achievement no single Arab country can claim.

Arab satellite television has greatly helped to diffuse this shared culture. By creating a common Arab space far richer than the closed ecology of Arab official media, it has broken a stifling monopoly over communications. Satellite television has familiarized regional audiences with one another's customs and traditions, popularized vernacular dialects and created a simplified Arabic language that reaches greater numbers of people, drawing them closer together. It enables Arabs from Oman to Morocco to watch the same event together and to join in regional dialogues and debates. More recently satellite television closely followed, and partly enabled, the rise of

Arab civil protests, which earned it the hostility of regimes. Although not entirely free of sponsor interests, it remains a force for Arab convergence as independent as the popular culture it helps to spread.

Undeterred by official opposition, popular integration appears in many forms. Despite host country restrictions, the Arab workforce in the Gulf countries, with its diverse customs and experiences, is by its nature a sign of social and cultural convergence in the Arabian Peninsula. Across countries, civil society groups have engaged in defending human rights, and especially women's rights; they join hands to press their cause despite daunting obstacles to the right to organize.

By far the most astonishing display of popular solidarity in modern Arab history has been the wave of civil uprisings during the so-called 'Arab Spring'. It may be too soon to predict the final outcome of this historic development, but its main implications for the region are clear: Arab popular grievances and aspirations can no longer be ignored. The crowds that toppled autocrats spoke from a common experience of humiliation and deprivation. The extraordinary synergy that they developed among themselves was their powerful answer to decades of Arab disunity. Their demands for justice, equality and dignity, which echoed across the region, unified the Arab political space and represent a broad-based aspiration for a different regional order.

A compound crisis of fragmentation

In the second decade of the millennium, the Arab order is in the throes of a compound crisis of fragmentation. Its divided political systems do not enable Arabs to stand tall in the world or face threats within the region from a position of strength. Its economies can no longer meet its material needs individually; its

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spontaneous
potential
of human
integration
outside official
frameworks**

Weak Arab cooperation has produced a regional system incapable of defending Arab interests, which has created major challenges to the security of citizens and the freedom of nations

Israel's policies threaten the security of all Arab citizens

cultural system is too divided to fulfill its moral needs; and its educational systems are unable to prepare knowledgeable, creative and productive minds to build its future. The effects of these accumulated crises have sent the Arab people into the streets and squares of Arab cities and towns to make their voices heard. If not addressed comprehensively, this compound crisis will leave a legacy of injustice to future generations who had no hand in its creation.

Weak Arab cooperation has produced a regional system incapable of defending Arab interests, development or the sovereignty of Arab countries. This has created major challenges to the security of citizens and the freedom of nations. The failure of Arab countries to adopt unified positions has made them acutely vulnerable to foreign interference.

Palestine is still under Israeli occupation based on settlement-building and colonization, in flagrant violation of international charters and resolutions. Israel's violation is not limited to direct occupation of Arab land and its repeated attacks on neighbouring countries; it consists of policies that threaten the security of Arab citizens across the region. These policies have led to civil wars, as in Lebanon, in an attempt to divide the region into sectarian mini-States. By pushing for an exclusive Jewish State, Israel propagates the concept of the religious or ethnic purity of states, a concept that inflicted on humanity the worst crimes of the last century. This concept undermines human development based on equal rights for all citizens, and non-discrimination against any person on the basis of religion or ethnicity. Furthermore, the Israeli nuclear arsenal is a growing threat to the security of the region as a whole. Israel is the only country which has threatened to use nuclear weapons against Arab capitals, and has taken preparatory measures to that end.

Poor Arab cooperation has also undermined the region's independence. Many Arab countries now host major foreign military bases or are under the sway of foreign powers in other respects. Their subservience entrenches dependency and threatens national security.

A direct result of deteriorating Arab national security is the worsening problem of refugees and forcibly displaced persons. More than 53 per cent of the total number of refugees in the world comes from the Arab region, which is home to less than 5 per cent of the world population. These numbers are alarming, but they fail to reflect the magnitude of the suffering of these people, who are mostly women and children.

The absence of Arab integration, along with inadequate economic policies pursued by Arab countries, stifled development. Achievements fell short of their official goals. Rampant corruption, unemployment, poverty and social injustice became commonplace in many cases.

Perhaps the most serious threat to Arab cohesion in recent years is that posed by cultural distortion. It has created sectarian and ethnic feuds which threaten to tear Arab societies apart.

External aggression, domestic policy failures and a cultural crisis which distorts the concepts of jihad and ijtihad have led to the emergence of extremist groups. These groups adopt radical and exclusionary doctrines based on narrow readings of scripture. Their intolerance restricts public rights and freedoms, especially for women and non-Muslims, while their rhetoric fuels sedition, subverting the unity of the region. The damage done by these intransigent groups does not end at their bully pulpits. Some have resorted to violence against Arab Christians and followers of other Islamic sects, taking their license to kill from

radical fatwas. Stoked by fanatics, the fire of division in the Arab region has spread along sectarian and confessional lines.

The Arab popular revolts: bridge to integration or additional barrier?

The Arab popular revolts that arced across the region in 2010-2011 led to unprecedented changes which took the world by surprise. Contrary to theories of Arab exceptionalism, Arabs proved themselves capable of joining the world's so-called 'third wave' of democratization, which had long seemed destined to pass them by. In the first year of transition, hopes for sweeping change were high; but as the rebellions morphed into violence and infighting in some countries, and democratic reforms faltered in others, initial optimism began to wane.

All the Arab countries in transition to democracy were hit by economic crises for which they were not prepared. These setbacks affected incomes, employment, food prices and general growth, prompting disappointed protesters to return to the streets where they were often joined by supporters of the old guard. The impression that the tide of revolution had ebbed began to spread, and counter-revolutionary elements took the opportunity to announce its end.

There is, however, a difference between failure and incompleteness. The forces of change may have found themselves temporarily stalled by events; but that does not mean they have been deterred. By its nature, democratic transition is accompanied by multiple constraints and pressures, frequently encountering setbacks. Economic conditions almost always deteriorate in times of revolution, as world experience shows. For example, the countries of Central and Eastern Europe lost more than a quarter of their cumulative gross domestic product during

their transitional phase before rebounding and recovering growth.

Revolutions, by nature, are a departure from the status quo. Their initial stages often involve dismantling corrupt and resistant old orders, and establishing new structures to fulfill the aims of the people. But this task of demolition and reconstruction is neither quick nor easy. The initial stages of transition have high price tags and few immediate gains. People can bear these costs with extraordinary resilience, however, when they can see that the potential gains of transition far outweigh its price.

Democratic transition in Arab countries has proven more difficult than in Eastern Europe or other regions of the world. Arab transitions are not only taking place amid the worst global recession in decades, which has created sharp spikes in the price of imported food and other commodities and depressed overseas remittances; they are also beset by hostile and influential forces in the region with vested interests in restoring the status quo. This is quite unlike the situation faced by democratic transformations in Europe, for example.

Eastern European countries in transition received substantial material support and political encouragement from their neighbours, eventually joining them in an economic union. Arab countries, however, are mostly going it alone in a regional context suspicious of Arab democracy and a global context uneasy with its implications for foreign strategic interests. When these countries stumble, many applaud; and when they succeed, their opponents wait for the next economic crisis or security threat to stoke popular discontent and turn people against their new leaders.

Seeing new leaderships struggle to navigate in difficult waters may give the impression that the tide has gone out on them, and that a return

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to tyranny is possible. However, this notion confuses a temporary phase of transition, often fraught with crises and passing victories for opponents, with an inexorable historical transformation. Such transformations are seldom linear; but one or two steps back do not signal a new trajectory or different goals.

Democracy in the Arab countries will encounter obstacles and pitfalls — as has been the case everywhere else in the world — but there is little doubt that it will ultimately prevail. The Arab uprisings broke once and for all the shackles of tyranny and fear that had bound the Arab people to autocrats. It is no longer possible to re-subject the Arab public to oppression. That public, especially its younger cohort, has flexed its muscles, tasted freedom and demonstrated the power of active civil resistance in the face of injustice. It will not brook a counter-revolution on its watch.

There is a direct and strong link between the Arab revolts and Arab integration. That historic wave of change portends a shift towards democratic political systems built with broad popular participation in political and economic decision-making. This, in itself, constitutes an opportunity to revive Arab integration and increase its scope and effectiveness, leading to a renaissance in those countries, and perhaps in the entire Arab world. This can be achieved if good democratic governance is complemented by broad and deep social reform. Representative political leaderships that express people's goals and interests would be the first to understand that economic and cultural integration complement national economic development and popular welfare. In fact, democratic establishments would likely seek to develop more advanced and comprehensive forms of Arab integration, transcending narrow economics in order to reap benefits for all citizens.

Economic integration paves the way for comprehensive integration

The benefits of comprehensive integration are not quantifiable. However, those of economic integration are, and can be identified through econometric simulations. Using the best available models, this report presents standard quantitative estimates of the consequences for the economies of Arab countries of keeping current modalities of integration, which are limited to trade liberalization and the establishment of an Arab customs union. It then considers different scenarios for enhancing economic integration by other means and compares their results with the estimated consequences of the status quo. The proposed scenarios include such small steps as achieving free movement of labour, at least partially, and eliminating some of the non-tariff obstacles to Arab intraregional trade.

The analysis shows that the expected returns on completing trade liberalization and establishing an Arab customs union by 2015 are modest at best. In other words, the status quo is not the best scenario. This is not because trade liberalization is irrelevant, but because customs tariffs are no longer the only obstacle to Arab intraregional trade. The biggest obstacles to the movement of goods between Arab countries are behind-the-border hurdles such as non-tariff barriers and the high cost of transport. The analysis concludes that no significant increase in gross domestic product or income would result from trade liberalization unless Arab States eliminated all restrictions and protectionist measures in parallel with the lifting of customs tariffs.

Moreover, the analysis indicates that even a slight liberalization of non-tariff barriers would yield important benefits. For instance, reducing the cost of

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transport by five per cent per annum, and replacing twenty per cent of the future influx of expatriate workers in the Arab region with Arab workers, would double the rate of income rise compared to trade liberalization alone. It would also lower unemployment rates by more than four per cent on average for all Arab countries. This increase in income and welfare may multiply if additional measures recommended in this report are taken, such as the liberalization of trade in services and the development of regional value chains.

Remarkably, the evidence shows that such measures would deliver significant benefits for all Arab countries, both rich and poor, a conclusion that dispels the notion that Arab integration would help the least developed countries at the expense of the most affluent ones. As examples, the United Arab Emirates is one of the countries that would benefit most from increased income; Saudi Arabia, from gains in human welfare; and Tunisia, from increased job opportunities and hence lower unemployment rates.

Obstacles to Arab integration

Arab countries have spent a great deal of ink on agreements intended to remove barriers to intraregional trade. Their goals — to promote Arab regional integration, achieve economic growth and address the challenges of poverty and unemployment — have not been met, and the hopes of the Arab people remain unfulfilled. Global powers have often contributed to the failure of Arab unity, from British opposition to Muhammad Ali's nineteenth century renaissance project through the infamous Sykes-Picot Agreement that chopped up the region into zones of British and French influence, up to present-day attempts to redraw the regional map around the "Middle East and North Africa" region.

Such alternative regional cooperation structures are not neutral. Western countries conclude bilateral agreements with individual Arab States, and then build a regional partnership between States signatories of bilateral agreements. In this way, they impose Israel on the regional order before it has complied with international resolutions calling for an end to its occupation of Arab lands and for the return of Palestinian refugees.

Ultimately, the responsibility for Arab integration lies squarely on Arab shoulders. The institutions erected to manage regional cooperation have not been able to overcome disputes and disagreements among countries, nor the effects of wide variations in standards of living among them, nor the impact on regional cooperation of their different objectives for it. For a long time, unrepresentative Arab regimes that took their legitimacy from international powers and not from the people showed little interest in practical cooperation with one another. The backlog of deprivation and division left over from their misrule created obstacles to integration within countries, with fierce group competition for resources and power splintering nations into subnational ethnic and sectarian identities. Class differences and the urban-rural divide also widened, undermining efforts toward unity.

At the regional level, weak political will and loose implementation plans ensured that most cooperation treaties were short-lived. As a result, obstacles to trade, such as non-tariff barriers, still hinder economic integration, while more comprehensive integration could face complex socioeconomic challenges.

Some analysts believe that an emerging cultural conflict threatens to develop along existing fault lines in Arab societies, posing thorny challenges to integration: this is the conflict between the

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advocates of absolute modernization and the forces of despotic fundamentalism, a divide marked by extremism on both sides.

This conflict has polarized public debate. It arises from a clash between two incompatible cultures that both fall outside the Arab mainstream. The first is a modern culture overshadowed by western historical particularities, which lacks universal dynamism because it remains tied to a colonial tradition of acculturation that long shaped elite mindsets. The second is an ancient culture dominated by eastern particularities, which also lacks universality because it remains mired in medieval attitudes that came to distort the tolerant values on which Islam is based. Arabs today are being dragged into a quarrel between two types of fundamentalism, secular and religious, each side of which offers only futile causes: a type of modernization that denies core Muslim values and a form of traditionalism that denies human rights.

Integration, as defined in this report, presents a way beyond this sterile opposition, which has been fueled by inequality, poverty and the poor economic performance of nation-States — the same factors underlying the Arab civil revolts that called for dignity and freedom. Equality among all citizens without discrimination will transform differences into diversity that enriches the Arab world, sapping the appeal of divisive ideologies. The process of revitalizing mainstream Arab civilization through broad-based human development and social justice will expose these feuds for what they are: narrow-minded distractions from the task of building a common Arab future. The foundation of this common future is the heritage and history of the Arab people, and their commitment to values consistent with human rights.

Consequences of the status quo

This report examines two historical choices for development in the Arab world: the first is to maintain the status quo; the second is to reach for a brighter collective future. The current path entails division, oppression, regression and violation. The alternative leads to comprehensive integration and human renaissance.

Division and inward-looking national policies impeded effective Arab convergence and integration, denied Arab countries economies of scale, and kept them from defending Arab interests in the world from a position of collective strength. On a regional map drawn up in imperial war rooms, through the divisive structures of colonialism, to the artificial borders consolidated by autocratic nation-States, division undercut any effort to secure the well-being of the Arab peoples. Disputes and rivalries between countries have at times erupted into bloody conflicts. All of this has left Arab countries unable to provide the most basic prerequisites for human development and human security, including knowledge, the twenty-first century standard of advancement and the fastest route to prosperity in a globalized world.

Arab countries, both rich and poor, will remain small and weak in the global arena if they continue to work individually. This becomes obvious when they are compared with the rising powers, giant conglomerates and powerful regional blocs of the contemporary world.

Oppression under autocratic regimes curbed freedoms and rights. The equation of wealth with power opened societies to all forms of corruption. State oppression and restrictions on opposition groups and minorities in the name of national security eclipsed the principle of equal citizenship for all citizens, turning people's loyalties

from the nation to communal groups. In the absence of democratic governance and civic frameworks for reconciling differences, these loyalties have led to tribal conflicts, sectarian strife and infighting.

Regression in a dependent and under-productive political economy dominated by rent-seeking activities and weak production structures has sent the region into a spiral of low productivity, uncompetitive production, unemployment and poverty. This pattern makes Arab countries depend on the outside world for everything from food and aid to goods and knowledge, leaving them weak and vulnerable without their own means to provide decent lives and livelihoods for their citizens.

Violations in a region beset by foreign occupation, political interference and military intervention have eroded its security and set back its development. Infiltrated by outside influences, dotted with foreign military bases and outflanked in international organizations by larger powers, the Arab world has seldom had room to manoeuvre. Its weakness on the international stage invites violation and is a direct result of division and regression.

Maintaining the status quo also means incurring the grave risks of water scarcity, aridity, climate change and environmental degradation without common adaptive strategies or transboundary cooperation to protect the regional commons.

The three freedom goals

In contrast to this first, destructive trajectory, the alternative, namely to move towards comprehensive Arab integration, has tremendous potential. It is, in fact, the only way to achieve the three 'freedom goals' that would portend a human renaissance in the region.

The first freedom goal is to protect the rights and dignity and ensure the

security of all Arab citizens irrespective of their nationality, religion, ethnicity or sex. Security starts with the liberation of the Arab world from occupation and foreign influence. Dignity comes from the establishment of good governance to ensure justice and democracy under a new social contract that guarantees equal citizenship and human rights for all.

The second freedom goal is to liberate Arab production from its current weak, inefficient and uncompetitive pattern. This requires diversifying industrial structures into more flexible, knowledge-based and value-adding enterprises, capable of meeting the material needs of the Arab people by generating employment, income and better living standards. Strong and continually developing industries require effective integration across the chain of production if they are to compete effectively in international trade. This development strategy should be complemented by intercountry initiatives to reduce environmental and ecological stresses in the region.

The third freedom goal is to unshackle Arab culture from self-inflicted limits and conflicts and to restore its and its language's vigour. To that end, the best characteristics of Arab-Islamic civilization must be revived and enriched with the best achievements of human civilization. This also entails enhancing and preserving the Arabic language, promoting diversity and boosting knowledge acquisition and production in order to make knowledge the driver of creativity in all aspects of society. Cultural advancement should be complemented by intellectual reform based on a critical approach. The aim is to break the doctrinal and institutional chains that have confined religious thought to the past and to liberate true Islam from rigid interpretations by restoring independent reason.

A free and flourishing Arab renaissance in the sense implied by these goals is

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of good
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ensure justice
and democracy
under a new
social contract
that guarantees
equal
citizenship and
human rights
for all**

*Renaissance
can only be
achieved
through
independent
will; creative
cognizance;
real capacity;
continuous
renewal; and
autonomy*

not to be confused with a romantic return to a golden age. Nor is it in any way associated with Arabism based on race or ethnic origin. Renaissance is an act of historical creativity aimed at reshaping the human components of the Arab-Islamic civilization inspired by its own principles, and enriching it with the best achievements of other societies. Renaissance loosens the death grip of regression and repression on the spiritual and material lives of Arabs, and it can only be achieved in the presence of five key elements: the independent will of free people; creative cognizance that achieves the conditions necessary for an independent regional entity; real rather than delusional capacity; continuous renewal achieved through permanent dialogue between all segments of the people; and autonomy which will be achieved when a comprehensive union,

whose members converge around its mission, is established.

Arab integration as set out in this report would mean the progressive and voluntary unification of the people in the region into an independent entity capable of achieving human development and competing effectively with other regional groups. The road to that destination would be marked out by successive forms of regional integration. It would undoubtedly be built on the ruins of the current path, which has left the Arab people disillusioned, alienated and angry. Completing that historic shift will enable Arabs to say, with assurance and pride, that they have regained their rightful place in the world, and know how to hold it; that no task of development is too great for a community of empowered regional citizens; and that future generations will be stronger for having inherited Arab unity.

Chapter 1

Arab Integration:
Concept, Pathways and Prospects

**Pity the nation divided into fragments,
each fragment deeming itself a nation**

Gibran Khalil Gibran

Arab Integration: Concept, Pathways and Prospects

Economic integration centers on material structures of life, such as economic systems, goods and capital; comprehensive integration encompasses both material and moral structures, such as culture, knowledge and values. The Arab world needs to evolve towards this larger integration, building on traditional economic integration and moving beyond it. Only comprehensive integration can bring about the thoroughgoing renaissance that the region urgently needs.

This chapter therefore looks beyond the narrow scope of economic integration to what comprehensive integration more broadly offers. It examines the theoretical foundations of the concept in Arab cultural heritage and highlights contemporary experience. The chapter also discusses the nature of integration and how it could launch the region towards a revitalized future.

The concept of integration in Arab cultural heritage

Significant benefits would accrue to the Arab people from integration, which would secure their freedom, dignity and well-being as Arab citizens while strengthening the region's role in the world. Throughout history, the concept of renaissance has been associated with modernity or with the revitalization of cultural heritage. Since 'civilization', 'culture' and 'modernity' can each have several interpretations, this chapter begins by defining the terms used in the report and their relationship to the proposed renaissance.

The triad of civilization, culture and modernity

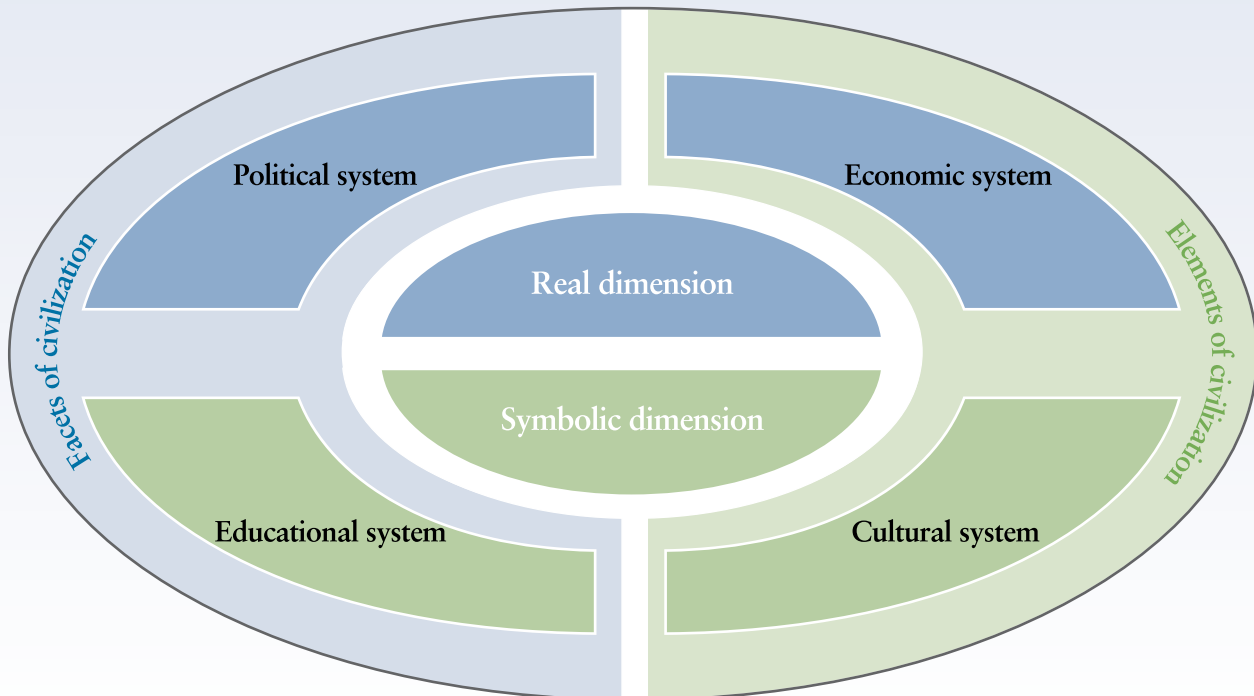
The Arabic term for civilization, 'al-hadara', is derived from the word 'hadar', which refers to the settlement of lands and the growth of towns and cities. Civilization thus refers to an organized way of life derived from urban settlements.

Culture, or 'thaqafa', refers to the ideas, customs, intellectual achievements and social practices of a particular people or society. Culture is a neutral concept without the value judgment carried by civilization and its implied contrast with barbarism. After all, nomads had their culture too, resulting from living with others in a tribe, the first form of State.

Modernity, when not understood in the European Renaissance sense, signifies the transformation from an old state to a new and improved one. There are abundant references to that meaning in the Holy Koran, signifying the development of something that did not exist before: ﴿If you remain with me then ask nothing unless I myself mention it﴾ (Sourat al-Kahf, verse 70),¹ or a departure from what the forebears represented: ﴿When it is said to them follow what Allah has revealed, they say rather will we follow that upon which we found our fathers, even if Satan was inviting them to the punishment of the Blaze?﴾ (Sourat Luqman, verse 21). Modernization is a process of positive change through

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Figure 1-1 Structure of human civilization



Source: Report team.

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new meaning**

which people evolve while honouring their past. Greek, Arab, Roman and European societies all experienced modernization of this kind.

In world history, modernization invariably started by reviving a golden age and imbuing it with new meaning. Modernization thus opens up channels between the past and present. It also breathes new life into a community's heritage. And even when a community modernizes without being able to refer to the successes of its predecessors, it creates those successes by imagining them. This is precisely what Plato did when he imagined a more developed Greece than the one in which he lived.

Arabs have experienced such revivals more than once. First they reinterpreted their religious history in order to free themselves from Persian and Byzantine colonization. Then they reinterpreted the achievements of Islamic civilization

by focusing on its historic, scientific and philosophical legacy, rather than on its religious heritage. In each attempt, it was necessary to reinterpret the past in order to reconcile its spiritual and scientific beliefs. Most regions that have undergone a renaissance also appropriated the highest achievements of other societies, attributing them to their predecessors by rewriting the past. In all instances, renaissance embraced civilization, culture and modernity.

Material and symbolic structures of civilization

The most significant contribution to Arab thought about civilization was made by Ibn Khaldun (1332-1406), the Arab philosopher who, in his seminal book *Al-Muqaddimah* (An Introduction to History), coined the concept of human civilization (*al-omran al-bashari*) as a combination of objective world

conditions and human creativity. His ideas consolidated the material and symbolic aspects of life in a single concept.

In *Al-Muqaddimah*, Ibn Khaldun sought to establish sociology as a new, independent science, refuting historiography as it had been presented by fellow historians and portraying social organization as an early pattern of human civilization. He argued that the purpose of civilization was to gather people in ever-growing collectives in order to produce and protect things that an individual could not.

Ibn Khaldun observed that social organization and civilization were complementary.² He wrote: "When there is a general change of conditions (in an organized society), it is as if the entire creation had changed and the whole world altered, as if it were a new and repeated creation, a world brought into existence anew."³ Remarkably, that statement applies to the contemporary Arab world, which has been swept by events that herald a historic transformation.

Ibn Khaldun depicts the human being as a social creature who cannot live outside society. He wrote in *Al-Muqaddimah*: "Social organization is necessary to the human species. Without it, the existence of human beings would be incomplete. God's desire to settle the world with human beings and to leave them as His representatives on earth would not materialize." Human beings are, by nature, inclined to coexist. They need the creativity and partnership of their fellows to make life possible and allow civilization to flourish. Civilization thus carries a deep cognitive meaning that recognizes the natural purpose of human beings.

Ibn Khaldun classified the elements of civilization into four systems: *economic*, the system which provides for the material needs of the community; *cultural*, the system which fulfills its moral and spiritual

needs; *political*, the system of governance, laws and regulations; and *educational*, the system of social upbringing and moral formation. In a civilization, economic and cultural systems provide for the material and moral needs of the community respectively while political and educational systems govern the economy and culture. In Ibn Khaldun's concept, political and economic systems make up the outward or material dimension of civilization; educational and cultural systems represent its inner or symbolic dimension.

Together, these systems shape the identity of a nation, distinguish countries from one another and form the cornerstones of comprehensive integration. It may be noted that, in the structure of civilization depicted in figure 1-1, the components are not static but interact dynamically with one another.

The concept of Arab integration in this report

In this report, Arab integration means the progressive establishment of a unified political, cultural and economic entity that is capable of initiating and sustaining a full-scale Arab renaissance. It also refers to the process of removing obstacles to that unity. The concept brings together the material and moral dimensions of civilization, and their respective systems, as defined by Ibn Khaldun.

The road to that destination would be marked out by successive forms of regional integration, which would pave the way. The stubborn legacies of contemporary decadence and past colonialism, which block that path, would have to be cleared away. Decadence forced the Arabs to accept a status quo bereft of dignity or pride; colonialism undermined their common history, exploited their lands and destroyed their historical unity. The regimes which followed after independence consolidated the division of

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Confronted by hostile external environment and faced with acute development challenges, Arab countries stand to gain enormously from unity

the region. Integration offers Arabs a way out of that condition and on towards a dignified and prosperous life.

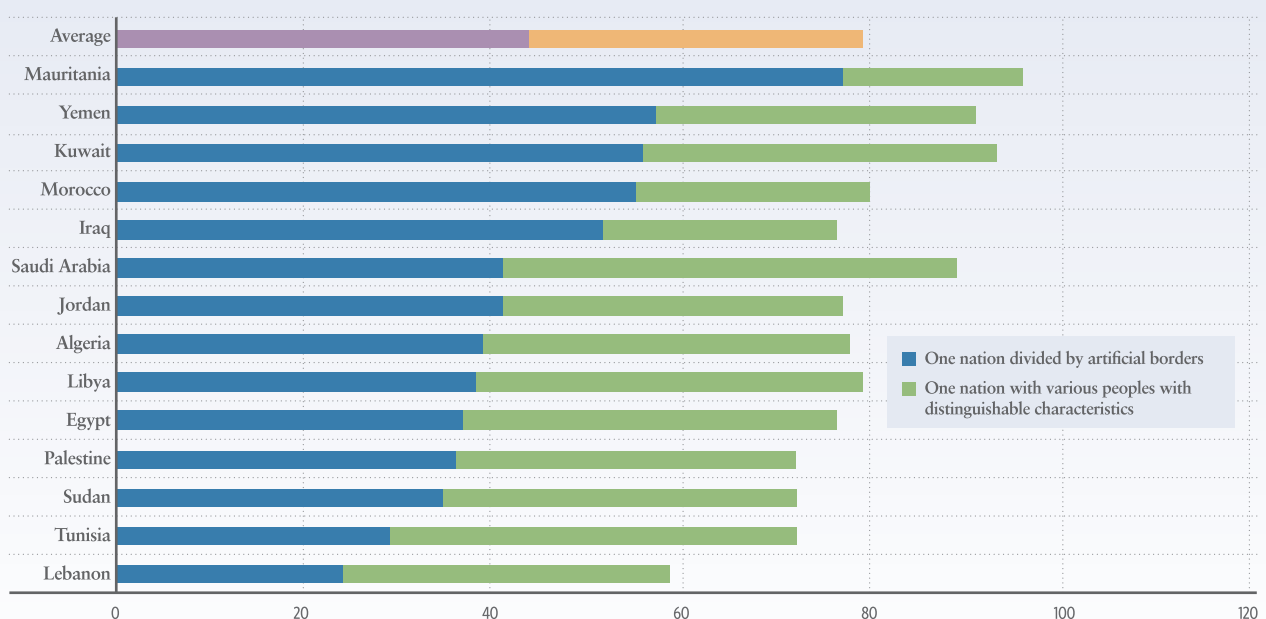
Confronted by an often hostile external environment and faced with acute development challenges at home, Arab countries stand to gain enormously from such unity, which would enable them to compete with other regional groups on a more equal footing. Comprehensive integration is within their reach, given that, unlike other groups of countries, the Arabs share a number of characteristics, including language, culture and history, in addition to geographical proximity.

The term 'Arab' may irk some non-Arab ethnic minorities that understand it as referring to race, particularly given the exaggerated Arabism of the Arab nationalist movements of the 1950s, which considered every Arabic-speaking individual to be Arab. However, this report adopts a concept that is non-exclusive and non-discriminatory. It refers to the

populations of the members of the League of Arab States whose cultural production, history and heritage have been conveyed in Arabic. That language is shared by all the peoples of the Arab region, even if some of its most renowned scientists and thinkers are, as Ibn Khaldun put it, not Arab in the ethnic sense of the word but from other ethnicities which the Arabs pride themselves on including. The goal is to break free from the ethnic dimensions of nationalism and to refer to a common heritage that uses Arabic in its intellectual, aesthetic and spiritual endeavours.

While education and popular discourse in the Arab world do not emphasize multilingualism, most educated individuals study at least one additional language. It is likely that Arab integration would preserve regional languages while promoting Arabic as the common language of all groups. For example, in addition to Arabic, school children would learn Amazigh or Kurdish, as well as a Western language.

Figure 1-2 The question of a unified Arab nation as seen by Arab people, 2012-2013 (Percentage)



Source: Public opinion survey conducted by the Arab Center for Research and Policy Studies for the period 2012-2013. It is based on 21,350 interviews, with a representative sample of citizens in each country. The survey covered 14 Arab countries that account for 89 per cent of the regional population.

A recent public opinion survey suggests that a unified Arab entity would enjoy wide popular support (figure 1-2). The majority of Arab citizens strongly believe that all Arab countries form one nation, even if they are currently separated by artificial State borders and made up of different ethnic groups.

Knowledge: a driver of comprehensive integration

A new measure of wealth

Comprehensive integration has several key drivers, one of the most powerful being knowledge acquisition and production. After all, the wealth of a nation is no longer measured by the precious gems, metals and other natural resources beneath its land: knowledge and human capital are now the main criteria for assessing human advancement.

In 1990, the United Nations Development Programme set out a new concept of human development which saw knowledge as a fundamental capability.⁴ Previous theories had limited development to economic growth. The 1999 World Bank report entitled *Knowledge for Development*⁵ argued that disparities in knowledge, rather than income, determined national development. It observed that the gap in the capacities of developing and developed countries to acquire knowledge was wider than the knowledge gap itself, and urged Governments and regional groups to actively support knowledge acquisition.

History shows that, around the world, civilizations and their defining languages have flourished or faded depending on whether they acquired knowledge, or neglected it. The regression of the Arab region is clearly linked to a decline in knowledge.

Present trends in world development may justify linking a nation's status to its accumulated knowledge. That link is virtually a general human law: the strength of a nation is determined by its capacity to acquire knowledge. However, the notion that knowledge acquisition simply means owning the latest imported technology is deeply flawed: knowledge begins and ends with human beings, its authors, recipients and custodians.

Societal context of knowledge acquisition

A societal context that enables knowledge acquisition has four interrelated components: the production system, the role of the State, regional cooperation and the global environment.

► Production system

In any production system, linkages are the all-important arteries through which knowledge flows. In the Arab countries, these conduits are weak. Connections between universities, research centers, vocational training institutes and production activity must be strengthened to enhance productivity. Technological development requires close coordination between production and research while education, especially technical and vocational training, must be properly geared to production in order to match skilled personnel with employers' needs.

The use of the national language in educational institutions and production sectors can boost the dissemination of knowledge throughout a country. It can ensure that knowledge is not restricted to elites but accessible to all, which would advance human development.

► Role of the State

In most developing regions, States must remain the stewards of the

Comprehensive integration is within reach, given that the Arabs uniquely share a common language, culture and history, in addition to geographical proximity

History shows that civilizations have flourished or faded depending on whether they acquired knowledge, or neglected it

If left to free markets, knowledge acquisition would be restricted to the few who can afford it and denied to the majority who cannot

knowledge acquisition process. 'State' does not refer solely to the government, but to an integrated institutional system encompassing all elements of society. If left to free markets, knowledge acquisition in developing countries would falter, because knowledge is a public good and its producers may not always be able to claim its revenues. Low profits for knowledge production in a market economy may therefore either discourage investors or cause them to place a high price on access to the knowledge they produce. This would restrict knowledge acquisition to the few who can afford such costs, and deny it to the majority who cannot.

The World Bank report cited previously underlined the importance of the State in guaranteeing knowledge acquisition, particularly in developing countries. A subsequent report by the International Labour Organization⁶ also

underscored the State's role, especially in connection with lifelong learning. This role is particularly important to developing countries in economic transition, where it is often seriously underestimated. More recent perspectives on economic growth acknowledge that the State must not merely surmount market failure but become actively involved in knowledge acquisition.

In developed economies, the profit-making sector plays an important role in knowledge acquisition. The State nevertheless remains a pivotal player, especially in supporting basic research and primary education, which the private sector finds unattractive because they do not generate fast returns on investment, despite being indispensable to long-term knowledge acquisition.

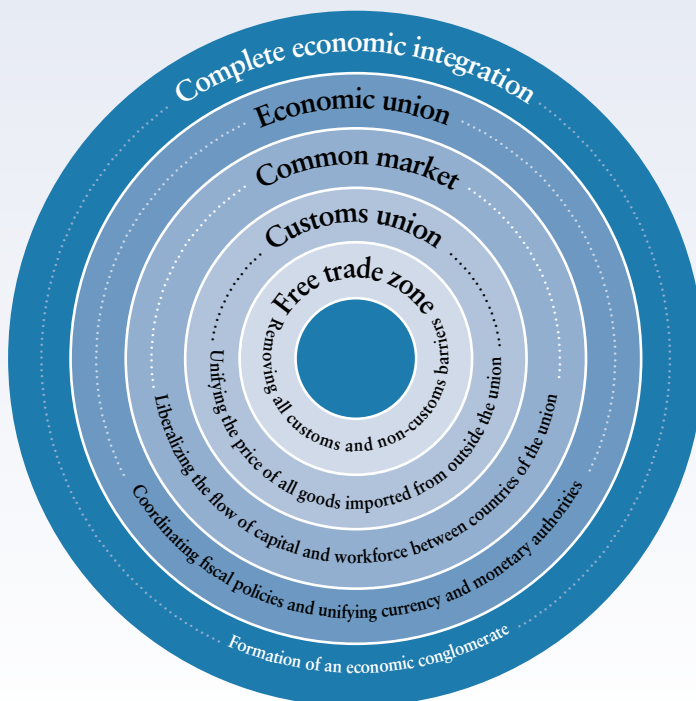
► Regional cooperation

Qualitative progress in knowledge acquisition demands stronger and more effective cooperation between Arab countries. Knowledge is a public good, at both the international and societal levels. Cooperation between countries over knowledge acquisition will improve their capacities far more than if each country worked alone, especially if those countries share the same characteristics and challenges.

Projects relating to 'Big Science'⁷ are far beyond the capacities of any single Arab country. Knowledge acquisition has become a business that creates enormous economies of scale, as is the case with Euro-cooperation on higher education programmes and the increasing number of multinational companies that are merging their research and development activities.

There are large disparities in the research and development capabilities of Arab countries, particularly in their human and financial resources, a fact which only further highlights the need for integration.

Figure 1-3 Stages of economic integration



Source: Report team.

► Global environment

How far Arab countries benefit from globalization depends on how closely they cooperate with one another. Globalization has greater negative impacts on those developing countries that do not have the political or economic leverage to influence terms of global trade. This has been the experience of all Arab countries when dealing unilaterally with international economic institutions. Cooperation between Arab countries would enable them to acquire knowledge under better conditions. It would also improve their productivity, technological capabilities and global competitiveness, leading to a comprehensive economic and social renaissance.

Economic integration towards comprehensive integration

Analysts distinguish between two kinds of political convergence: integration, which means attaining a sense of belonging to a larger community through increasing cooperation; and amalgamation, which entails the formal merger of two or more independent units under a common government.⁸ This report argues that Arab countries must aim for the second type of convergence by building on the first.

Even the initial stages of integration are expected to have significant outcomes, including stronger intraregional trade; better transborder and domestic infrastructure for development; more efficient public institutions; and wider systems of democratic governance. These stages of economic integration could help to combat social exclusion and build up regional civil society; consolidate peace and security; protect the environment; and promote interaction between the region and the rest of the world.⁹

Economic integration: stages, benefits and lessons

The first stages of economic integration involve facilitating the exchange of goods and commodities. In its more advanced stages, economic integration encompasses joint production.

► Stages of economic integration

Economic theories point to five successive stages leading to regional economic integration (figure 1-3). These are preferential trade agreements such as a free trade zone leading to a customs union; a common market; an economic union; and, finally, a comprehensive economic integration. These are explained in details in annex V to this report.

There are several economic blocs in the world comprising large and economically sound countries that could have developed even without integrating, but which opted to do so to improve their security and longer-term prospects.

► Benefits of economic integration

Economic integration is no longer seen as just another pillar of development; in a world dominated by powerful regional blocs, it has become a requirement for survival. It is now common practice to divide the production of a single product among many countries. The global value chain, as it is known, entails dividing research and production processes between various parts of the world in order to optimize efficiency and profits. The resulting parts can then be assembled in one place, thus abiding by the rules of origin, and be exported exempt from customs tariffs under preferential trade arrangements. Regional integration would therefore lower production costs, improve competition, increase profits and benefit all members of the bloc.

More recent integration agreements differ radically from those of the mid-

Cooperation between Arab countries would enable them to acquire knowledge under better conditions and improve their productivity

Regional integration would lower production costs, improve competition, increase profits and maintain the benefits within the members of the bloc

Intense international competition and limited domestic markets may compel developing countries to join regional economic blocs

More intense competition leads to greater efficiency in production and use of resources

twentieth century.¹⁰ Some aim to facilitate the participation of the parties in the global economy and attain the required level of harmony set out in the multilateral trade rules of the World Trade Organization (WTO).

By pursuing regional integration, developing countries hope to attract foreign direct investment and new contracting or export opportunities, even if only from other countries in the same bloc. When foreign companies invest in developing countries, they create job opportunities, supply technology and experience, address balance of payment deficits and develop value added chains.

Developed countries conclude free trade agreements with developing countries with a view to improving competition and opening up new markets for their national producers. The preferential arrangements they benefit from surpass the most-favoured-nation exemptions offered by developing countries at the multilateral level.

However, those agreements can also be used as strategic tools to encourage developing countries to adopt the economic systems and legal structures of international powers; by doing so, developed countries create an enlarged economic space for themselves in which the developing countries can also participate.

The increasing number of preferential agreements reflects a pattern of decision-making by developing countries to benefit from trade liberalization at the expense of multilateral liberalization. All the developing country members of WTO, including the least developed, have opted for at least one preferential trade agreement.¹¹ Their choice reflects the belief shared by developing countries that the credibility of the global trade system has been eroded.

This explains the unyielding position of developed countries within WTO, who are trying to control the proliferation

of preferential agreements between developing countries and other parties. It also explains the persistent efforts made by developed countries to ensure that preferential agreements are thoroughly examined in accordance with the General Agreement on Tariffs and Trade (GATT 1994) and the Understanding on the Interpretation of Article XXIV. Those provisions are seen as a prelude to subjecting preferential agreements between developing countries to the WTO dispute settlement system, which scrutinizes their legality and commercial aims and determines the legitimacy of their implementation.

Intense international competition may compel developing countries to join regional economic blocs. The link between foreign direct investment, exports and services also encourages developing countries to merge in regional free trade agreements. The decision by investors to move operations to a developing country largely depends on how far the services sector there has matured, particularly logistics. The high growth of trade in services recorded over the past few years highlights just how important the services sector has become in attracting foreign direct investment.

Besides enhancing trade and transferring knowledge, regional integration agreements often also have positive dynamic effects. They create more intense competition, leading to greater efficiency in production and use of resources. Integration agreements often result in improved business and investment environments that benefit from less red tape, lower prices of goods, tools and intermediate products, and the removal of institutional barriers that kept foreign companies out of local markets.¹²

► **Lessons learned from global economic integration experiences**

The European Economic Community (EEC) had unique experience in reducing

tariffs and other quantitative and administrative barriers to intraregional trade. The establishment of a free trade zone initiated further integration measures.¹³ European economic integration was made possible by market size, political commitment and an evolutionary approach: when the EEC founding countries, namely, Belgium, France, Italy, Luxembourg, the Netherlands and West Germany, signed the Treaty of Rome in 1957, they were among the biggest markets in the world. The EEC was the product of several gradual steps towards integration sustained by the strong political will of its founders; membership eventually expanded to encompass 28 member countries.

As a bloc moves towards the advanced stages of integration, some countries may hold back, preferring horizontal expansion to vertically deepened integration. Some regional blocs therefore have allowed for different degrees and paces of integration. The preference for horizontally expanded rather than vertically deepened integration is demonstrated by the Association of Southeast Asian Nations (ASEAN) Economic Community, the Andean Community and the flying geese model.¹⁴

The flying geese model is a template for the division of labour in East Asia, and typically comprises three phases. In the first phase, the developing country imports a certain good from an Asian developed Asian country such as Japan. In the second phase, the developing country tries to produce the same good on its own territory with or without joint financing from the developed country. In the third phase, the developing country exports the good to less developed Asian countries, which make up the next flock of flying geese. The developing countries can thus gradually climb the manufacturing ladder through a dynamic hierarchy and the regional redistribution of production

among the various flocks of flying geese. When the model was formulated, the first flock consisted only of Japan. The second flock comprised the Republic of Korea, Taiwan Province of China, and Hong Kong, China. Following that flock were Malaysia, Thailand and Indonesia. The final flock, now poised to fly, comprises Viet Nam and Cambodia.

In this model, when a middle-income country grows into a global development leader, it opens up unprecedented opportunities for its lower-income neighbours. Some economists predict, for example, that the transition of China from a 'following goose' with low production rates to a 'leading dragon' will generate some one million job opportunities in labour-intensive industries. That is sufficient to quadruple the capacities of low-income developing countries to host an industrial labour force. Similar developments will also occur in middle-income developing countries. Therefore, if developing countries can implement strategies to exploit new production opportunities, they will be able to introduce structural changes that reduce poverty.¹⁵

Developing countries do not necessarily have to start economic integration with trade liberalization. They can begin by strengthening sectoral and production structures through industrial programming, following the experience of the Andean Community. Even the EEC did not begin the integration process with trade liberalization. It initially established the European Coal and Steel Community through the Treaty of Paris in 1951, paving the way for the foundation of the European Union.

One of the most important EEC accomplishments is the Common Agriculture Policy, which was formulated in order to build a common market for agricultural products and to protect members from global price fluctuations

Developing countries do not necessarily have to start economic integration with trade liberalization; they can begin by strengthening sectoral and production structures through industrial programming

Deeper forms of economic integration require the free movement of people

A key goal of Arab political integration must be to ensure that Governments across the region respond effectively to their people's calls for democracy

through preferential treatment.¹⁶ The policy also aimed to stabilize prices and guarantee adequate incomes for farmers. It has not been without controversy, however, given the burden it placed on net importers of agricultural goods such as West Germany and Italy, while France, Europe's biggest agricultural producer, benefited the most.¹⁷

Most of these integration models were created in order to achieve conventional economic integration. However, they have also yielded important social and cultural benefits. The Arab world has similar potential to reach the highest levels of integration by moving up the ladder this way.

Comprehensive integration: dimensions and enabling conditions

Comprehensive Arab integration goes beyond economic integration. It encompasses all dimensions of human civilization and social organization, particularly if economic integration is understood as being limited to finance or trade. However, economics can have a wider scope ('real economy'), which covers such matters as education, work, knowledge exchange, standards of living and human welfare, including freedom. As noted, knowledge acquisition has become extremely important to the so-called knowledge economy, which is considered the pinnacle of development.¹⁸ Interest in the knowledge economy has skyrocketed in recent years, evidenced by the growing number of studies on the subject.¹⁹

In the broader definition of economy, then, the concept of economic integration is closer to comprehensive integration. Unlike the narrow definition, the broader meaning includes cultural assimilation, which follows from the increased interaction among people within the integrated region.

The early stages of economic integration do not require freedom of movement for people. Deeper forms of economic integration require the free movement of people to work and live in any country within the integrated region without hindrance, as is the case with the European Union.²⁰ Migrants carry values, ideas, information and ways of life from their homeland to their new countries of residence. They also develop new values and ways of life that become common between countries over time, forging a closer sense of shared identity.

► Dimensions of comprehensive integration

The scope and goals of Arab comprehensive integration can be defined according to the four core elements of civilization conceptualized by Ibn Khaldun:²¹

- **The political system:** following the recent waves of Arab civil protests, a key goal of Arab political integration must be to ensure that Governments across the region respond effectively to their people's calls for democracy. The most important objective is to uphold human rights and political freedoms, in particular, the right to self-determination, thus empowering people to end subordination to repression from within the region and from abroad.
- **The economic system:** the goal of Arab economic integration is to establish fair and dynamic economic arrangements at the national and regional levels. In order to protect the well-being of people and their natural and cultural environments, the aim should be to combine an efficient and productive free market with social welfare.
- **The educational system:** the goal of Arab educational integration is to develop the cognitive and technical capacities of the Arab people as the basis of a vibrant, independent

Box 1-1 The experience of unifying curricula in the GCC countries

The Gulf Cooperation Council (GCC) has been a pioneer in harmonizing public education curricula. It has established a core curriculum that permits individual member countries to add elective courses that take into account the national particularities they wish to emphasize. The unified GCC curriculum was developed by the Arab Bureau of Education for the Gulf States, which was founded in 1975.

The unified GCC curriculum helps students to develop the competencies and values needed in order to intelligently address contemporary issues and the challenges of globalization within a common framework based on Arab Muslim values.

The success of this curriculum depends on the full and careful implementation of its mechanisms and phases. It must continue to focus on the quality of education so that it not only provides direct knowledge, but also teaches the ability to learn. In this way, educational institutions can become incubators of thought and expertise that produce human resources capable of innovation. This will offer the GCC countries improved security, productivity and welfare. The GCC experience can be used as an example to further Arab integration in the field of education.

Note: Yemen joined the Arab Bureau of Education for the Gulf States in 2002.

Source: Gulf Arab States Educational Research Center (GASERC), 2002 and 2005.

economy, and to instill legal and moral values as the basis of good democratic governance.

- **The cultural system:** the goal of Arab cultural integration is to promote a culture of creativity which can energize the political, economic and educational systems.

The development of these components should be realized in stages until they take hold. The subregional integration of different groups of Arab countries could precede comprehensive Arab integration.

▶ **Enabling conditions for comprehensive integration**

Regional integration will not only generate economic and social dividends but also enable the Arabs to reclaim their rightful place in history. At the height of their capabilities, Arabs made transformative contributions to science, mathematics, the arts and architecture. If Arab unity is achieved by integrating the four core elements of civilization, it could enable the Arab world to produce new accomplishments even greater

than those of its ancestors. This requires reclaiming the enabling conditions for that renaissance, including:

- **A unified sense of place:** this requires abolishing restrictions imposed on interaction across borders.
- **A unified sense of history and symbolic structures:** this entails reversing the obliteration of Arab common history.
- **Shared values:** this calls for a renewal of Arab societal values that prize openness, knowledge and creativity and for uprooting vestiges of the colonial mentality.
- **Common economic systems:** this requires changing a mindset that perceives interests only with partners abroad into one that embraces those in the region as well.
- **Common cultural systems:** these would be built by supporting, revitalizing and celebrating Arab cultural products and exchange, restoring the Arabic language and nurturing a contemporary regional culture robust enough to prevent over-dependence on outside influences.

The goal of Arab cultural integration is to promote a culture of creativity which can energize the political, economic and educational systems

Economic and cultural integration through a common language

Cultural and economic integration are mutually reinforcing. Neither takes precedence over the other, both are prerequisites for comprehensive integration. A common language can provide great impetus to both forms of integration.

The cross-fertilization and exchange of artistic, literary, musical and other cultural creations across borders form strong bonds among people who value their moral, aesthetic and intellectual qualities, as well as among those who appreciate their utility and economic value. While such works derive their value from being artistic and creative productions, they can also be tradable goods or services, like other market commodities. Paintings, books, films, musical recordings and other creative products can all be bought, sold or exchanged in markets under the protection of intellectual property rights.

The economy produces the material means to sustain human lives and livelihoods, while culture provides the symbolic, imaginative and creative inspiration that nourishes spiritual needs. The production of material goods requires cooperation, trade and compensation, which are invariably enhanced when people share values, principles, beliefs, a common language and a broader common culture. Creative and symbolic products foster this type of sharing and therefore facilitate cooperation in the production and exchange of goods. In the end, the beneficiaries of integration are people, and people do not live by bread alone.

Conversely, economic integration, which provides the material framework for comprehensive integration, is equally essential. To use the human body as a point of comparison, economic integration is the backbone while symbolic structures are the vital organs. A body without a brain

or a heart is an empty vessel, just as the backbone alone is useless.

Language is the source of most symbolic structures. It is humankind's distinguishing means of communication and exchange. No true cooperation, let alone integration, can prevail without a dynamic common language. When countries with different cultures seek to integrate or cooperate, they must agree on a common language or limited set of languages for the purposes of communication, particularly in the institutions responsible for the partnership. The Arab world has been blessed with an extremely rich language, which gives it an invaluable advantage in the context of comprehensive integration.

Integration: a path to, or a result of, renaissance?

This report considers that integration will lead to renaissance in the Arab region. Some, however, believe that attempting to assimilate weak countries will only multiply weaknesses and accelerate deterioration across the region. It can be argued that such a view might actually further divide a region that is naturally connected by history and geography (box 1-2). Delaying comprehensive Arab integration until each country has developed separately will only perpetuate the current and deplorable status quo.

The case for integration made by this report is based on conceptual and analytical arguments, as well as on the study of existing integration experiences. This evidence indicates that the integration of Arab countries would produce effects greater than the sum of its parts.

What binds the countries of the Arab world is their common civilization. If that civilization is not perpetually enriched by modern achievements, it will languish and

Delaying comprehensive Arab integration until each country has developed separately will only perpetuate the current and deplorable status quo

Box 1-2 History and geography are cornerstones of Arab unity

It is neither narrow nationalism nor populist chauvinism to talk about a distinct Egyptian character. Nationalism is not set against regionalism thereby, both are reaffirmed as complementary. Moreover, the Egyptian character, no matter how evolved or eclectic, is an integral part of the rich personality of the Arab nation and so studying it does not weaken the larger goal of Arab unity.

If a country like the United States of America can achieve unity while deliberately overlooking history and geography, as some have claimed; if others, like Canada, experience tensions with unity for favouring geography over history; and if a region like Western Europe is finding it difficult to achieve unity because it overvalued history and neglected geography; then attaining unity in the Arab world can succeed through the mere recollection of history and geography, because both geography and history are unifying factors.

Source: Hamdane, 1980, pp. 25-47 (Arabic).

Arab countries will be nothing but lifeless members of a nation that is unable to grow. The lesson of the last few decades is that no Arab country alone can bring about a historical renaissance rooted in knowledge acquisition and production. Neither the GCC countries, with their enormous financial capital, nor Egypt, with its impressive human capital and strong knowledge capabilities, could bring off such an endeavour on their own.

Historically, strong empires did not rise by waiting for all their territories to attain the same level of human development. The more developed parts always reached out to help the less developed. Arab civilization would not have reached its zenith if it had not integrated and supported all its territories, transforming them into a structure that was more advanced than any individual territory, despite their considerable differences.

The European Union is a good example of integration and structural evolution. Its stronger members support the weaker ones with carefully devised solidarity policies that are often extremely costly. Union institutions have played a pivotal role in this development process, particularly those charged with furthering

common legal, economic or cultural standards, such as the European Court of Justice. Not only did the European Union carry its less advanced members along: it opened up to the new and even weaker countries of Eastern Europe and assisted them to rise up to the requirements of membership.

Delaying integration will merely slow down an Arab renaissance while comprehensive integration could be a rare and historical opportunity to speed up its arrival. The Arab popular revolts have given rise to calls for a type of revolutionary change not seen in the region for many centuries. Unless Arab countries act quickly and in unison to transform the status quo, they could be overwhelmed again by a rising tide of discontent.

To reject renaissance would be to consecrate despotism and underdevelopment, and leave the Arab people to a fate of injustice, coercion, poverty and subordination. On the other hand, comprehensive Arab integration would pave the way for the less developed Arab countries to prosper with the help of the more developed ones. All Arab countries, if united, can better face their common challenges.

No single Arab country can bring about a historical renaissance rooted in knowledge acquisition and production

The Arab region was once the cradle of a vibrant civilization that led the world in knowledge production

From exploitation to reawakening

Arab countries have a stubborn legacy of fragmentation, division and backwardness to overcome on the road to a twenty-first century renaissance. This was not always their situation. The Arab region, which extends from the Atlantic Ocean in the West to the Arab Gulf in the East, was once the cradle of a vibrant civilization. As previously noted, it led the world in knowledge production. Between the ninth and eleventh centuries, Arabic was undisputedly the language of

science, if not the language of all fields of knowledge production.

At that time, the Arab Empire stretched from Andalusia to the Western borders of China, encompassing a huge population and a wealth of religions, races and local cultures. A number of prestigious universities and research centres were built, including Zaytuna University, founded in Tunisia in 737, and Al-Azhar University, founded in Egypt in 975, long before any comparable institutions were founded in Europe.

But subsequently, and for several centuries, the region stagnated, becoming vulnerable to global exploitation. During

Box 1-3 Sheikh Abdelhamid Ben Badis (1889-1940), leader of the scientific and Islamic renaissance in Algeria

Abdelhamid Ben Badis was an emblematic figure of Islamic reform in Algeria. In 1908 he travelled to Tunisia and enrolled at Zaytuna University which was at the time a great centre of learning and knowledge, particularly in Islamic studies. After graduating in 1912, he spent another year at Zaytuna University as a teacher. He then embarked on a pilgrimage or *hajj* to Mecca and spent three months in Medina. There he met with renowned Muslim scholars and with them developed the idea of Islamic reform in Algeria particularly to deal with cultural and religious decline of Algeria under French occupation.

Ben Badis returned to Algeria in 1913 and spent several years teaching at the Sidi Qammouch mosque in his hometown Constantine. The teachings were destined for men, women, children and adults. He gave them education in Islamic sciences, Arabic language, literature and history. During those years Ben Badis and other Islamic scholars resisted the suppression of Algerian patriots and strove to save the Algerian culture from being eclipsed by French values and morals.

In 1931, Ben Badis founded the Association of Algerian Muslim Ulema, which was a national grouping of many Islamic scholars in Algeria from many different and sometimes opposing viewpoints. The Association would later have a great influence on Algerian Muslim politics up to the War of Independence.

The Association became aware that Algerian immigrants to France risked complete absorption by European culture and the loss of their Islamic principles. It thus provided preachers and mentors to Algerian families, and established clubs and schools for their children.

"The Association also lifted some constraints on women by removing obstacles to their education. Acknowledging that the nation, like an airplane, can only fly with two wings, the men and women being its wings, the Association freed women from ignorance by providing them with Islamic and domestic education. A nation that focuses only on male education and wants to fly with one wing will inevitably fall."^(*)

(*) Association of Algerian Muslim Ulema, Albassair newspaper, Edition 160, 7 April 1939. www.binbadis.net.

the Ottoman Empire, the Arabic language and culture were essentially restricted to the religious sciences, having lost ground to the Turkish language. The concept of Arab identity was thus limited to that of religious belonging, but the “decline made the religious doctrine hollow, ritual-like and devoid of any metaphysical meaning...”²²

The defeat of the Ottoman Empire in the First World War enabled the two biggest colonial powers at the time, Great Britain and France, to divide the Arab region between them as war loot under the Sykes-Picot Agreement. A regional map drawn up in imperial war rooms established small States that lacked the means of survival and development. France occupied most of Northern Africa and the Levant. Britain, which had occupied Egypt since 1882 for its unique geographical position bridging Asia and Africa, took parts of the Gulf and the Arabian Peninsula, which became even more important after the discovery of

oil. Britain also assumed a mandate over Palestine, during which it permitted the creation of a Jewish-majority State that led to the uprooting and dispossession of the Palestinian people to this day.

Besides violating the rights of the Arab people, the colonial powers also tried to impose their national language. This was done particularly extensively by France in the North African Arab countries. However, these relentless attempts at dominance were not able to wipe out Arab identity (box 1-3).

Far from ending such violations, many post-independence Arab regimes became autocratic and repressive, and remained tied to their former colonial masters or other hegemonic powers. The ruling elites did not invest in their people’s well-being and confiscated their basic rights. As a result, and based on core indicators of human development, especially freedom and knowledge, the region remained in decline for decades, falling behind other developing regions.²³

* * *

A comprehensive integration project is not only justified by the aspirations of the Arab people, but also by necessity, given this dismal backlog of deprivation to be overcome. This chapter has argued that comprehensive integration transcends economic integration to encompass all aspects of society. Integration will launch the region towards a comprehensive human renaissance. It will enable the region to build up its financial, technological and knowledge capabilities through trade and economic and cultural exchange and thus embark on a new future. Arabs will once again be able to produce, enjoy and share with the world the fruits of an advanced civilization.

History shows that when Europe emerged from its Dark Ages it benefited from knowledge produced by Arab civilization. Similarly, Arab civilization benefited from scientific knowledge produced in southern Europe. The acculturation of civilizations, like any human exchange, is always a matter of give and take.

The Arab popular uprisings were triggered by young Arabs who finally took a stand against long-running tyranny and oppression. When the protestors swept through the streets and squares in unprecedented waves to demand freedom, justice and dignity, the world listened to the awakened cries of the Arab people emerging from under layers of silence and stagnation. The protest slogan “the people want” filled the media and became a part of everyday global vocabulary.

**Integration
will launch
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towards a
comprehensive
human
renaissance;
Arabs will once
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civilization**

Ultimately, the significance of these revolts is that they have restored the confidence of the Arab people in their power to take matters into their own hands and shape the future. This alone will reflect positively on the prospects for comprehensive Arab integration. What seemed impossible under the former regimes now seems feasible in an awakened region taking its first real steps towards democratic governance.

Chapter 2

Arab Economic Integration

**The wealth of nations is not measured
by what they possess, but by their ideas**

Malek Bin Nabi

Arab Economic Integration

Economic integration underpins comprehensive integration by providing for its material needs. Arab economic integration often features in official discourse. It has been the aspiration of millions and the target of ambitious projects since the 1950s. Post-independence Arab States quickly began to conclude economic integration agreements, motivated by regional political and security-related concerns and by considerations of international trade and finance. The ensuing years were filled with sweeping regional concords and a succession of broken promises.

The early commitments of Arab countries to regional integration fell well short of their ever-greater hopes and plans, a trend that has continued since. Regional integration policies have generally been partial, lacking an integrated strategic vision for human development and regional prosperity. A successful vision would take into account the political and security specificities of the Arab region. It would include the establishment of transnational institutions capable of strengthening and guiding Arab economic integration; implementing relevant decisions; and addressing shortcomings, notably by drawing upon the experiences of other regional groupings. Little of this has actually happened.

This chapter reviews the state of Arab economic integration in the early twenty-first century and analyses various mechanisms adopted to advance it, which have mainly concerned trade. The chapter goes on to analyse the role of Arab development funds and intraregional investment in joint efforts. It next considers how the terms of trade agreements between Arab countries and partners outside the region affect integration, and concludes with an assessment of the impact of integration initiatives on intraregional trade and Arab economies.

Ambitious plans and poor implementation

In 1953, the Arab countries concluded their first two preferential trade arrangements: the Agreement on Trade Facilitation and the Regulation of Transit Trade, and the Agreement on the Payment of Current Account Transactions and the Movement of Capital Transactions.¹ In 1957, members of the League of Arab States signed the Economic Unity Agreement,² a bold treaty to guarantee the free movement of persons and capital; the free exchange of goods and products; freedom of residence, work, and economic activity; free use of modes of transport and civil ports and airports;

and the rights of ownership, bequest and inheritance for all Arab citizens.

Following the latter Agreement, the Council of Arab Economic Unity was established as a permanent institution in charge of coordinating economic development efforts. However, a later annex to the Agreement stipulated that “the Agreement shall not prejudice the right of any State signatory to conclude bilateral economic agreements with States non-parties to the Agreement for exceptional political or defence purposes, provided that the objectives of the Agreement are not obstructed.”³ This clause was added despite the fact that the Agreement represented the final phase on the path towards integration, the point at which States

**Economic
integration
underpins
comprehensive
integration**

would voluntarily cede their absolute sovereignty over their economic policies, including trade and monetary affairs.

Almost a quarter of a century after signing off on that Agreement, and as a result of faltering implementation and changing patterns of production and consumption, Arab countries renewed their commitment to Arab economic integration in 1980 with the Charter for National Economic Action. This treaty was as ambitious as its predecessor. The Charter emphasized the need to uphold a set of principles for the promotion of economic integration and collective self-reliance. It called on Arab countries to realize Arab economic citizenship; reduce their development and income gaps; ensure full freedom of movement for Arab workers and guarantee their rights; provide education and training opportunities; facilitate the intraregional exchange of expertise; tap foreign expertise; and harness Arab economic potential for the benefit of Arab nationalist causes, paramount among them the Palestinian cause.

In parallel, that same year, Arab States signed the Strategy for Joint Arab Economic Action on the premise that the Arab region faced fragmentation, underdevelopment, colonization and cultural penetration — challenges which could only be met through unity in pursuit of development and liberation. A year later, in 1981, they signed the Inter-Arab Trade Facilitation and Development Agreement. It was the first contractual framework aimed at implementing the principles of the Strategy for Joint Arab Economic Action and the Charter for National Economic Action.

However, this Agreement did not provide for mechanisms of compensation and the equitable distribution of gains resulting from liberalizing Arab intraregional trade. Consequently, States signatories held back from pursuing

trade liberalization as stipulated in the Agreement. A similar agreement drawn up by the Secretariat of the Council of Arab Economic Unity sought to facilitate the movement of people between the Arab countries, but was never concluded. Eventually, it was replaced by a non-binding declaration of principles.

The implementation of these important preferential mechanisms did not come close to achieving the goals of Arab economic integration as specified in the pile of forsaken umbrella treaties collecting on the shelf. Most Arab Governments limited implementation to facilitating the movement of capital and goods, guided by the 1980 Unified Agreement for the Investment of Arab Capital in the Arab States. This latter Agreement also provided for the settlement of disputes and the establishment of an Arab Investment Court for that purpose; the Court was in fact established in 1986, but did not become effective until 2003 and has arbitrated only a few disputes.

Forty years after the signature of the Economic Unity Agreement, Arab economic integration is almost confined to the Greater Arab Free Trade Area Agreement, approved by Arab States in 1997. Joint Arab action still fails to respond to the hopes of Arab citizens (figure 2-1).

Arab integration projects

Most integration measures taken by Arab countries have been limited to the first phases of economic integration. They have focused on trade, investment and the movement of capital, in addition to joint funds for the financing of development projects in the region.

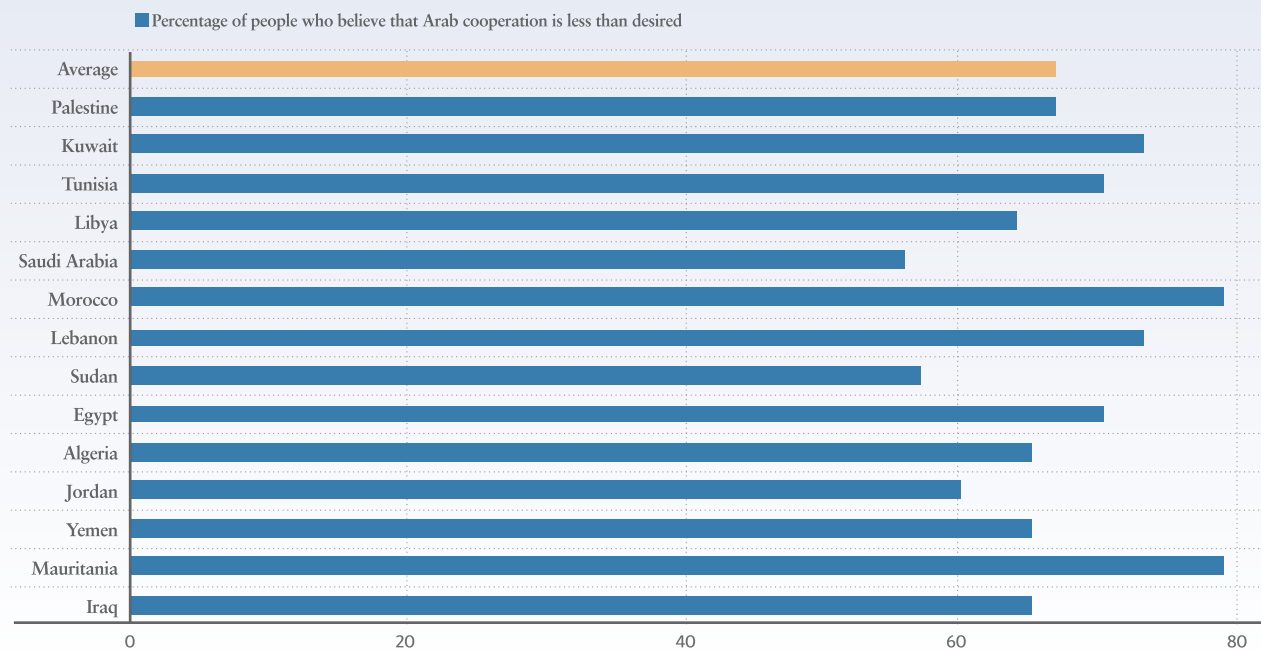
Trade in goods and services

► The Greater Arab Free Trade Area

The 1997 Agreement establishing the Greater Arab Free Trade Area (GAFTA)

**Forty years
after the
signature of the
Economic Unity
Agreement,
joint Arab
action still fails
to respond to
the hopes of
Arab citizens**

Figure 2-1 Arab cooperation in the opinion of Arab people, 2012-2013



Source: Based on data from the Arab Center for Research and Policy Studies, 2013.

is considered to be one of the key Arab integration agreements. The requirements for its implementation were to be completed in January 2005. The executive programme of GAFTA is based on the 1981 Inter-Arab Trade Facilitation and Development Agreement, which has so far been ratified by 18 Arab States.⁴ The GAFTA Agreement called for the following main actions:

- Gradually exempting goods of Arab-origin from customs duties and other fees and charges having equivalent effect by 10 per cent each year, beginning in January 1998. Each country was permitted to exclude certain goods from tariff exemption by including them in a negative list. Negative lists previously comprised hundreds of tariff nomenclatures under the Harmonized Commodity Description and Coding System (HS)⁵ and thousands of products, including agricultural crops, textiles,

garments, agro-industrial goods and some finished products. The extent of exclusions significantly reduced the number of exchanged goods benefiting from GAFTA preferential advantages. Other provisions allowed for security exceptions that served as loopholes and were quickly exploited by countries to block certain imports while trade remedy provisions were used to console certain beneficiaries and/or protect local products arbitrarily or as a retaliatory practice.

- Lifting all non-tariff barriers on intraregional trade within GAFTA. However, some Arab countries continued to impose quantitative restrictions through the use of quota restrictions and import licensing arrangements. Such restrictions continue to impede the implementation of certain GAFTA clauses as substantiated by an International Trade Centre (ITC) survey that confirmed

GAFTA provisions
availed security exceptions
that served as loopholes and were quickly exploited by countries to block certain imports

Since many member countries are bound to preferential trade arrangements with other non-Arab countries and regional groupings, establishing a customs union may prove difficult to achieve

that some members did not entirely remove these barriers.⁶

- › Determining that, in order for a product to benefit from GAFTA preferential treatment, the local added value content shall not be less than 40 per cent of the ex-works cost. Some thought that calculating added value based on the ex-factory cost (and not on the basis of ex-factory price, as in most preferential trade arrangements) would reduce the level of added value and manufacturing requirements needed to claim the Arab origin of a product. These measures, which initially sought to increase trade, led to growing fears about the potential for fraud. The fears were real, given that Arab countries could not fully agree on a set of detailed rules of origin to regulate manufacturing, including duty drawback on imported inputs, cumulation of origin schemes, and other innovative approaches to promote industrial integration and establish a system whereby goods would acquire Arab origin or be traded on a preferential basis and in free circulation within GAFTA.
- › Ensuring transparency by exchanging trade information and data, and providing the Arab Economic and Social Council of the League of Arab States with information, data and measures related to trade exchange in order to facilitate the full implementation of GAFTA. However, poor compliance on the part of Arab countries has affected transparency, causing many discrepancies between measures implemented and those reported.
- › Determining that Arab trade disputes shall be settled by the Arab Economic and Social Council. Unfortunately, due to predominant political considerations, the Council has not assumed this responsibility. The very composition of the Council has been blamed for this

state of affairs, for it has remained, more than 50 years after its inception, an arena of intergovernmental politicking. Member States, reluctant to relinquish national control over trade or tariff policies, have prevented the Council from acting as a transnational institution for managing Arab economic relations in the Arab public interest.

- › Providing preferential treatment for the least developed countries, namely the Sudan and Yemen. Palestinian exports to GAFTA member countries were also exempted from customs duties. However, GAFTA did not provide guidance on how to lift the barriers to Palestinian exports caused by the Israeli blockade and restrictions at crossing points between Palestinian and Israeli-controlled territory.
- › Determining that States parties shall pursue their consultations to liberalize trade in services in line with the outcome of the Doha Development Round of multilateral trade negotiations taking place within the ambit of the World Trade Organization (WTO), launched in November 2001. Since negotiations on trade in services have been stalled over the past 12 years, the liberalization of Arab trade in services has gone nowhere.

In 2003, members of the Arab Economic and Social Council adopted a general framework for a Pan-Arab Agreement on Trade in Services. The Council agreed to complement it with the necessary schedules of concessions that include the specific commitments on the services to be liberalized, the conditions of market access and national treatment of those services, and the exceptions thereto. By the end of 2012, however, negotiations on these schedules had yet to bear fruit. Arab countries failed to find common ground on liberalization owing to large differences in their respective levels of progress in the services sector

and in their stances on their respective commitments to WTO.

Arab members of GAFTA decided to fulfil the requirements of a customs union and establish it in 2015. They also expressed their willingness to establish an Arab common market by 2020.⁷ This was announced in the declaration of the Third Economic and Social Development Summit, held in 2013. Yet since many member countries are bound by other preferential trade arrangements with non-Arab countries and regional groupings, this project may prove difficult to achieve. Establishing a customs union between Arab countries would involve either ending their preferential arrangements with foreign parties, or undertake an adaptation of those preferential arrangements in line with the requirements of establishing the customs union.

► **The Gulf Cooperation Council**

Trade integration initiatives have also been launched at the subregional level. The Gulf Cooperation Council (GCC) is the most significant of these initiatives. It was founded in May 1981 by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Member countries announced the official creation of a customs union on 1 January 2003 by adopting a unified 5 per cent tariff on most goods imported from non-GCC countries, excepting some agricultural products. They launched the GCC Common Market on 1 January 2008 with the aim of strengthening economic integration.⁸

The Council is considered the most successful attempt at integration among a group of Arab countries. Nevertheless, its trade aspect has faced major challenges, as Bahrain and Oman have signed separate free trade agreements with the United States of America. These agreements have created gaps in the GCC common external tariff; they contradict its goals

and principles, which require that any preferential trade agreement with other trading partners be concluded through collective negotiations, to safeguard the uniform application of the unified customs tariff. And despite the advanced level of economic integration achieved by the GCC countries, intra-GCC exports had dropped from 4.2 per cent of total exports in 2000 to 2.2 per cent by 2011.⁹

► **The Arab Maghreb Union**

The Arab Maghreb Union was founded in 1989 by the heads of States of Algeria, Libya, Mauritania, Morocco and Tunisia. It aimed to promote the movement of goods and persons, unify customs systems, and gradually liberalize the movement of goods, services and factors of production among member countries. The Union also aimed to achieve large-scale economic cooperation; develop agriculture, industry, trade, and food security; and implement joint economic cooperation projects. But political problems impeded the full implementation of its goals. Despite the reduction of customs tariffs, many non-tariff measures continue to hinder intra-Union trade. After the GCC, the level of trade between Arab Maghreb countries is among the lowest of intragrouping trade registered globally, not exceeding 2.9 per cent of total exports in 2011, up from 2.2 per cent in 2000.¹⁰

► **The Agadir Agreement**

The Agadir Agreement was concluded in 2004 and entered into force in 2006. It includes Egypt, Jordan, Morocco and Tunisia. Initially, it aimed to strengthen relations among the Arab countries that had signed Euro-Mediterranean association agreements with the European Union in order to benefit from the different schemes for cumulation of origin that aimed to strengthen regional integration in the southern and eastern Mediterranean basin.

**The Gulf
Cooperation
Council is
considered the
most successful
attempt at
integration
among a
group of Arab
countries**

Table 2-1 Arab migrant labour force

Labour-exporting country	Arab workers in other Arab countries	Percentage of total migrant workforce
Algeria	22 012	1.8
Bahrain	3 997	13.3
Egypt	3 068 019	82.0
Iraq	363 351	23.5
Jordan	564 439	76.9
Kuwait	184 763	71.2
Lebanon	95 208	14.3
Libya	18 035	16.4
Morocco	37 588	1.3
Oman	6 611	43.1
Palestine	2 682 740	88.9
Qatar	2 619	26.6
Saudi Arabia	62 093	34.7
Sudan	481 015	49.7
Syria	614 329	65.0
Tunisia	106 467	16.3
UAE	3 007	5.4
Yemen	992 761	87.5
Total	8 747 468	47.8

Source: World Bank, Bilateral Migration and Remittances database, 2010.

Parties to the Agadir Agreement adopted the unified set of preferential rules of origin (the Pan-Euro-Mediterranean Protocol on Rules of Origin) to make use of diagonal cumulation of origin opportunities when exporting originated products to the European Union. They signed the Agreement to overcome the predicament initially created by the European Commission due to the incorporation of different sets of rules of origin in the association agreements with Mashreq and Maghreb Arab countries. In fact, the rules of origin initially applied to trade between the European

Union and the Mashreq countries was different from that applied between the Union and the Maghreb countries under Euro-Mediterranean association agreements in so far as the latter allowed for full cumulation to take place among themselves, bilateral cumulation with the European Union and diagonal cumulation with other members of the Euro-Mediterranean Partnership while the Mashreq countries were not granted the same full cumulation of origin.¹¹ The four States Parties to the Agadir Agreement have overcome this problem by applying the Pan-Euro-Mediterranean Protocol on Rules of Origin within the framework of the Agreement, and limited the scope of its application, in conformity with the Arab position towards Euro-Mediterranean cooperation; it is thus limited to Arab States parties to the Agreement and members of the League of Arab States.

Generally, trade between the States Parties to the Agreement has not made significant progress, and did not exceed 3.3 per cent of total exports in 2011.¹² This was attributed by some analysts to the fact that Morocco and Tunisia prefer to exploit the benefits rendered through full cumulation of origin (which is easier to implement than diagonal cumulation), particularly in the light of increasing transportation costs and the large distances of the Arab region — factors which still prevent trade growth between the countries of the Maghreb and the Mashreq.

The labour market

The intraregional movement of labour within the Arab region is a key feature distinguishing it from many other parts of the world. The region includes labour-exporting countries in the Mashreq and Maghreb, as well as labour-importing countries such as the GCC countries and Libya. In addition to these two categories,

the region includes countries with high rates of poverty and unemployment, such as Jordan and Lebanon that export their skilled and semi-skilled workforce and import unskilled workers.

The movement of migrant workforces in the Arab region has intensified rapidly, largely due to the growth of oil economies in the GCC countries. These countries were prepared to accommodate large numbers of migrant workers for the development of oil resources because of the small size of their local workforce. The number of immigrants to the GCC countries rose from 1.3 million in 1975 to 5.3 million in 1990, reaching over 15 million in 2011.¹³ The entire Arab region has 23.2 million immigrants including refugees, mostly from the Occupied Palestinian Territories. The GCC countries alone host more than half of all Arab immigrants, while Jordan and Libya have shared the rest, especially since Iraq lost its position as a destination for Arab migration following its war with Iran in the 1980s.¹⁴

Economic instability, slow development and high rates of unemployment and poverty are among the main drivers of migration from Arab countries. On the other hand, employment opportunities and higher wages in the GCC and European countries are major attractions. Political unrest in different Arab countries has prompted several waves of migration. However, owing to the complexity of immigration laws and tightening policies in host countries, organized migration has receded, while illegal migration has increased.

The sharp rise in the number of migrants in the GCC countries over the past decade was characterized by a large influx of Asian workers, which has now overtaken the inflow of the Arab workforce.¹⁵ Between 2000 and 2010, the number of Egyptian workers, which constituted the largest proportion of Arab immigrants in the GCC countries,

Table 2-2 Outflow of Arab migrant workers' remittances (Millions of United States dollars)

Labour-importing country	Remittances to other Arab countries	Percentage of remittances to Arab countries of total remittances
Bahrain	110	10.3
Egypt	155	60.4
Iraq	66	83.5
Jordan	2 928	64.7
Kuwait	839	19.2
Lebanon	---	
Libya	1 143	100.0
Morocco	---	
Oman	185	6.1
Qatar	180	5.2
Saudi Arabia	6 049	29.1
Sudan	42	8.3
Syria	668	100.0
Tunisia	34	51.1
UAE	467	3.6
Yemen	563	100.0
Total	13 428	25.0

Source: World Bank, Bilateral Migration and Remittances database, 2010.

Table 2-3 Remittances from GCC countries, 2010 (Millions of United States dollars)

	United Arab Emirates	Saudi Arabia	Qatar	Oman	Kuwait	Bahrain
Egypt	289	2 065	180	84	656	71
Bangladesh	207	917		306	429	
India	10 582	7 034	1 213	2 168	1 904	665
Pakistan	911	2 022	504	191	247	115
Philippines	602	2 785	625	76	429	143
Sri Lanka	315	765	171	80	408	

Source: ESCWA calculation on the basis of World Bank, 2011a.

Table 2-4 Inflow of Arab migrant workers' remittances (Millions of United States dollars)

Labour-exporting country	Remittances from other Arab countries	Percentage of remittances from Arab countries of total remittances
Algeria	32	1.6
Egypt	6 053	78.8
Jordan	1 008	26.6
Lebanon	977	12.0
Libya	3	16.2
Morocco	79	1.2
Oman	17	43.1
Palestine	1 162	88.9
Saudi Arabia	80	34.5
Sudan	1 579	49.7
Syria	863	61.3
Tunisia	302	15.4
Yemen	1 273	86.5
Total	13 428	35.6

Source: World Bank, Bilateral Migration and Remittances database, 2010.

Arab workers in GCC countries spend a much higher proportion of their income in their host country than their Asian counterparts

increased by no more than 2.6 per cent in Saudi Arabia, compared to a 55 per cent increase in the number of migrant workers from Asian countries.¹⁶ As shown in the statistical tables 6 and 7 at the end of this report, the rise in demand for labour in the GCC countries was mostly met by hiring migrant workers from Southeast Asia, with only a slight increase in the number of Arab migrants. Most Asian labourers in the GCC countries are unskilled and perform the types of work not performed by citizens, such as domestic work and construction.

In 2010, Arab countries provided job opportunities for about 8.7 million Arab workers, which represent 49 per cent of the total number of Arab migrant workers. This contributed to reducing labour surplus and alleviating unemployment and poverty.

Migrant remittances in foreign currency contribute significantly to reducing

balance-of-payments deficits in a number of labour-exporting countries. Remittances from migrant workers in Arab countries amounted to US\$53.6 billion in 2010, of which only US\$13 billion were sent to other Arab countries, including US\$6 billion from Saudi Arabia alone. It should be noted that all migrant remittances from Libya were sent to other Arab countries, namely Egypt (71 per cent) and Tunisia (22 per cent).

Table 2-3 shows that remittances from the GCC countries to Egypt represent only 14 per cent of total remittances sent to India, and less than 50 per cent of remittances sent to the Philippines. It is worth noting that Arab workers in GCC countries spend a much higher proportion of their income in their host country than their Asian counterparts; this is perhaps due to Arab workers' easier adaptation to the lifestyle in these countries, as they are usually joined by family members, unlike Asian workers. This fact alone could justify the adoption of preferential policies towards Arab workers, given their contribution as consumers to the economy of their host country.

Among the Arab labour-exporting countries, Egypt received the biggest share of intraregional remittances amounting to US\$6 billion, the third of which came from Saudi Arabia. It is followed by the Sudan, Yemen, Palestine and Jordan. Migrant remittances improve income levels thereby boosting domestic demand and consumption and providing financial means to invest in real estate and small enterprises and therefore contribute to economic growth.

It should be noted that the official figures of remittances from and to Arab countries, which are processed through such official channels as commercial banks and transfer offices, do not reflect the real numbers which include remittances in kind and amounts sent through unofficial channels.

Box 2-1 Rights of migrant workers guaranteed by international instruments

The International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families (1990) is one of the most important instruments in the field. Following are selected articles:

Article 1: The present Convention is applicable, except as otherwise provided hereafter, to all migrant workers and members of their families without distinction of any kind...

Human rights of all migrant workers and members of their families

Article 12: Migrant workers and members of their families shall have the right to freedom of thought, conscience and religion...

Article 22: Migrant workers and members of their families shall not be subject to measures of collective expulsion...

Article 25: Migrant workers shall enjoy treatment not less favourable than that which applies to nationals of the State of employment in respect of remuneration and:

- (a) Other conditions of work, that is to say, overtime, hours of work, weekly rest, holidays with pay, safety, health, termination of the employment relationship and any other conditions of work which, according to national law and practice, are covered by this term;
- (b) Other terms of employment, that is to say, minimum age of employment, restriction on home work and any other matters which, according to national law and practice, are considered a term of employment.

Article 26: States Parties recognize the right of migrant workers and members of their families:

- (a) To take part in meetings and activities of trade unions and of any other associations established in accordance with law, with a view to protecting their economic, social, cultural and other interests, subject only to the rules of the organization concerned;...

Article 27: With respect to social security, migrant workers and members of their families shall enjoy in the State of employment the same treatment granted to nationals...

Article 30: Each child of a migrant worker shall have the basic right of access to education on the basis of equality of treatment with nationals of the State concerned...

Article 31: States Parties shall ensure respect for the cultural identity of migrant workers and members of their families...

Other rights of migrant workers and members of their families who are documented or in a regular situation

Article 44:

2. States Parties shall take measures that they deem appropriate and that fall within their competence to facilitate the reunification of migrant workers with their spouses or persons who have with the migrant worker a relationship that, according to applicable law, produces the effects equivalent to marriage, as well as with their minor dependent unmarried children.

Note: Full text of the Convention is available from the Office of the United Nations High Commissioner for Human Rights. <http://www2.ohchr.org/english/bodies/cmw/cmw.htm>.

Arab donor countries are more generous than members of the OECD Development Assistance Committee

The intraregional migration of Arab workers has led to the formation of an Arab regional labour market, albeit one marred by defects. The movement of Arab labour, goods and capital constitutes a form of Arab integration but the numerous Arab cooperation agreements do not facilitate the free movement of the labour force. Freedom of movement and residence, and property rights for Arab citizens in all countries of the region, remain elusive and perhaps unattainable goals.

Indeed, host countries have tried several times to reduce the numbers of Arab immigrants. All the GCC countries have launched employment nationalization programmes in order to reduce dependence on foreign workers. These initiatives began in 1985 in Kuwait and in 1988 in Oman, gaining momentum in the 1990s. Oman and Saudi Arabia were the most active in this regard, adopting policies that aimed to provide job opportunities for citizens in the public sector, while the private sector was left untouched. These employment

nationalization policies, which are based on a variety of strategies, consist of closing certain sectors to foreign workers, whether Arab or non-Arab; deporting illegal workers; and incentivizing citizens to work in certain sectors.

Giving employment priority to citizens is a legitimate goal and obligation of the State. However, job opportunities in the GCC countries still outnumber the local workforce; immigrants represent a high percentage of workers in those countries. Therefore, it would be helpful to adhere to the Arab cooperation agreements, with the understanding that Arab workers shall replace only foreign, non-Arab workers, assuming they have the same qualifications and skills.

Investment and the financial market

► Arab Development Funds

Arab development funds provide crucial and varied kinds of support to Arab countries, including loans, grants and technical assistance. These funds were created to promote Arab economic and social development and consolidate regional integration. Arab countries were among the first to establish specialized institutions to assist overpopulated, low-income countries. In the 1960s, wealthy Arab countries began allocating bilateral and multilateral national development assistance through such national development funds as the Kuwait Fund for Arab Economic Development (1965), the Abu Dhabi Fund for Development (1971) and the Saudi Fund for Development (1975); and multilateral funds including the Arab Fund for Economic and Social Development (AFESD), the Arab Gulf Programme for Development (AGFUND), the Arab Monetary Fund (AMF), the Arab Bank for Economic Development in Africa (BADEA), the Islamic Development Bank (IDB), and the Fund for International

Box 2-2 The Arab Development Portal

The Arab Development Portal is a knowledge base under construction, the brainchild of the Arab development funds Coordination Group. It aims to foster the exchange of high quality, up-to-date information to facilitate the creation of employment opportunities, the efficient and effective management of development processes and the improvement of living standards in the Arab countries.

The Portal will provide complete sets of quality data and information for decision makers in the public and private sectors, academia, media, civil society, and other stakeholders interested in Arab development. It will also offer a global development bibliography with access to multiple sources of information and references.

Source: Information provided by AFESD.

Development (OFID) of the Organization of the Petroleum Exporting Countries (OPEC).

Financial portfolios were created and developed for Arab development funds following the boom in oil prices in the 1970s, which allowed oil-rich countries to establish national funds in support of their foreign policies and to contribute to Arab economic and social development. Beginning in the 1950s, the rise of Arab nationalism and widespread desire for an Arab economic union stimulated the establishment of development funds that promoted Arab economic integration. Since their inception, those funds have evolved into key donors for many development projects in developing countries in general and in Arab countries in particular.

Considering the size of their economies, Arab donor countries are more generous than members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). Assistance offered by Arab countries through Arab development funds is different from that offered through other global and regional funds, such as the World Bank, the International Monetary Fund, the African Development Bank and others. Arab development assistance is generally more in line with the priorities of beneficiary countries and do not subject them to potentially painful economic conditions.

Grants from Arab funds started to decline in early 2000, with the sharp drop in global oil prices. They decreased from 65 per cent to 40 per cent of total funding in 2011. Consequently, Arab funds now provide a larger proportion of their assistance in the form of loans and preferential and concessionary credit facilities, similar to the assistance provided by global financial markets and international funds.

In late 2011, the total capital of Arab development funds amounted to US\$79 billion. This was deemed inadequate by any standard, given the huge task of improving and renewing the infrastructure of Arab economies; the considerable funding required in the aftermath of civil war in some Arab countries; and the economic crises that have shaken others. When the resources of Arab funds are compared with those of similar funds in other regions, such as the Asian Development Bank (base capital of around US\$165 billion), or the Inter-American Development Bank (declared capital of around US\$105 billion currently and estimated at US\$175 billion by 2015), it becomes clear that Arab development funds urgently need significant augmentation to continue with their demanding mission.¹⁷

The Arab Coordination Group was formed in 1975 to strengthen coordination between Arab funds. It initially comprised three development funds, with AFESD serving as coordinator. Currently, the Group includes all nine Arab development funds.

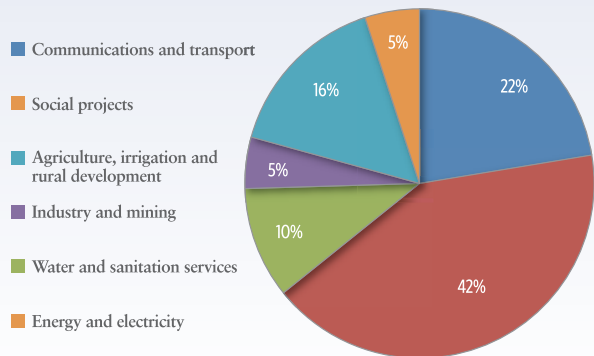
During the Third Arab Economic and Social Development Summit (2013), Arab countries decided, in an attempt to meet growing financing needs, to increase the resources of Arab development funds by 50 per cent and the capital of Arab joint ventures by at least 50 per cent.¹⁸ They also agreed to strengthen their capacity to establish new production projects and, in cooperation with the private sector, to contribute to national projects. The goal is to meet the growing domestic demand for many goods (principally food), services (principally water, electricity and transport), and combating rampant unemployment in many countries of the region.

Arab funding institutions have contributed to many national and regional projects in support of Arab regional integration. Most projects focused on energy and electricity (hydroelectric

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During the Third
Arab Economic
and Social
Development
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of Arab
development
funds by
50 per cent**

Figure 2-2 Sectoral distribution of loans for joint projects, 1974-2012



Source: Arab Monetary Fund, 2012.

energy and electrical interconnection networks), modernizing communication systems, linking road and water networks and training the workforce.

AFESD, in particular, played a significant role in funding joint Arab ventures, particularly to improve infrastructure.¹⁹ Most notable are the Arab electrical interconnection projects, including the eight-country interconnection project (between Egypt, Iraq, Jordan, Lebanon, Libya, Palestine, the Syrian Arab Republic and Turkey), the Maghreb interconnection project (between Algeria, Egypt, Libya, Morocco, Spain and Tunisia), and the GCC interconnection project. The total cost of those projects over twenty years amounted to approximately US\$2 billion. A third of that amount was covered by AFESD, which also financed the interconnection of Arab communication networks, including intraregional landline networks (microwave lines or land cables), the Arabsat satellite network and the marine cable network (copper links or fibre optics).

Other Arab integration projects financed by AFESD include major water projects in support of the right of Arab countries in shared water resources; joint agricultural and industrial productions; joint ventures in education, training and

health; preservation of historical sites; and digitalization of the Arabic language. The Fund has also financed the interconnection of Arab gas networks between Egypt, Jordan, Lebanon and the Syrian Arab Republic, as well as several airports and ports and the development of the Suez Canal. It also sponsored studies on all transport subsectors and their contribution to Arab interconnections. Furthermore, AFESD supported the Palestinian people under Israeli occupation.

Figure 2-2 shows the sectoral distribution of funds offered by AFESD for the implementation of joint projects. The energy and electricity sector has the largest share of loans, followed by communications and transport.

Other key projects include those funded by BADEA in 2011, notably roads and bridges connecting the Arab region to Sub-Saharan Africa. In support of regional integration, IDB provided assistance for the construction of roads crossing the desert and the Arab seashore.

The League of Arab States founded the Arab Investment and Export Credit Guarantee Corporation (AIECGC) which began its operations in 1975. The objective of AIECGC is to promote investment in Arab countries and the export of Arab products around the world. It provides insurance coverage against non-commercial risks for Arab and foreign investments in Arab countries, and insurance coverage against commercial and non-commercial risks for Arab products exported to any country in the world.²⁰

According to AFESD data, loans allocated to regional integration projects still constitute a small proportion of all loans, compared to grants allocated for the same purpose, which constitute 47.7 per cent of all grants. Regional integration projects were also allocated 32 per cent of the total loans provided by BADEA.²¹

The funding strategy adopted by the Arab development funds in support of

**Intraregional
direct
investment
grew from
US\$1.4 billion
in 1995 to
US\$6.8 billion
in 2011**

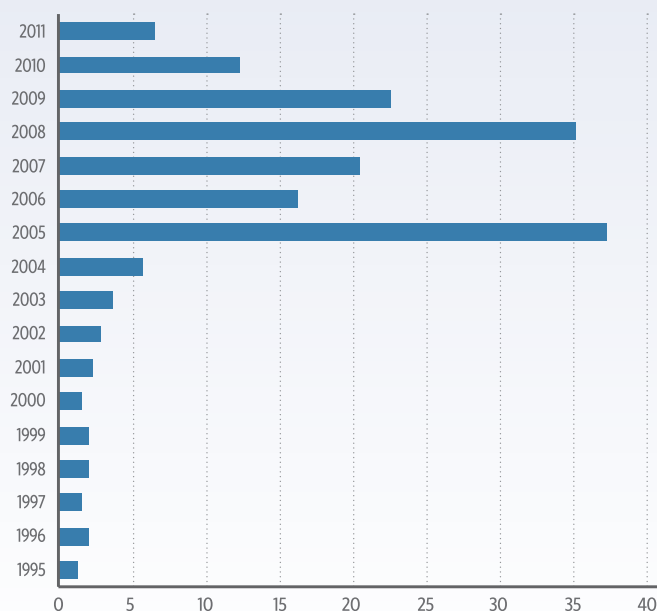
regional integration can be improved by allocating a percentage of their funding to joint projects, following the example of the Inter-American Development Bank which allocates 15 per cent of its annual loans to regional integration projects and all the regional development fields.²² All projects funded by the Bank are thoroughly studied to identify the basic needs of countries, notably in terms of regional integration.

► Arab intraregional investment flows and movement of capital

Notwithstanding the 1957 Economic Unity Agreement, Arab countries did not take tangible measures to achieve economic unity such as harmonizing macroeconomic policies, particularly financial and monetary policies, or issuing a single currency. Nevertheless, the intraregional flow of capital has significantly increased thanks mainly to direct investment, grants, assistance and remittances of expatriate workers.

Foreign direct investment is considered a key source of funding for many Arab countries, particularly those with structural balance-of-payment deficits. These countries need large investment projects to boost economic and social development, accommodate their growing labour force and combat unemployment and poverty. Throughout the 2000s, and in an attempt to improve the investment climate, many Arab countries promulgated new laws to court private investment, reduce the red tape associated with business licensing, facilitate foreign trade, and upgrade infrastructure. These legislative and legal reforms encouraged capital inflows to Arab countries, leading to growth in the Arab region's share of global foreign direct investment, from around 1 per cent in 2001 to around 6.6 per cent in 2008. Intraregional direct investment also grew from US\$1.4 billion in 1995 to US\$6.8 billion in 2011.

Figure 2-3 Arab intraregional direct investments (Billions of United States dollars)



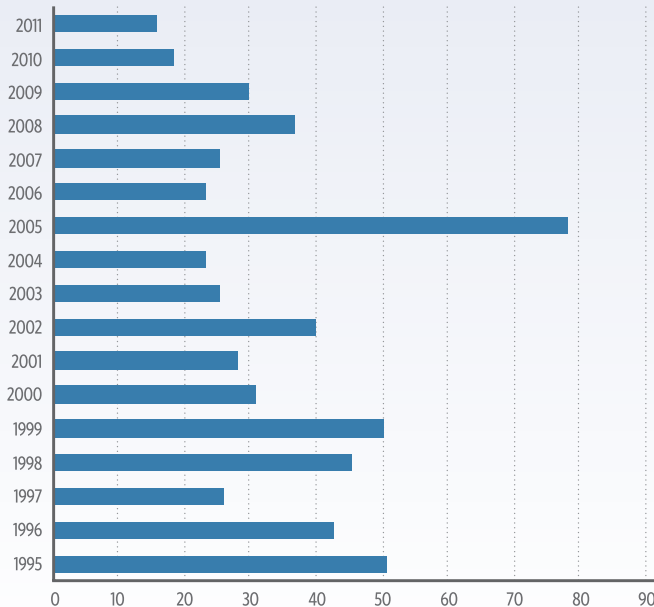
Source: AIECGC, 2011 (Arabic).

Figure 2-3 shows considerable fluctuation in Arab intraregional investment, even over the short one-year term. Decision makers thus cannot rely on such investment movement to devise economic development strategies and plans. Initially, in the period 2005-2011, Arab investors showed an unprecedented interest in intraregional direct investments. However, these investments began to decline in 2008.

Compared to Arab investments outside the region, Arab intraregional investments remain meagre, not exceeding 11.2 per cent of total investments of Arab sovereign funds outside the region, which are estimated at around US\$1,616 billion.²³ Most investments are located in the United States (around 50 per cent) and Europe (around 20 per cent), despite the weak economic return on investment in developed countries, which incurred

Compared to Arab investments outside the region, Arab intraregional investments remain meager

Figure 2-4 Ratio of intraregional investments to total foreign investment in Arab countries (Percentage)



Source: AIECGC, 2011.

**Arab investors
are attracted
to real estate
and financial
securities**

considerable losses as a result of the global financial crisis of 2008.²⁴

In the period 2005-2011, Arab intraregional direct investments recorded not only considerable fluctuations but also a sharp drop in their ratio to total foreign direct investments in the Arab region. Figure 2-4 shows that Arab intraregional investments spiked at 78 per cent of total foreign direct investments in the Arab region in 2005, and then dropped to 18 per cent in 2010 and to 16 per cent in late 2011. Evidently, potential Arab investors in the region are more hesitant than foreign investors in the face of ongoing crises and political changes, and less willing to take risks.

Data on the period 1995-2011 show that the cumulative balance of Arab intraregional direct investments amounted to US\$178.5 billion, or 31 per cent of total foreign direct investments in the region.

The geographical distribution of Arab intraregional investments among beneficiary countries was as follows in 2011: Saudi Arabia obtained the largest share of investments (27.06 per cent), followed by the Sudan (13.21 per cent) and Egypt (11.28 per cent). These three countries acquired around half of all Arab intraregional investments (figure 2-5).

By contrast, Djibouti, Iraq, Libya, Palestine and Qatar received less than 1 per cent of Arab intraregional direct investments; Oman, the Syrian Arab Republic and Yemen received less than 2 per cent.

Limited information on investment openings, the absence of an investment map in many Arab countries, and burdensome procedures related to foreign currency exchange and trade facilities are key barriers to Arab and foreign direct investment in the region. Many Arab countries have inconsistent and poorly coordinated investment policies, a result of multiple overlapping authorities — as many as eight in some countries. Despite improvements in the business environment in most Arab countries, bureaucratic clutter still abounds, transaction costs are high and business liquidation and settlement of disputes are still very lengthy procedures, taking more than 1,000 days in some countries.²⁵ But some Arab countries have streamlined the number of foreign investment authorities in the picture, and concentrated all procedures and transactions into a 'single window' to facilitate investment.

Arab intraregional direct investments went mainly to the services sector, which captured 69 per cent of those investments in 2011, while industry, chiefly the oil and gas sector, received 26 per cent. The agricultural sector obtained only 4 per cent of Arab investments despite the high economic return of many agricultural

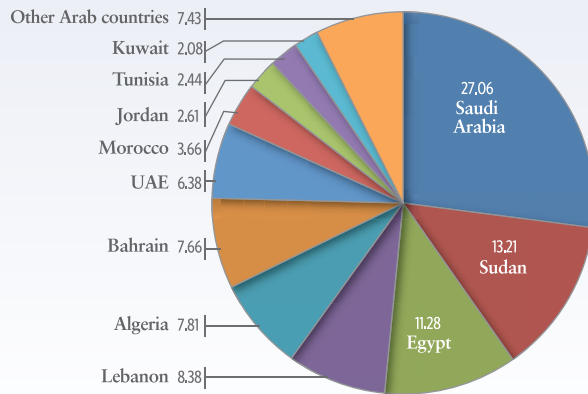
products, notably after global prices of agricultural goods went through the roof in 2007 and 2008 amid the global food crisis and growing speculation. Prices of agricultural crops remained relatively high over the following four years, compared to their traditional levels.²⁶

The concentration of Arab intraregional investments in the services sector shows that Arab investors are attracted to real estate and financial securities rather than to actual production sectors. Figure 2-6 indicates the balance of Arab and foreign investment in the financial markets of five Arab countries at the end of 2011, which totalled US\$47 billion and US\$65 billion, respectively. Financial securities amounted to around 42 per cent of total Arab investment inflows to the five countries.

The terms of partnerships with foreign countries affect Arab economic integration

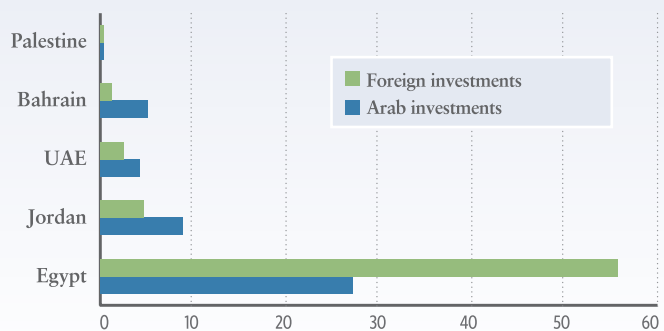
Alongside intraregional agreements, some Arab countries have acted to liberalize trade in goods and services with non-Arab countries and economic groupings, including the European Union, the United States, the European Free Trade Association (EFTA), Turkey, the Common Market for Eastern and Southern Africa (COMESA) and the Southern Common Market (MERCOSUR).²⁷ Arab countries were faster in concluding preferential arrangements with foreign parties than with each other, engaging in the deep economic commitments imposed by those arrangements and accepting commercial provisions that very often surpassed multilateral trade agreements. However, they were reluctant to provide similar concessions to each other across a wide spectrum of trade.

Figure 2-5 Distribution of Arab intraregional investments by receiving country until late 2011 (Percentage)



Source: AIECGC, 2011.

Figure 2-6 Balance of Arab and foreign investments in financial securities at the end of 2011 (Billions of United States dollars)



Source: AIECGC, 2011.

Partnerships with other regional groups and membership in the World Trade Organization

Some Arab parties to GAFTA have signed preferential trade agreements not only with other Arab countries, but also with trade partners outside the region, including the European Union, EFTA, MERCOSUR, Singapore, Turkey and the United States.

Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia

Egypt and Jordan face challenges from QIZ, as it conflicts with their commitments under GAFTA; the situation could become more complicated if the Arab customs union is established in 2015

have concluded bilateral association agreements with the European Union. The trade aspect of these agreements sought to liberalize industrial and some agro-industrial goods and exchange preferential treatment, through tariff quotas and agricultural crop export seasons at entry prices commensurate with those periodically determined by the European Common Agricultural Policy, and in anticipation of increased traditional flows on both sides. Such agreements implement the European model of regional cooperation which aims, inter alia, to integrate Southern and Eastern Mediterranean countries into the unified European market, bringing them into the vital economic sphere of the European Union.

Meanwhile, Bahrain, Jordan, Morocco and Oman have concluded free trade agreements with the United States. Egypt, Jordan, Lebanon, Morocco and Tunisia have all signed free trade agreements with EFTA, thus becoming part of the European economic sphere and partners of Turkey, as required by the customs union through which Turkey is associated with the European Union. Some Arab countries have signed free trade agreements with COMESA and MERCOSUR. Others undertook to create the tripartite free trade zone, which is expected to include COMESA, the Southern African Development Community (SADC) and the Common Market of the East African Community (EAC). In parallel, some Arab countries have said they will join the customs union of COMESA when it is established.

In addition, Djibouti, Egypt, the GCC countries, Jordan, Mauritania, Morocco, Tunisia and Yemen are members of WTO. Countries that are not yet WTO members include Algeria (which applied for membership in 1987), Iraq (which applied in 2004), Lebanon (which applied in 1999), Libya (which applied in 2004),

the Sudan (which applied in 1994), the Syrian Arab Republic (which acquired observer status in 2009, after it withdrew from the 1994 General Agreement on Tariffs and Trade (GATT) in 1971 over Israel's membership) and Yemen (which completed negotiations to join WTO in 2013).

The Qualifying Industrial Zones Protocol

The Qualifying Industrial Zones (QIZ) Protocol is considered a unique transitional arrangement. Its preferential arrangements are based on the Free Trade Agreement between the United States and Israel. It was proposed by the United States in 1996 within a strategy for the promotion of regional cooperation in the Middle East.²⁸ Jordan created the first qualifying industrial zone in 1997, followed by Egypt, two weeks before the end of Multi-Fibre Arrangements (MFA) at the close of 2005. Egypt sought to use the QIZ Protocol as an interim measure to enable Egyptian companies that exported textiles and garments to adapt to competition in the American market until Egypt concluded a Free Trade Agreement with the United States.

The QIZ Protocol adopted a unique system that divided the customs domain of a given country into several zones, within which registered companies and plants (or some of their production lines) receive exceptional trade treatment. These privileges did not extend to other regions of the country. This arrangement was based on a single declaration issued by United States President Bill Clinton in 1996, and ran counter to international trade rules. The latter require the application of contractual trade arrangements — regardless of their characteristics — to the entire customs domains of States parties without partition, interruption or preference between geographical

territories of the same country of origin, including free trade zones.

The QIZ arrangements imposed a specific regional integration model ungoverned by traditional political or economic considerations. Although Egypt and Jordan reaped economic benefits, the QIZ Protocol was criticised for lacking the appropriate mechanisms to distinguish between sources of production inputs used in qualified industrial zones. Israeli customs authorities took advantage of this loophole to continue to issue Israeli certificates of origin for products from Israeli settlements in the Palestinian Occupied Territories, and to account for those products in the added value ratios determined for the Israeli component in QIZ products. Pursuant to this arrangement, Egypt and Jordan incurred a high cost for Israeli inputs to meet the added value ratios imposed by the United States as a condition for preferential treatment for QIZ products in Egypt and Jordan, when exported to the United States market.

Egypt and Jordan face challenges from QIZ, as it conflicts with their commitments under GAFTA not to provide foreign parties greater trade privileges than those exchanged between Arab countries. The situation could become more complicated if the Arab customs union is established in 2015. In that case, members of the Arab customs union will find it difficult to manage their customs exits independently or according to arrangements inconsistent with the rules of that union, allowing, for instance, the import of Israeli production inputs through the temporary importation system or the violation of unified tariffs.

Moreover, the QIZ arrangements, in their current form, contradict WTO rules. In fact, there is no legal justification for giving exclusive preferential advantages to QIZ exports; nor was any request submitted by the United States to

obtain an exception in order to provide preferential treatment, in line with Article IX of the WTO Agreement. Thus QIZ also stands in violation of Article XXIV of GATT (1994). WTO expressed reservations concerning QIZ arrangements in 2005, when it examined the free trade agreement between Jordan and the United States. Trade arrangements established by QIZ were considered as violating the principle of non-discrimination and most-favoured-nation status, as well as the conditions for providing and exchanging trade preferences pursuant to Article XXIV of GATT.

Weak results from integration initiatives

When the Arab experience of economic integration is compared with that of other regional groupings, what emerges is that the Arab countries have failed to capitalize on opportunities for success. Thus, the impact of integration initiatives in the Arab region has been disappointing, both in terms of the economy and human welfare.

The key factor of the European Union's success was that member States focused on economic integration and avoided their differing political agendas. They replaced the concept of government-led economic integration with a different cooperative model, directed by transnational institutions endowed with the authority to manage and guide economic integration, on the basis of a collective strategic vision and common premises. Transnational institutions such as the European Communities, and later the European Commission and the European Council, Parliament, Court of Justice, Central Bank and other technical and administrative bodies, gradually shaped the economic structure of the European Union. Of course, the European experience has also had its

The impact of integration initiatives in the Arab region has been disappointing, both in terms of the economy and human welfare

The Arab intraregional trade is low compared to other developing regions ***

The sharp difference between the make-up of Arab intraregional and external exports underlines the great scope for further development and diversification

share of missteps and lessons learned. The Arab countries should take these into consideration as they work to strengthen integration in a region facing extreme political, economic, social, humanitarian, scientific and security-related challenges.

Limited improvement in intraregional trade

The Arab region is one of the least-integrated regions of the world in terms of trade. Intraregional exports did not exceed 5.2 per cent of the total exports of the Arab region in 2010, or 18 per cent if oil and its derivatives are excluded from calculations of Arab exports. In both cases, it is a very modest ratio compared to exports between the European Union countries, which amounted to 65 per cent of the Union's total exports, or exports within the North American Free Trade Agreement (NAFTA) zone, which amounted to 49 per cent of the total. The Arab ratio is also low compared to other developing regions, such as ASEAN, within which intraregional exports accounted for 24.8 per cent of the total, or Africa, where the figure was 12.4 per cent (figure 2-7).²⁹

It is worth noting that Arab intraregional trade is more diversified than Arab trade with the rest of the world (figure 2-8). Arab exports to the rest of the world are predominantly chemical products, which account for a full 83 per cent of the total. Arab intraregional exports are diversified in comparison, with industrial products making up 42 per cent and agricultural products 14.3 per cent of total exports. This sharp difference between the make-up of Arab intraregional and external exports underlines the great scope for further development, enhancement and diversification, both within the region and beyond it. This would promote economic activity, growth and employment opportunities in the region,

thereby accelerating the pace of Arab economic integration.³⁰

Mashreq countries benefit the most from intraregional trade, with their exports to other Arab countries accounting for 19.1 per cent of their total exports, compared to 5 per cent for GCC countries and 4.3 per cent for Maghreb countries.

The sectoral analysis of Arab intraregional trade shows that Arab trade integration in non-oil and non-mining sectors exceeds the integration level in oil sectors. Agricultural exports to Arab countries originating from the Mashreq reached 69.9 per cent of total agricultural exports in 2010, and their intraregional industrial exports accounted for around 41.7 per cent of total industrial exports. Agricultural exports from the GCC countries to other Arab countries represent 34.8 per cent of total agricultural exports, and their intraregional industrial exports amount to 16.1 per cent of total industrial exports. Trade integration among the countries of the Maghreb is the weakest: their agricultural exports to Arab countries did not exceed 7.2 per cent of their total agricultural exports, and their industrial exports did not exceed 9 per cent of their total industrial exports. These low levels are attributed to their large volume of business with European countries reaching 60 per cent of their total exports.³¹

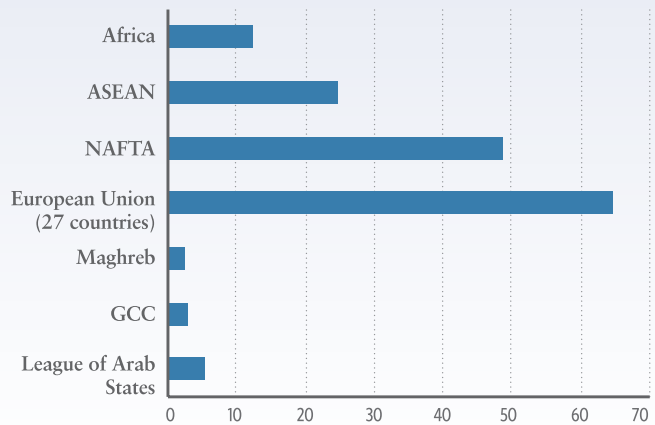
Despite the recession in Europe, Maghreb exporters prefer to maintain their trade with traditional European markets and are reluctant to target other markets. Their perception may be that trading with other markets is a costly process with no guaranteed outcomes since they do not know the characteristics of new markets, face high transportation costs and lack advanced trading relations with importers.

The requirements for the establishment of GAFTA were theoretically finalized in early 2005. To assess the impact of

GAFTA on trade, intra-GAFTA trade ratios prior to and after 2005 were compared. The comparison shows that GAFTA impact on Arab trade was positive yet limited.³² The comparison results must however be interpreted with caution as other factors impact intraregional trade growth. The average annual growth of Arab intraregional exports increased from 3.6 per cent during the period 2000-2004 to 4 per cent during the period 2005-2010 for Arab Maghreb countries; from 6.3 per cent to 7.2 per cent for GCC countries; and from 15.6 per cent to 16.8 per cent for Arab Mashreq countries. Such outcomes converge with the gravity model outcomes, which also proved that GAFTA had a positive yet limited impact on Arab intraregional trade.

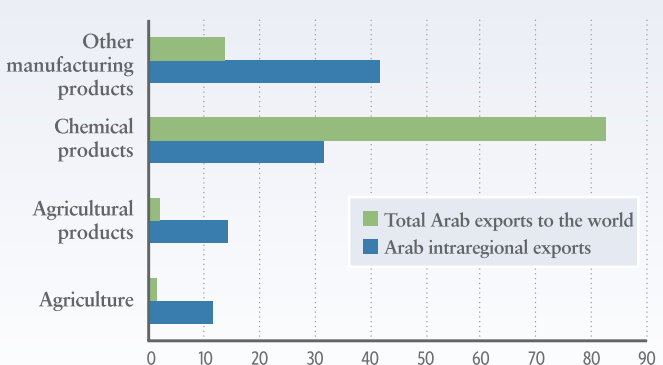
Analysing the sectoral distribution of those rates, it appears that the industrial sector in the Arab Mashreq countries recorded the highest ratio. The average ratio of industrial exports to total exports to Arab countries was 29.6 per cent prior to the implementation of GAFTA, over the period 2000-2004; it increased to 39.6 per cent after the inception of GAFTA, over the period 2005-2010. In contrast, the average ratio of agricultural exports-to-total exports to Arab countries fell from 68.3 per cent over the period 2000-2004, to 64.6 per cent over the period 2005-2010. Growth of GCC exports to Arab countries was mostly in the agricultural sector, as the average ratio of GCC agricultural exports to total exports increased from 48.7 per cent before GAFTA to 57.8 per cent after its inception. The impact of GAFTA was limited in Arab Maghreb countries, where the average increase of all exports did not exceed 0.4 per cent, up from 3.6 to 4 per cent. However, agricultural exports from the Maghreb grew from an annual average of 4.1 per cent prior to the implementation of GAFTA to 6.5 per cent thereafter.³³

Figure 2-7 Intragrouping exports out of total exports, 2010 (Percentage)



Source: Trade Map database. <http://www.trademap.org>.

Figure 2-8 Intraregional exports by sector (Percentage)

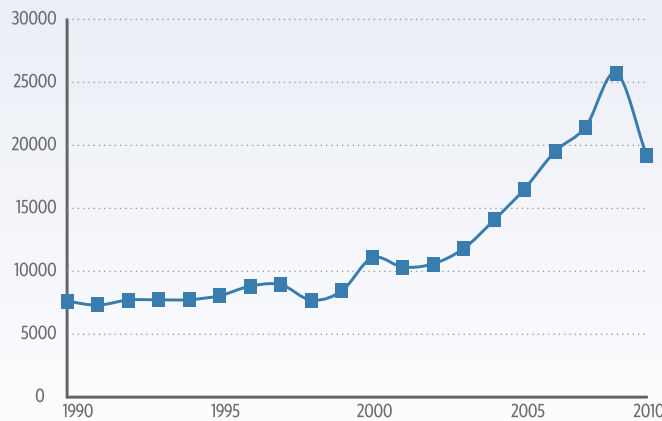


Source: Trade Map database. <http://www.trademap.org>.

Between 2000 and 2010, most Arab intraregional trade growth came from an increase in old products exports, meaning products that were exported in 2000. Of the 196.9 per cent increase in total Arab exports to GCC countries in current prices, 78 per cent is attributed to increased old products exports to old markets in the region, 37 per cent to the penetration of old products to new markets, and 8.6 per cent to exportation of new products to both old and new Arab markets. Products exported in 2000 which had been dropped

GAFTA had a positive yet limited impact on Arab intraregional trade

Figure 2-9 Standard deviation of per capita GDP in Arab countries, 1990-2009



Source: ESCWA calculations based on World Bank, 2012c.

A fast-growing gap between Arab countries at the macroeconomic level was recorded in the 2000s

by 2010 represent 24 per cent of total products.³⁴

In the same period, total Arab exports to Maghreb countries grew by 337.2 per cent, of which 54.26 per cent is attributed to existing product exports to existing markets, and 45 per cent to existing product exports penetrating new markets. This high ratio originally resulted from intra-Maghreb trade growth. Many exporters found new markets in Maghreb countries for products that were usually exported to other countries, particularly in Europe. In addition, the increase in Maghreb exports to the Mashreq resulted mainly from increased exports of existing products to new markets.

Total growth of Arab exports reached 400 per cent in current prices, including a 64.8 per cent increase in existing product exports to new markets. This indicates once again that Arab economies did not restructure their production capacities to include new products whose contribution to Arab intraregional trade growth remained minimal.³⁵ Most Arab countries continued to limit their exports to a basket of goods while opening their markets to products from other countries, amid

continuous changes at the international level and without adopting appropriate strategies for diversifying production. The adoption of such strategies could have enabled them to provide new goods that met regional needs and stood up to foreign competition.

The gap between Arab economies

A key indicator of the success of economic integration projects is the bridging of economic gaps between countries. Standard deviation of per capita gross domestic product (GDP) in Arab countries during the period 1990-2009 shows a fast-growing gap between Arab countries at the macroeconomic level in the 2000s. Standard deviation was almost stable between 1990 and 1999 then increased markedly, doubling between 2000 and 2008 before dropping in 2009 as a result of the financial crisis that hit oil-exporting economies (figure 2-9). In 2011, the highest average per capita GDP, recorded in the richest Arab country (Qatar), was 116 times higher than the lowest one, recorded in the poorest Arab country (Comoros). The gap for the previous year was 97 fold.³⁶

Arab countries are poorly correlated when it comes to real growth.³⁷ How well individual countries fare makes little difference to their neighbours. Except for Lebanon, Oman, Saudi Arabia and the Syrian Arab Republic, the growth correlation among Arab economies is weaker than that between Arab economies on the one hand and European and American economies on the other.

For example, the correlation between the Egyptian economy and average Arab economic growth was -0.01, compared to 0.14 with the American economy and 0.24 with the economies of the European Union. This means that 14

per cent of economic growth in Egypt is linked to American growth, and 24 per cent to growth in the European Union. The economies of Jordan and Tunisia are the most correlated with growth in Arab countries, at 12 per cent and 13 per cent respectively. Therefore, a decline of 1 per cent in Arab growth leads to a 0.12 per cent decline of growth in Jordan, and 0.13 per cent in Tunisia. In the other Arab countries, correlation is either absent or weak, at no more than 10 per cent.

Comparatively, 1 per cent of additional growth in Germany leads to a 0.2 per cent growth in France.

It is worth noting that growth correlation was negative or absent between many key Arab economies, including Egypt and Morocco. Once again, this reflects clear differences in their economic cycles, leading to difficulties in coordinating Arab macroeconomies and consolidating Arab economic integration.

* * *

The key message of this analysis is that joint official action has so far failed to deliver economic gains in Arab countries; moreover, intraregional economic exchange is weaker than Arab exchanges with the rest of the world. Official action has equally failed to protect the region from the scourges of unemployment, poverty and food insecurity, despite real prospects for economic integration which, if realized, would enable all parts of the region to grow.

The Arab countries have missed many of the opportunities and benefits associated with economic integration and the creation of a regional market, which would reach more than 350 million consumers. This huge market should act as an incentive for the integration of industrial processes and the lifting of barriers to trade in Arab goods. This, in turn, can attract more Arab and foreign direct investment to the region.

Economic integration will enable Arab countries to deal more effectively with the alternative regional models proposed, or in some cases imposed, by their traditional trade partners, namely the European Union and the United States. These models have not necessarily taken the circumstances or priorities of Arab countries into account.

Arab oil exports are projected to drop precipitously over the next 20 years as reserves are depleted and domestic demand increases, and as alternatives to petroleum emerge. In that light, Arab cooperation and integration should not be postponed for another day. The Arab countries must establish a dynamic and diversified economic sphere, taking swift action towards comprehensive economic integration in order to prevail and prosper in the future. In this context, it is crucial to further liberalize trade in services and the movement of capital and labour. The development of regional value chains, as previously explained, will add value to Arab production. Achieving such integration must be a top priority, with transboundary development taking precedence over narrow national agendas.

None of this can happen unless Governments make — and sustain — a political commitment to integration altogether greater than that of their predecessors.

The Arab countries have missed many of the opportunities and benefits associated with economic integration and the creation of a regional market, which would reach more than 350 million consumers

Chapter 3

Arab Political and Sectoral Integration

**A single lance is easily broken;
but bound with others, it becomes unbreakable**

Arab proverb

Arab Political and Sectoral Integration

The twentieth century saw numerous attempts at unification among Arab States. Some took the form of mergers or unions between two or more Arab countries. Others sought to establish subregional blocs aimed at close cooperation in various sectors. Some experiments succeeded, indicating the scope for integration on a broader scale. Many others foundered on internal and external obstacles that undermined their prospects. In the absence of fertile ground, these experiments in Arab unity did not survive long enough to show their real potential.

This chapter reviews official efforts in political integration in the region. It examines the structure of the system of joint Arab action currently in place, and the status of integration in the transport sector as well as in scientific research and technological development, energy and agriculture. The chapter also discusses the implications for regional unity of the recent historic wave of Arab civil revolts. It highlights the negative impact of a weak regional order on Arab citizens, and emphasizes the benefits that integration presents, if fully realized.

Failed attempts at Arab political integration

Some efforts at unification among Arab States have been successful; many others have remained little more than attempts. At the beginning of the twentieth century, the Najd, Hijaz, Al-Mikhlaḥ al-Sulaymani, and the east, north and south of the Arabian Peninsula united under the Kingdom of Saudi Arabia. In 1971, six coastal Emirates on the Arabian Gulf — Abu Dhabi, Dubai, Fujairah, Sharjah, Ajman and Umm Al Quwain — came together to form the United Arab Emirates. Ras al-Khaimah joined the federation the following year, raising the number of Emirates to seven. North and South Yemen also united in 1990 to form the Republic of Yemen.

Yet failures outnumber the instances of success; the former include the Greater Syria plan (initially conceived as including Iraq, Jordan, Lebanon, Palestine and Syria), which was never realized. No sooner were a number of unions formed

than they dissolved without a trace. This was the case with the Hashemite Arab Federation of Iraq and Jordan, which collapsed following a military coup in Iraq just six months after its formation in February 1958; and the Arab Cooperation Council, established in 1989 with the membership of Egypt, Iraq, Jordan and North Yemen, which was dissolved in 1991 following irreconcilable differences among members over their stances on the second Gulf War.

The next section looks at some of the mergers and subregional blocs formed during the twentieth century.

The Arab Kingdom of Syria

The first step Arabs took towards unification in the twentieth century was the Syrian National Congress, held in Damascus in March 1920. It resulted in the establishment of the Arab Kingdom of Syria led by Prince Faisal bin Hussein, as the nucleus of a broader entity that would encompass other parts of the

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The fall of the Arab Kingdom of Syria demoralized those Arab political movements that had put stock in achieving Arab unity by cooperating with the West

Arab region. The Arab States represented at the Congress had fought alongside the Allies in the First World War, and received explicit promises to help them establish a unified and independent State in the Arab Mashreq. They also received support from United States President Woodrow Wilson, who had called for the dispatch of an international commission to Syria to assess the national demands of the people. Known as the King-Crane Commission, it recommended the maintenance of Syrian unity, and that Lebanon be given “autonomy.”¹ The Arab Kingdom of Syria, the first manifestation of Arab unity, ended with the forces of General Henri Gouraud entering Damascus in the summer of 1920 and dissolving the Arab Government. After the occupation of Syria, the French adopted a hard-line policy towards supporters of Arab federation, and backed the regional and local opponents of this project.

The fall of the Arab Kingdom of Syria demoralized those Arab political movements that had put stock in achieving Arab unity by cooperating with the West. Similarly, it encouraged the rise of those who believed that ridding the region of Western control, rejecting the status quo, and cooperating with anti-colonial forces were the only means of forging Arab unity.

The Arab Alliance

A decade after the collapse of the Arab Kingdom of Syria, the leaders of Iraq and Saudi Arabia met to establish what they called the ‘Arab Alliance’. They agreed on a draft treaty that emphasized mutual cooperation in the areas of security as well as functional and political cooperation. It was envisaged that the Alliance would expand to include Egypt, Transjordan, Lebanon, Syria and Yemen once they had obtained their independence.

The British authorities, who had initially encouraged the meeting to end tensions on the Saudi-Iraqi border, opposed the expansion of their limited initiative into a comprehensive, far-reaching Arab project. They insisted on deleting any references to Arab nationalism from the preamble of the draft treaty. After the amendment of the preamble, British officials demanded that the draft be stripped of its political and security aspects, even after Arab officials explained their importance in safeguarding the region against Italian expansionism and invasion, which Britain also sought to prevent. When Arab leaders agreed to limit the Arab Alliance to functional cooperation among Arab countries, the British responded with further reservations. At that point, convinced that the British authorities were set on thwarting any kind of Arab alliance, the Arab leaders withdrew from the project.²

The position of the Axis powers on Arab unity was hardly more accommodating. Although Hitler believed that Germany was the most eligible power to lead Europe’s imperial designs,³ when it came to the Arabs, he left matters to other European nations and backed away. He feared that support for Arab unity would undermine his tactical policy of keeping a door open to reconciliation with Britain. Moreover, Arab unity was incompatible with the Transfer Agreement he had concluded with the Zionist movement to facilitate the emigration of German Jews to Palestine. Italy, Germany’s chief ally, was opposed to Arab unity because of its own aspiration to include the Mediterranean Arab countries as part of Mussolini’s March to the Oceans. The French Vichy Government, an ally of the Axis powers, also sought to preserve what remained of the French Empire in Arab countries. Spain, whose Government sympathized with and had the support of the Axis powers, sought to maintain its interests

in Morocco. In short, despite the war with Britain, Germany opted to preserve the status quo in the Arab region, leaving the other European powers to divide it among themselves under the Entente Cordiale and the Sykes-Picot Agreement.⁴

After the failure to obtain international support for Arab unity, Arab nationalists began calling for neutrality during the Second World War; it was a call that evolved, after the War, into the non-aligned movement and the policy of positive neutrality.

The United Arab Republic

The Suez War of 1956 was an attempt to prevent the consolidation of the leading role Egypt had gained, under President Gamal Abdel Nasser, as an engine of Arab unity.⁵ But the war and its aftermath ultimately contributed to a rapprochement between Egypt and Syria, and later to the birth of the United Arab Republic in February 1958. This new entity was established by Arab nationalists and led by President Nasser, who believed that the liberation of Egypt and Syria from colonialism was the key to achieving Arab unity. Three years after its inception, the union was brought to an end by a military coup in Syria in September 1961.⁶

Several factors contributed to the failure of this short-lived union. The most prominent were the lack of territorial contiguity between the two countries; the incompatibility between Nasser-style socialism and the thriving capitalist structure in Syria at the time the United Arab Republic was founded; and the absence of a democratic basis for the union, evidenced by the subjection of Syria to a Central Command in Egypt. The United Arab Republic was also targeted by an alliance comprising Syrian capitalists alienated by the nationalization of their assets, regional forces, and forces of foreign domination. These actors did

not hesitate to finance attempts to break up the union.

The current system of joint Arab action

The League of Arab States

Discussing the issue of Arab unity in 1941, British Foreign Secretary Anthony Eden said that the consolidation of cultural, economic and even political ties between Arab countries was normal and right. He expressed the willingness of his country to support such a project, provided that it received general approval.⁷ Eden's statement gave the impression that the British Government supported Arab unity. Pro-Western Arab leaders seized the opportunity to move forward with their plans for regional cooperation. A conference held in October 1944 resulted in the issuance of the Alexandria Protocol, which laid out the key premises of the new League of Arab States.

Since its founding in 1945, the League of Arab States has become the official framework for Arab cooperation. At that time, the League included seven Arab countries: Egypt, Iraq, Lebanon, Saudi Arabia, Syria, Transjordan and Yemen. It eventually expanded to include all 22 Arab countries. The annex on Palestine in the League Charter stipulates that the Council of the League shall designate an Arab delegate from Palestine to take part in its work until that country can effectively exercise its independence. This was amended in 1976 to accept Palestine, represented by the Palestine Liberation Organization, as a full member of the League.

According to the Charter, the purpose of the League is to strengthen cooperation among member States and to safeguard their independence and sovereignty. Article II of the Charter designated the

As the Axis powers and the Allies opposed Arab unity, Arab nationalists began calling for neutrality during the Second World War; it was a call that evolved, after the War, into the non-aligned movement and the policy of positive neutrality

Box 3-1 Experiments in Arab integration

Over several decades of national and nationalist public action, I have witnessed four integrationist experiments in the fields of health and education.

The first experiment took place in the mid-1970s. The Arab Health Ministers Council of the League of Arab States approved the establishment of the Arab Board of Health Specializations, a proposal made by Bahrain to the Health Ministers' Council for GCC (Gulf Cooperation Council) States, which endorsed it and referred it to the Arab Health Ministers Council.

The objective of the Arab Board was to design educational and training programmes for Arab doctors in various disciplines. Training would be held in teaching hospitals across the Arab world under the supervision of the Board, and would be concluded with a unified exam and the issuance of specialization certificates recognized by all Arab countries to those who passed the training and exam.

The training programme began with four areas of specialization in six Arab countries, and included several hundred interns. Today, the programme offers 20 areas of specialization in all Arab countries and includes 15,000 interns.

Before the implementation of the programme, Arab doctors would go to European countries or the United States to obtain specialist degrees. Many of them preferred to stay on in those countries and did not return to their countries of origin. They became part of the millions of promising Arab minds that migrated abroad.

What made the project successful was the political will of a group of Arab health ministers who believed in Arab unity and gave it their time, money and enthusiasm.

The second successful experiment was the approval of the General Council of Ministers of Education in the GCC countries in the early 1980s to establish a joint university in Bahrain to teach specializations that were not available in some of the smaller GCC countries and would have been extremely costly for them to run.

Today, the joint Arabian Gulf University stands tall, despite the numerous obstacles it encountered in the first years of its establishment. Indeed, the Arabian Gulf University needs further development to better serve its primary objective. What matters, however, is that it exists and represents a common will to achieve integration. It also shows that joint Arab integration projects can survive and advance if a political will exists to achieve unity, not only at the level of the leadership of Arab regimes, but at all levels.

The third experiment was a serious attempt in the mid-1980s to unite the school curricula in the GCC countries. The project is advancing slowly. Times and priorities have changed, as have people, in non-institutional communities that rely excessively on individuals.

The fourth experiment died in the cradle. The Arab League Educational, Cultural and Scientific Organization (ALECSO) took a decision to establish a joint Arab university that would offer post-graduate degrees in key majors with special attention to research, and to undertake the Arabization of university education, including the Arabization of natural sciences. The demise of the project was due to the absence of political will on the part of the Arab ministers of education and the lack of logistical capabilities within ALECSO.

What does all this mean?

It means that it is possible to implement a wide range of integration projects. These projects would eventually serve the unity of the Arab nation and the greater Arab region. Many of those projects do

not require decisions by Arab summits, or even formal government decisions, which so often become part of futile political debates. Arab ministers, aside from their cabinet roles, can do wonders in the area of integration.

Even if we set aside the ideology of Arab unity — which I and millions of Arab citizens believe is a prerequisite for the renaissance of the Arab nation and the development of its potential — the era of globalization in which we live has proven that the formation of integrated regional blocs that cooperate at all levels would protect the components of these blocs and allow them to deal with others and with the globalized international system creatively, and on an equal footing.

Source: Prepared for this report by Ali Fakhro.

areas of cooperation to include economic and financial affairs, communications, nationality and passports, the execution of legal rulings and the extradition of criminals, as well as social welfare, health and cultural affairs. The Charter allowed for amendments “for the purpose of strengthening the ties between member States, creating an Arab Court of Justice, and regulating the relations of the League with any international bodies that may be created in the future to guarantee security and peace”. In 2005, Article 19 was added to the Charter to provide for the establishment of the Arab Parliament.

In 1950, member States signed the Treaty of Joint Defense and Economic Cooperation to “maintain their independence and their mutual heritage; in accordance with the desire of their peoples, to cooperate for the realization of mutual defense and the maintenance of security and peace and to consolidate stability and security and provide means of welfare and development.” The treaty provided for the establishment of a joint defence council to support and reinforce the military capabilities of member States, and to take preventive and defensive measures to deal with the risks and threats to which these countries might be subjected. It also provided for the creation of an economic council to raise the standard of living in the Arab countries through extensive trade and economic

cooperation among member States. The contracting States pledged to conclude no international agreements which might contradict the provisions of the Treaty, nor to act, in their international relations, in a way which might contradict its aims.

Arab councils and organizations

In addition to the Economic Council, which later became the Economic and Social Council, 13 ministerial councils have been established since the 1970s. Their mandates cover health affairs, youth and sports, social and internal affairs, housing and construction, justice, transport, the environment, communications and information, the media, electricity, tourism and water. These councils were charged with reinforcing cooperation, coordinating efforts in their respective areas of work, harmonizing Arab legislation and unifying the Arab position in international forums.

An additional 18 specialized organizations have been established since the 1950s, whose scope of work covers various development sectors in the Arab countries. Annex VII to this report lists these organizations and the goals for which they were established.

The end result of this system was not as anticipated, but there were some successes amid the failures: box 3-1 looks at some of these experiments in integration.

**In 1950,
members of the
League of Arab
States signed
the Treaty of
Joint Defense
and Economic
Cooperation
to realize
mutual defense,
maintain
security
and peace,
consolidate
stability and
provide welfare**

Box 3-2 Arabic names of Internet domains

Internet domains refer to the addresses of websites. They are to be written in Arabic characters and used in the same way as current addresses are used by different online applications for accessing and browsing the web. The process relies on a simple idea, according to which an Arabic domain name would have a corresponding character encoding scheme that would be stored in the domain server of ASCII (American Standard Code for Information Interchange), while the domain name in the user interface remained in Arabic. The process of switching between the Arabic domain name and the corresponding coding would be imperceptible to the user and would not require the installation of special software or changes to the domain servers. This technical solution is not new; it was first proposed many years ago by the Internet Engineering Task Force (IETF), which researches technical and developmental aspects of the Internet.

Egypt introduced the domain name 'مصر' ('Egypt' in Arabic) in November 2009 and the United Arab Emirates introduced the domain name 'إمارات' ('Emirates' in Arabic). As a result, the Arabic language has begun to keep up with other non-Latin languages such as Hindi, Russian and Korean in the digital field.

Source: arabic-domains.org/en.

Subregional integration projects

In parallel with joint Arab action within the framework of the League of Arab States, two subregional unions of Arab countries were established, namely the Arab Maghreb Union and the Gulf Cooperation Council (GCC). The Arab Maghreb Union has remained captive to the deteriorating relations between Algeria and Morocco over the Western Sahara dispute. However, GCC, which was founded in 1981, has succeeded in achieving higher levels of integration between its members in the political, economic, and cultural spheres. This

is perhaps because of the geographic proximity of its member countries and their homogeneous social structures. Indeed, GCC has proven to be the most stable, efficient and active Arab sub-union experiment; it possesses an ability to adapt continually in response to the demands of regional politics.

GCC is a textbook example of cooperation among a subset of countries, whether Arab or international, with similar social structures and systems of governance, and which enjoy a certain level of wealth. However, the level of integration among its member countries has not reached its full potential. Some phases of economic integration, notably the introduction of a unified Gulf currency, have been held back by differences of opinion. In May 2012, it was announced that GCC would soon become a union; but this failed to materialize, owing to the divergent positions of member countries.

Sectoral integration

Regional integration cannot be achieved without the smooth and efficient movement of persons and goods. Such mobility cannot occur without appropriate infrastructure, particularly in the transport sector, a key component of Arab regional integration.

Infrastructure and transport

Transport in the Arab region is plagued by many problems, including weak infrastructure, low cost-effectiveness, lack of safety and security, poor procedural arrangements (logistics), non-integrated transport systems, unregulated multimodal transport, non-harmonized institutional structures and legislation, and lack of interest in joining or implementing relevant international and regional

agreements. These factors, among others, have contributed to weakening Arab commercial, touristic and cultural exchange.

For instance, land transport (mainly trucks) is the most common link between Arab countries. Yet the road network in the Arab region covers no more than approximately 749,000 km, equivalent to 54 km per 1,000 km² of the total area of the Arab countries.⁸ This is a small ratio for the 14.2 million km² area covered by Arab countries.⁹ Almost half of the Arab countries do not have railways; available information indicates that the ratio of railway network length to total national area in the Arab countries is the lowest of any region in the world.

Plans to link Arab countries through international roads, railways, maritime and air transport are vital for the movement of persons, services and goods. To that end, the Economic and Social Commission for Western Asia (ESCWA) has been working since 1998, in cooperation with the League of Arab States, to develop the Integrated Transport System in the Arab Mashreq (ITSAM), and to consider ways of financing the infrastructure of relevant implementation projects. The Integrated Transport System comprises the Agreement on International Roads in the Arab Mashreq; the Agreement on International Railways in the Arab Mashreq; the Memorandum of Understanding on Maritime Transport Cooperation in the Arab Mashreq; the creation of national committees to facilitate transport and trade; and the harmonization of institutional structures and legislations in the transport sector. These agreements have yielded key advances in Arab transport integration.

Related initiatives include the Plan of Inter-Arab Land Connection through International Roads, which was adopted by the 22nd regular Arab Summit in Libya in 2010; and the Plan of Railway Land

Connection, adopted at the Arab Economic and Social Development Summit in Kuwait in 2009. In the latter framework, several Mashreq countries have made progress in preparing technical and financial studies for railway projects. Some GCC countries have successfully embarked on implementation.

Scientific research and information technology

To date, Arab countries have yet to fully embark on a joint process of scientific and technological development. In contrast, many other developing countries, notably in East Asia and Latin America, have moved much further in that direction. In the Arab region, however, there has been an almost complete absence of policies geared towards technological integration. This is reflected by the small number of joint research centres or high-standard post-graduate colleges in the region, the absence of Arab scientific journals with global standards, and the weak links between Arab scientists. The development of an Arab scientific community is hindered by miserly funding for joint research initiatives, poor research cooperation among Arab scientists, and the absence of joint facilities and equipment to encourage such cooperation.

Cooperation between Arab countries in the field of information and communication technology (ICT) is an exception. It is improving despite great disparities in financing capacity, knowledge level of the workforce, and ICT management expertise. Ongoing ventures are promising; they can lay the foundation for future development and expansion, and stimulate Arab integration.¹⁰ These efforts include cooperation between the League of Arab States and ESCWA to implement several Arab regional projects, namely the registration of the 'arab'

The weak infrastructure of the transport sector, including roads and railways, has contributed to weakening Arab commercial, touristic and cultural exchange

Arab countries have yet to fully embark on a joint process of scientific and technological development

The convergence of ICT and mass media technology will likely boost the digital Arabic content industry * While the Arabic language was ranked 20th in terms of presence on the Internet in 2000, it progressed to seventh place in 2011**

domain as a top-level domain on the Internet, the protection of Arab youth on the Internet, and the finalization of the Arab indicators gateway.

Some key Arab projects, albeit modest in scale, have been launched to narrow the digital gap and increase access to technology and information. They focus on financing technological incubators and providing the necessary infrastructure to bridge this gap.

Joint ventures have taken off, particularly among GCC countries, in e-government applications. They provide a model for cooperation in trade, economy, services and citizenship, not only within a single country, but across the entire Arab region.

Intercountry legislative cooperation in the field of technology is currently under way, including the ESCWA project on *Regional Harmonization of Cyber Legislation to Promote the Knowledge Society in the Arab World*, a pioneering project in this area.

Equally significant are the various initiatives to promote Arabic content on the Internet, both in terms of quality and quantity, with official and popular participation.

Digital Arabic content

The Internet and broadband services have contributed to the growth of the digital content industry. The convergence of ICT on the one hand, and mass media technology on the other, will likely boost the digital content industry and maximize its economic and social impact.

The digital Arabic content (DAC) industry covers a wide range of social areas, including:

- › Media, entertainment and culture, including the Internet
- › Books and cultural and historical content
- › Business and trade, especially the multiple types of e-commerce

- › User content such as blogs and social networks
- › Public services and the expansion of these services in the public sector through e-government applications
- › E-learning
- › E-health services

Arab countries have made great efforts in recent years to support DAC on the Internet. This is a new field that stimulates Arab integration, cooperation and partnerships between the public and private sectors, and between the scientific academic sector, the productive sector and non-governmental organizations. However, the DAC initiative still suffers from weak design and poor interaction between sites and users. The technology behind most Arabic sites lags behind that of sites in other languages; the quality of content is very uneven; text overshadows images and other forms of content; sites are infrequently updated and interaction with users is weak. Holding back this industry in the Arab region are feeble research and development efforts, both in the digital use of the Arabic language and the development of its computing tools, and weak Arab integration in this context. A joint electronic Arab market¹¹ could change much of this, but has not materialized despite repeated calls for its development.

A number of Arab action plans attach special importance to the DAC industry, given its key role in regional development; the preservation of the Arabic language, heritage and culture; and the advancement of Arab societies. These efforts have begun to bear fruit, albeit slowly. While the Arabic language was ranked 20th in terms of presence on the Internet in 2000, it progressed to seventh place in 2011.¹² Thus, efforts to develop the DAC industry can be an essential and effective engine for Arab technological and economic integration.

As a reservoir of scientific and technological knowledge, language has become increasingly important in the

general trend towards knowledge-based economies. The Arabic language in that sense can be used in communication and work in all areas across the entire Arab region.

Digital Arabic content is an effective means of delivering and teaching science and technology at the level of society as a whole. It is especially useful in those production and services sectors that rely heavily on language, such as the media, publishing, medicine, entertainment and advisory services.

The energy sector

Arab integration in the energy sector is one of the more noticeable forms of intercountry cooperation. Beginning in the 1970s, electrical grid interconnection projects were implemented within the framework of bilateral agreements. Today, these projects fall under three major groupings within various regulatory frameworks: the Maghreb power grid, the GCC power grid, and the Eight Countries Electrical Interconnection Project (Egypt, Iraq, Jordan, Lebanon, Libya, Palestine, the Syrian Arab Republic and Turkey).

The electrical connection grids currently in place have not yielded the economic, technical and environmental returns that were expected; so far, they have done no more than rescue those countries that do not produce sufficient electrical power on their own. The exchange of electricity has remained limited in terms of quantity, service stability and capacity. This is due to the inadequate equipping of power plants; a legacy of underestimating required supplies; delays in implementation; and a lack of mutual trust between electricity institutions and companies. Despite the low expectations for electrical interconnection projects based on their current capacities, Arab cooperation over electrical grids is still better than joint efforts in the oil and gas sector. In the past

few years, it was thought that networks such as the Arab gas pipeline project/Arab gas network (Egypt, Jordan, Lebanon, Syrian Arab Republic), the Dolphin Project (Oman, Qatar, United Arab Emirates) and the projects linking North Africa to Europe would spearhead regional energy cooperation. However, these projects have lacked effective coordination, leaving such efforts without the level of support they require.

Agriculture and food security

Data from the Arab Monetary Fund (AMF) show that the total area of cultivated land in the Arab region before the secession of South Sudan was about 68.5 million hectares, or just 9.4 per cent of the total area of the Arab region.¹³ This percentage is also confirmed in the 2011 annual report of the Arab Organization for Agricultural Development (AOAD).¹⁴ The total area of arable land in the Arab countries is estimated at about 197 million hectares, of which about 36.5 per cent is cultivated, in a region that constitutes about 10.8 per cent of the area of the world.

Grains, especially wheat, sugar and vegetable oils, are essential food products in the Arab region. Despite enormous natural resources available in many Arab countries, the region imports about half of its grain requirements, 63 per cent of vegetable oils, and 71 per cent of sugar. These three commodities alone constituted about 76 per cent of the food gap in the Arab region in 2007.¹⁵

Trade agreements between Arab countries have not included direct and comprehensive provisions to ensure the development of agriculture. Although the Greater Arab Free Trade Area (GAFTA) sought to liberalize intraregional trade in all sectors, including agriculture, its implementation has not yielded significant gains in agricultural trade.

Electrical grid interconnection projects fall under three major groupings in the Maghreb, the Mashreq and the Arab Gulf

Most Arab countries still suffer from a structural food deficit

More than half a million children in Yemen and more than one million children in Somalia are now at risk of starvation

Some Arab countries have attempted to support agricultural cooperation and integration through bilateral initiatives. In 1975, the Egyptian-Sudanese Company was established in the Blue Nile State over an area of 160,000 acres, with a total capital of US\$20 million. The company ceased to operate during the civil war that ravaged the Sudan; its rehabilitation and development are currently under consideration. In 1999, the Jordanian agricultural project 'Al-Basha'er' was established in the Sudan to grow wheat, palm, citrus and clover over an area of 9,000 acres, irrigated with water from the Nile River, and to build quarantine for cattle. The Al-Basha'er project is a model of Arab cooperation in agriculture. Unlike the Egyptian-Sudanese project, the Jordanian-Sudanese initiative garnered significant profits and expanded its business through the export of certain products, including wheat, to Jordan.¹⁶

In view of agriculture's importance in helping both to feed the region and strengthen its integration, the Council of the League of Arab States decided in 1970 to establish the Arab Organization for Agricultural Development. The organization was launched in 1972 with the membership of all members of the League of Arab States.

The objectives of AOAD are to develop the agricultural sector in member countries and to follow up on the application of the agricultural calendar and rules of origin covered by GAFTA. The organization has implemented several projects, such as the construction of small dams, the development of water resources, the management and rationalization of water use in agriculture, and the development of forest nurseries.

To increase Arab food security, AOAD designed a strategy for sustainable Arab agricultural development for two decades (2005-2025), which was endorsed by member States at the Arab summit held in

Riyadh in 2007. This was considered part of the Joint Strategy for Arab Social and Economic Action. The organization was requested to begin implementation of the strategy in coordination and cooperation with all partners. However, the articles of the strategy were too ambitious for the capabilities at the disposal of AOAD, and implementation remains slow.

Spurred by the global food crisis in 2007-2008, AOAD issued the Riyadh Declaration to Enhance Arab Cooperation to Face World Food Crises, which called for an Emergency Arab Food Security Programme. The Programme was launched at the Arab Economic and Social Development Summit in 2009 in Kuwait and its first-phase operational plan was approved by the Economic Development Summit held in Sharm el-Sheikh, Egypt in January 2011. The initial investment requirements were estimated at US\$12 billion, half of which would come from Governments for infrastructure development, with the other half from the private sector for building and developing production capacity. But without a clear and effective joint Arab mechanism to follow up on the implementation of the Programme, little progress has been made.

Overall, cooperation in agriculture has not lived up to expectations, and most Arab countries still suffer from a structural food deficit. Arab production of wheat, one of the most important agricultural crops in the world, represents less than 50 per cent of the region's wheat consumption, while the production of sugar and vegetable oil constitutes between 26 and 33 per cent of the volume consumed in Arab countries.¹⁷

Figure 3-1 shows that the production rates of these commodities barely grew over seven years. To bridge the gap between Arab production and consumption, the food import bill in the Arab region has increased, especially

since 2008, when the global prices of food commodities recorded an unprecedented rise. The value of imported food commodities reached US\$37 billion, 56 per cent of which was for grains, 10 per cent for vegetable oils, and 8 per cent for sugar. During the period between 2003 and 2010, the bill for wheat imports alone rose threefold and the bill for oilseeds rose fivefold (figure 3-2).

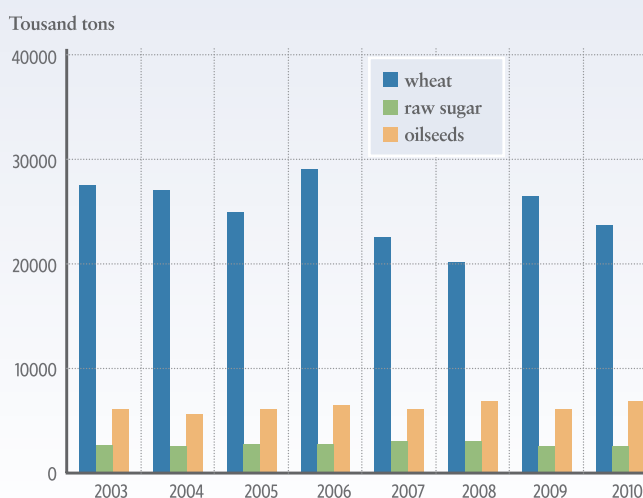
Perhaps the most conspicuous failing of Arab countries over agricultural policy has been the lack of effective cooperation to address the food crisis. This failure has exacerbated the problem in some countries, causing acute hunger, and it threatens others if food security policies remain unchanged. The shocks caused by rising food prices in the period 2007-2008 and again in 2012; the unstable security and economic situation in many Arab countries; environmental threats such as water scarcity, desertification and climate change; and the absence of an Arab vision and serious political commitment to work together, have all contributed to this growing crisis.

The rise of food prices in 2008 led to a significant increase in the number of people living below the poverty line. These numbers rose from 8 per cent to 13 per cent in Lebanon, from 20 per cent to 34 per cent in Egypt, and from 34 per cent to 54 per cent in Yemen.¹⁸ More seriously, the continued lack of Arab action to confront this reality has aggravated the situation. As a result, more than half a million children in Yemen alone and more than one million children in Somalia are now at risk of starvation. With poverty and hunger returning to significant levels in the middle-income Arab countries, the most important advance towards the Millennium Development Goals (MDGs) in the Arab region — a marked reduction of food poverty — could slide back.

The prospect of such a reversal in the Arab region is deeply distressing because

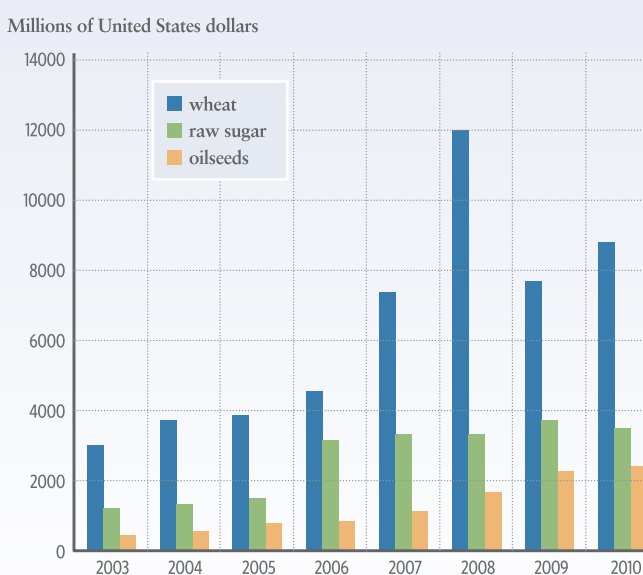
it is entirely avoidable: there is a natural and close fit in trade between cash-surplus countries with food deficits and cash-deficit countries with the potential to double their agricultural production. Integration here

Figure 3-1 Arab production of basic agricultural commodities, 2003-2010



Source: FAO statistics. <http://faostat.fao.org/>.

Figure 3-2 Arab imports of agricultural commodities, 2003-2010



Source: FAO statistics. <http://faostat.fao.org/>.

Despite the noble objectives of the Treaty of Joint Defense and Economic Cooperation, foreign violations of Arab lands continued undeterred

Divisions in the Arab regional system re-emerged during the 2006 Israeli War on Lebanon

would reduce the food gap in both types of country. At present, the rich Arab countries make up their food deficits through food imports from, and agricultural investment in other countries; however, this approach remains vulnerable to any strategic transformation. Such a scenario would force these countries to swap oil for food, a one-sided trade-off since the terms of trade are usually in favour of food producers, especially the larger ones.

The fragility of the regional order

Beginning in 2011, the unprecedented outbreak of civil revolts across the Arab world revealed once and for all the fragility of the Arab regional system. Polarization among the countries of the region became more rigid, and the conflicts between them more divisive. The unbridled interference of regional and international powers made the possibility of joint Arab action yet more difficult.

Popular revolts and external intervention

In the years leading up to the civil revolts, the Arab regional system had proved itself unable to defend common Arab interests or the sovereignty of Arab countries. Despite the noble objectives of the Treaty of Joint Defense and Economic Cooperation (1950), which sought to defend the Arab world against threats, foreign violations of Arab lands continued undeterred; indeed, they increased. Israel continues to occupy Palestinian, Syrian and Lebanese territory, in clear violation of international law and at the risk of regional peace and security.

Other examples of territorial violation include the Iraqi invasion of Kuwait in 1990 — a serious unprecedented action by an

Arab country against another; the invasion and occupation of Iraq in 2003, which led to the creation of a new political system on ethnic and sectarian bases; and the failure of the Arab system to defend the unity of the Sudan.

Divisions in the Arab regional system re-emerged during the July 2006 Israeli War on Lebanon and the Israeli aggression on Gaza in 2008-2009. Arab States once again split between those who supported the Islamic resistance and those who saw in the war on Lebanon a chance to crush it. These differences prevented the Arab States from deciding on common Arab action and security premises. In both Lebanon and Gaza, they seemed incapable of stopping the Israeli war machine.

The collapse of the Arab regional order and the system of joint Arab action is clearly reflected in the situation in the Syrian Arab Republic. International and regional conflicts infiltrated the Syrian uprising, transforming the conflict from one between the regime and pro-democracy opponents, to a geopolitical struggle over Syria in which the Syrian people are perhaps the greatest losers. A number of regional and international powers have played key roles in this conflict. Hobbled by this vertical division, the League of Arab States was rendered ineffective in addressing the aggravated Syrian crisis.

A glaring sign of the collapse of the Arab security system is the proliferation of foreign military bases in over a third of the Arab countries. Some Arab countries — including those which spend huge amounts on armaments — have requested or agreed to the entry of foreign troops. The spread of foreign military bases in Arab countries not only comes at a high financial cost, but threatens Arab national security and undermines independent decision-making.

The drones which the United States now uses in military operations over Somalia and Yemen are a new and stealthy variant

Box 3-3 Yemen's airspace open to drones

Targeted killings carried out by drones have become a common phenomenon in Yemen. They are covered by the official and private media almost weekly. In early 2013, these operations increased but no confirmed data exist on the number of dead and wounded. However, international sources have claimed that more than 1,900 people have recently died in such attacks, making Yemen second only to Pakistan for the number of drone attacks and victims.

Media reports claim that the raids target Al-Qaeda elements wanted in relation to cases of international terrorism. However, these strikes are surrounded by ambiguity, reflected in the way that casualties are seldom named and almost no details are given about individual operations or their results on the ground.

According to news reports at the end of January 2013 and the British Broadcasting Corporation (BBC), regarding the position of the authorities in Yemen, General Ali Hassan al-Ahmadi, head of the National Security apparatus in Yemen, said on January 8 that the drone attacks on al-Qaeda targets in Yemen will continue within the framework of cooperation between Sana'a and Washington to combat 'terrorism'.

According to the New America Foundation, a think tank based in Washington, drone attacks increased threefold between 2011 and 2012, going from 18 raids in 2011 to 53 in 2012.

Ambiguity continues to surround these strikes; there has so far been little discussion of them in terms of international law, violations of sovereignty, human rights, and extrajudicial killings without specification of the crimes committed by those targeted.

Source: Prepared for this report by Ezzedine al-Asbahi.

of foreign military presence in the region. Recently, these drones have also invaded the airspace of Libya, Mali and Niger.

Isolationist policies hinder labour mobility and human exchange

Arab cultural integration has its roots in the unity of symbols shared by the citizens of the Arab world. This culture reflects their hopes and values, strengthening their belief in their common cause and future; for this reason, cultural integration has been possible despite the isolationism that began in some countries in the last decade of the twentieth century.

At the beginning of that period, a number of Arab countries assisted the Arab oil-exporting countries, notably in education and healthcare, as well as in other fields crucial to modern-State

building. As the gap between the financial capacities of oil and non-oil countries widened, people emigrated in large numbers from poor countries to rich ones in search of work. This flow strengthened the cultural ties between the peoples of the region and would have constituted a major driving force for Arab integration, had it not been obstructed.

Most achievements in human development by the rich Arab countries, especially in knowledge acquisition and creativity, were generated by a certain level of integration with the Arab world, at least in the initial stages. Integration was achieved in such areas as basic education, healthcare, higher education, media networks and culture (such as the National Council for Culture in Kuwait). Some projects were established outside the donor Arab country, for example the

A glaring sign of the collapse of the Arab security system is the proliferation of foreign military bases in over a third of the Arab countries

Figure 3-3 Visa requirements for Arab travelers between Arab countries

from \ to	Algeria	Bahrain	Comoros	Djibouti	Egypt	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syria	Tunisia	UAE	Yemen		
Algeria																							
Bahrain																							
Comoros																							
Djibouti																							
Egypt																							
Iraq																							
Jordan					1					1													
Kuwait																							
Lebanon																							
Libya																							
Mauritania																				2			
Morocco							3												3				
Oman																							
Qatar																							
Saudi Arabia																							
Somalia																							
Sudan																							
Syria																							
Tunisia																							
UAE																							
Yemen																							

	Visa not required		Visa obtained upon arrival		Prior visa required
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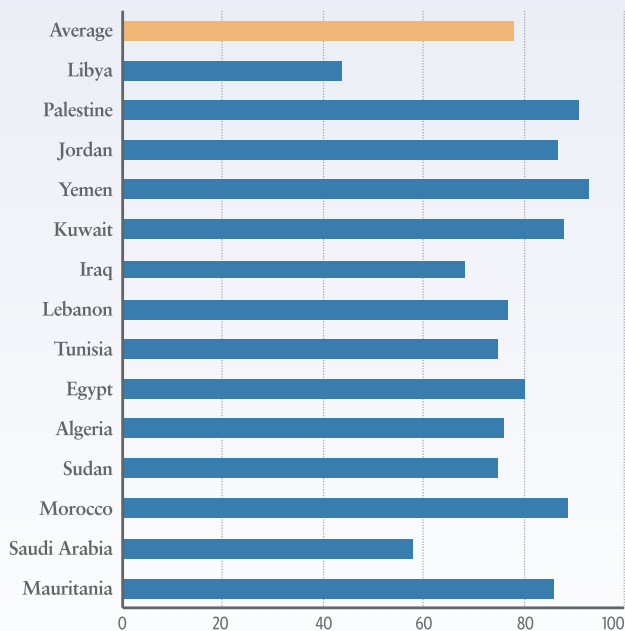
1 Entry granted for holders of a 5-year valid passport

2 Entry granted for holders of a certain amount of money

3 Does not apply to women

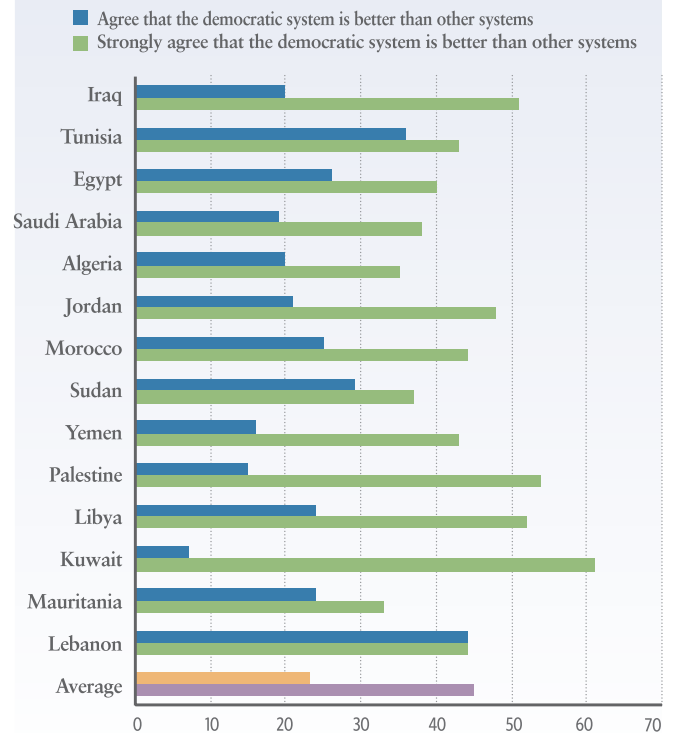
Note: Palestine has no control over its borders, and thus entry is subject to the approval of the occupying Israeli authorities.
 Source: Report team.

Figure 3-4 Freedom of movement between Arab countries: Arab public support, 2012-2013 (Percentage)



Source: Based on data from the Arab Center for Research and Policy Studies, 2013 (Arabic).

Figure 3-5 The democratic system in the view of Arab citizens, 2012-2013 (Percentage)



Source: Based on data from the Arab Center for Research and Policy Studies, 2013 (Arabic).

Saudi-financed press in London and the MBC television network in Beirut.

Unfortunately, some States have overzealously asserted their national sovereignty by imposing restrictions that prevent Arab individuals from entering their territories, in violation of the Economic Unity Agreement signed in 1957.

After the establishment of the Gulf Cooperation Council, its member countries decided to exempt all GCC citizens from visa requirements and work and residence permits. This preferential treatment, later extended to include a number of foreign countries, was not granted to Arab countries outside GCC. Citizens of Arab countries thus continued to experience considerable difficulties in their attempts to gain a GCC visa.

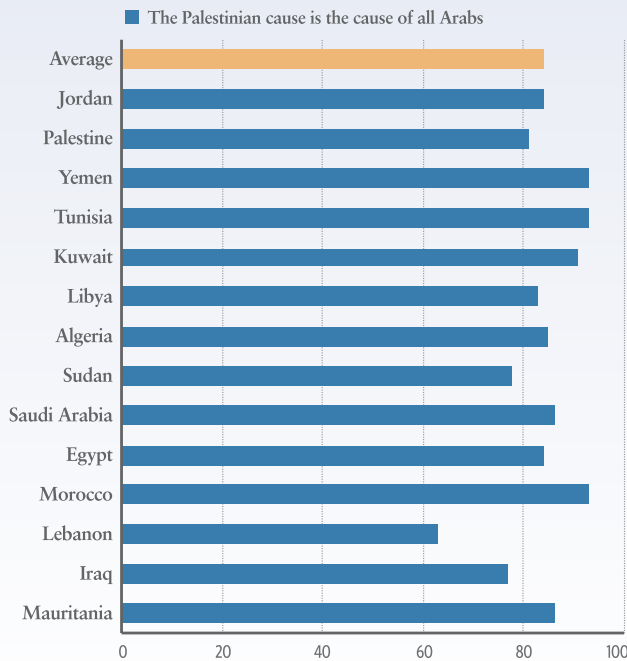
Granting easy entry and residence to citizens of all Arab countries strengthens the unifying character of Arab identity. Figure 3-3 shows the nationalities permitted entry to different Arab countries without a visa.

Citizens of any GCC country have the right of entry, not only to all GCC countries, but to other Arab countries as well. The citizens of non-GCC Arab countries, however, do not enjoy reciprocal treatment.

The Comoros, Djibouti and Lebanon are the only countries that grant visas to all Arab visitors upon arrival. Jordan exempts Lebanese, Egyptian and Syrian citizens from obtaining a visa prior to travel. In general, visa requirements or exemptions have always depended on the political relations between Arab countries.

The Comoros, Djibouti and Lebanon are the only countries that grant visas to all Arab visitors upon arrival

Figure 3-6 The Palestinian cause in the view of Arab citizens, 2012-2013 (Percentage)



Source: Based on data from the Arab Center for Research and Policy Studies, 2013 (Arabic).

Poor Arab cooperation has caused Arab citizens to lose their sense of security

Arab travelers experience frequent difficulties at borders, including denial of entry visas. These indignities have become commonplace, not solely for Arabs abroad, but also for those travelling in the region. As far back as 1982, they provided Arab artists with a topic for satire.¹⁹ Palestinians who carry refugee *laissez-passers* go through an even more trying ordeal.

Understandably, the great majority of Arab citizens feel that freedom of transit between Arab countries is essential in any Arab integration project (figure 3-4).

Weak Arab integration impacts citizens

Arab citizens have not only been denied the benefits of cooperation and coordination between their countries in all

aspects of daily life; the fragmented regional order has also impacted relationships within States, between elements of society and the Government. In the absence of democratic governance and equal citizenship rights in most Arab countries, poor integration has stoked ethnic, religious and sectarian identity conflicts. This has created unhealthy climates in many Arab societies, with citizens — particularly those belonging to minority faiths, cultures and communities — losing their sense of security. Weak cooperation between Arab countries has also undermined their ability to address, whether individually or collectively, the major challenges facing the people of the region.

The Arab civil revolts showed that citizens in every country of the region share the same aspirations, encapsulated in three demands: freedom, dignity and justice. Freedom and dignity are associated with two central issues: repressive systems of governance bereft of social justice and equality before the law; and the question of Palestine. A recent opinion poll in the Arab world indicated that these two issues were priorities for Arab citizens, as shown in figures 3-5 and 3-6.

Joint Arab action has failed to deal with both of these issues. At the national level, coercive policies towards citizens, incomplete economic and social reforms and the general absence of democracy have created wide injustices. On Palestine, Arab complacency has led to Israel's continued violation of international conventions and resolutions through the persistent occupation of Palestinian and Arab lands; the expansion of its settlements; the Judaization of Jerusalem; and the reinforcement of the policy of displacement. These violations have not affected the strong political and economic relations between so-called 'moderate Arab countries' and Israel.

* * *

Arab fragmentation has confined development efforts to the national level, isolating countries. Official integration has been limited to a degree of technical coordination in a few sectors, but this has not been enough to lift sub-optimal patterns of development. Arab countries still cannot produce sufficient jobs, adequate wages and other elements of human security to meet people's needs. This failure has left a bitter legacy of social injustice, the brunt of which falls on the most vulnerable groups. The Arab revolts that shook the region asked for social justice and human dignity: any strategy for renaissance in the Arab world has to begin by answering those legitimate demands.

Although well-founded conceptually, Arab integration has not yet come close to achieving its full developmental and cultural potential. Attempts at Arab unity through the twentieth century were driven largely by temporary political exigencies. These efforts played out within a context of restricted freedoms and low levels of education and economic production. The Arab peoples did not take part in these attempts at unification, which yielded disappointing results in human development, national independence and self-determination. Unsurprisingly, unions forged at the top without effective popular participation, and in a context of hampered development, have quickly faded away.

The logic of Arab comprehensive integration is rooted in the Arab people, in promoting their knowledge, capacities, productivity and active participation. That kind of integration requires deep and comprehensive societal reform under sound democratic governance. Adopting that logic will enable the region to gain the resilience and strength it needs to meet the serious challenges it faces and lay the foundations for a true Arab renaissance.

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Chapter 4

Arab Integration: The Causes of Failure

**We may not be the generation to achieve victory,
but we are the one preparing our children for it**

Ghassan Kanafani

Arab Integration: The Causes of Failure

The Arab countries have made several ambitious attempts at unity at different times in history. But these efforts were not sustained and rarely capitalized on the unique characteristics of the region or its abundant resources; more recent attempts have therefore failed to forge a united regional bloc capable of withstanding shocks, creating opportunities and meeting modern challenges. This experience contrasts sharply with that of other regions which have successfully integrated into such blocs.

This chapter examines the external and internal factors that derailed attempts at Arab integration. It reviews the failures of the past and draws lessons for the future that hold even greater relevance in light of the recent Arab civil revolts.

Assessing past attempts

Two major drives towards regional integration and renaissance (*nahda*) stand out in Arab history. They both emanated from Egypt and transcended contemporary borders, impacting the broader Arab world. Ultimately, they both failed; not simply because external powers opposed them, but also because internal weaknesses, shared by both experiences, brought them down. Had either of these two campaigns for Arab integration succeeded, subsequent set-backs and reversals might have been avoided.

The first of these campaigns was the pan-Arab *Nahda*, pioneered by Muhammad Ali Pasha (1767-1849), the *wali* (Governor) of Egypt, who rebelled against the Ottoman *Khalifah* (Sultan) and sought to establish a modern empire. The second was spearheaded by Egyptian President Gamal Abdel Nasser (1919-1970), who enjoyed overwhelming popular support “from the [Atlantic] Ocean to the Gulf”. In both cases, the great powers of the era crushed these endeavours, exerting economic and

political pressure on their regimes and even taking up arms against them.

Both Muhammad Ali and Abdel Nasser looked to Western models of modernization. However, Nasser primarily sought to achieve social justice in Egypt and to keep Arab and non-Arab countries out of Cold War rivalries through the Non-Aligned Movement. In both cases, internal factors also contributed to their failure: overreliance, in the case of Muhammad Ali, on foreign elites, and, in the case of Nasser, on trusted local elites of questionable experience or merit. Thus both leaders failed to promote popular, democratic political institutions as part of their pan-Arabism.

Muhammad Ali launched a huge programme to modernize Egypt. He sponsored science, founded medicine and engineering schools, established councils for knowledge and education, and gave priority to knowledge acquisition by recruiting teachers and medical doctors from France and sponsoring hundreds of Egyptian students to study abroad, including in France, Italy and Britain, in the fields of military sciences, engineering,

**Abdel Nasser
sought to
keep Arab
and non-Arab
countries out
of Cold War
rivalries**

medicine, pharmacy, literature and arts. However, he heavily imported technology and knowledge from Europe but neglected to adapt them to local specificities or

promote self-reliance. He raised taxes to finance his expansionist ambitions: he restructured and modernized the army and launched military campaigns across

Box 4-1 The Balfour Declaration

British Foreign Office, November 2nd, 1917

Dear Lord Rothschild,

I have much pleasure in conveying to you, on behalf of His Majesty's Government, the following declaration of sympathy with Jewish Zionist aspirations which has been submitted to, and approved by, the Cabinet. His Majesty's Government view with favour the establishment in Palestine of a national home for the Jewish people, and will use their best endeavours to facilitate the achievement of this object, it being clearly understood that nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine, or the rights and political status enjoyed by Jews in any other country. I should be grateful if you would bring this declaration to the knowledge of the Zionist Federation.

Yours Sincerely,
Arthur James Balfour

Box 4-2 Gamal Abdel Nasser refuses to bargain after the *Naksa**

"I know how stunned and furious we have all been since the *Naksa* (setback). I know that the Arab people of Egypt are angry and saddened by the undeserved defeat of their army and the occupation of Sinai. I would like to tell you that President Tito conveyed to me a message from the Prime Minister of Israel, Levi Eshkol, in which he asks to meet with me anywhere in the world to discuss a solution. He also indicated that he would not give me a victor-to-defeated treatment, and that Israel was prepared to return Sinai without humiliating conditions but on the single condition that Egypt remains a neutral State. In other words, Egypt must no more pursue Arab nationalism, Arabism or Arab unity; it must mind its own business and not fight Israel. So if Israel kills Palestinians, this would be none of our business; if it strikes Syria, we have to stay neutral; if it strikes Jordan or Lebanon, Egypt should not interfere nor should it speak up. This means that the price of recovering Sinai is abandoning Arabism, nationalism and unity which is equivalent to selling our souls to the devil.

Of course, I told President Tito that this offer was unacceptable. Jerusalem, the West Bank, the Golan Heights and Sinai must be recovered altogether. We are responsible for the recovery of all Arab territories and for finding a solution to the plight of Arab people in Palestine. We will not accept conditions; we will not renounce Arabism or bargain with the blood and land of Arabs. The United Arab Republic will not accept any partial solution. We shall fight the same battle, against the same enemy, for the same goal: to free all our territories by force. I related the fact to you because I want you to know that the issue is not only and simply about Sinai. The Americans and the Jews attacked us in 1967 in order to compel us to trade Sinai for our Arabism, honour and nationalism."

* Speech by Gamal Abdel Nasser before university students and instructors following student demonstrations in November 1968.

the region, reaching Syria and almost defeating the Ottoman Empire. In 1840, the European powers, seeing in the rising Arab empire an imminent threat to their dominance and transport lines in the East, forced him, under the Convention of London, to withdraw his forces from Syria.

The Nasser regime embraced pan-Arabism and was credited with granting long-withheld economic and social rights to the Egyptian people. However, Nasser's presidency was tainted by violations of political and civil rights. Citizens were mere observers rather than active contributors to human development. Despite Nasser's overwhelming popularity in Syria and throughout the Arab world, his undemocratic leadership style greatly contributed to the breakdown of the United Arab Republic, which had briefly united Syria and Egypt under the Nasser regime from 1958 until 1961.

From Muhammad Ali's time, the West has undermined attempts at Arab integration. In the middle of the nineteenth century, Britain, then the greatest of the imperial powers, decided it would introduce an alien Jewish community in the heart of the Arab world. In 1840, Lord Palmerston, British Foreign Secretary, sent a letter to the British Ambassador in Istanbul, Viscount Ponsonby, informing him that his Government was encouraging the settlement of Jews in Palestine. He indicated that this would deter Muhammad Ali or his successors from establishing a union between Egypt and Syria.¹ This policy in favour of Jewish settlement in Palestine resurfaced during the First World War, with the issuance in 1917 of the Balfour Declaration. With this instrument, the British Government pledged its support for the establishment of a 'national home' for the Jewish people in Palestine. In 1948, the State of Israel was officially created.

Israel was to remain an obstacle to Arab unity. It occupied further Arab

territories during the 1967 Six-Day War, which ended in the disastrous defeat of the Egyptian army. From then until his death, Nasser waged a war of attrition against Israeli occupation and sought to rebuild the Egyptian army in preparation for another war. He did not live to see the Egyptian army launch a surprise attack on Israeli positions and achieve a military victory in the 1973 October War, with the cooperation of several Arab States and the support of their peoples.

External factors undermining Arab unity

The imperial and colonial powers were deeply suspicious of the goals of Muhammad Ali and Abdel Nasser. Most of them stood against every attempt to create a strong, independent pan-Arab nation.

Those powers not only opposed the unification of Arab countries within a centralized or federal state; they also resisted any intermediate or functional cooperation that could have strengthened Arab unity. They did not stop at obstructing Arab initiatives but also launched alternative regional projects of their own.

Obstruction of pan-Arab projects

The First World War ended officially with the signature of the Treaty of Versailles in 1919, which led to a number of further treaties and agreements among international actors. Those concerning the Arab provinces of the Ottoman Empire were based on the principles of the 1904 *Entente Cordiale* between France (recognizing British control over Egypt) and Britain (recognizing French control over Morocco); the Fourteen Points on the aims of the First World War set out by United States President Woodrow Wilson in 1918;

Since 1840, Britain encouraged the settlement of Jews in Palestine in order to deter any attempt at establishing a union between Egypt and Syria

The Western powers stood against every attempt to create a strong, independent pan-Arab nation

The Treaty of Versailles created a new Arab region whose map was drawn up in imperial war rooms and divided into spheres of British, French and Italian influence

the 1916 Sykes-Picot Agreement, signed by Britain and France with the assent of Russia; and the 1917 Balfour Declaration.

The Treaty of Versailles created a new Arab region whose future was to be determined arbitrarily by the plans and strategies of the Great Powers. The map of this region, drawn up in imperial war rooms, divided it into spheres of British, French and Italian influence. Those areas were sub-divided into national entities following the concept of Westphalian sovereignty.² The Arab region was carved up along lines that were not only geopolitical but also economic. With the dismantling of the Ottoman Customs Union,³ the victorious allies set about splitting Arab resources among themselves. This share-out of spoils culminated in 1920, when the British and French Governments signed an agreement for the joint production, marketing and exploitation of oil in Iraq and North African countries.⁴

In the post-war period, the Great Powers continued to oppose pan-Arab cooperation. For instance, Britain resisted the creation of the League of Arab States, although the British Foreign Secretary, Anthony Eden, had approved the idea in a public speech he gave in London in 1941.⁵ In the event, the British put pressure on Arab Governments to postpone the League's establishment until after the Second World War. The assumption was that, by then, changed circumstances would give Britain and its allies the dominant role in drawing new political maps, including for the Arab region. Following the Regional Conference on Arab Unity, held in Alexandria in October 1944, and the adoption of the Protocol of Alexandria on the establishment of the League of Arab States, Britain escalated its opposition. Subsequently, the British Government was accused of complicity in the toppling of five Arab Governments that had signed the Protocol of Alexandria.⁶ The newly-instated Governments

replaced the Protocol with a charter that limited the mandate of the League, and reduced its relevance and role in Arab and international politics.⁷

The Zionist movement, for its part, also sought to circumvent every attempt at Arab cooperation. In 1941, when Eden's statement in favour of a league of Arab States was made public, Zionist leader Chaim Weizmann conveyed his concerns about such a policy to Eden, warning him against it. Eden then reassured Weizmann that Britain's approval of the Arab project would be conditional upon the consent of the Zionist movement, given its major role in the region.⁸

The Soviet Union and the United States of America also opposed the establishment of the League of Arab States, albeit for different reasons. The Soviet Union saw it as a tool for the implementation of British policy in the Middle East. The United States, generally supportive of Britain's role in the region at the time, followed its ally's lead with regard to the League.

Arab political and functional cooperation within the League of Arab States was undercut by the escalating Cold War and the divisions that arose between Arab regimes and among the Arab people. Arab cooperation was also impeded as a result of pressure placed by Western powers on Arab countries to adhere to international coalitions and joint-defence alliances. In February 1958, the United States Department of State informed the American delegation to the Baghdad Pact Conference in Ankar⁹ of its objection to the creation of a United Arab Republic between Egypt and Syria. This union, it argued, would only strengthen Egyptian hegemony in the Arab region, cause political stagnation in Syria, promote positive neutrality and further complicate the question of Palestine.¹⁰

In the aftermath of the Cold War, a new world order emerged. However, as

interpreted by Richard Falk, this new order perpetuated the old, minus the Soviet Union; it was a new-old order of international hierarchy, dominated by the United States.¹¹ The territorial integrity of States eroded,¹² for the world was no longer made up only of nation-States. Two major challenges jeopardized the existence of those States: religious and ethnic secessionist movements, and emerging regional blocs.¹³

Under these new conditions, the United States and some European countries altered their stance on the idea of sovereign Arab nation-States. Having actively promoted their creation while opposing Arab unity, these countries shifted their support to secessionist movements in the Sudan and Iraq.¹⁴

Introduction of alternative projects

The United States and the European Union developed alternatives to Arab regional structures and institutions, sidelining the League of Arab States among others. The European Union introduced its Euro-Mediterranean Partnership in the mid-1990s, followed by the Union for the Mediterranean in 2007. In the aftermath of the September 11, 2001 terrorist attacks, the United States also launched several major policy initiatives during the 2000s, including the Greater Middle East Project and the US-Middle East Partnership Initiative. These projects reflected how Western powers thought that prosperity, democratisation, security and stability should be promoted in Arab countries. These initiatives had two features in common: they uniformly ignored existing Arab regional institutions and focused on bilateral partnerships.

► Ignoring Arab regional institutions

The United States and the European Union did not build their partnerships with

Arab collective organizations but with individual Arab States. In so doing, they sought to bypass Arab identity, institutions and collective concerns, and to marginalize them at international forums. For instance, in May 2011, world leaders participating in the G20 Summit in Deauville, France expressed their support for the aspirations of the 'Arab Spring'. With that exception, the designation 'Arab' was dropped from every discussion related to the assistance and joint projects proposed for the region, which was officially termed the 'Middle East and North Africa' (MENA).

► Building regional structures based on bilateralism

The objective of these projects is to promote economic relations between MENA countries, including Israel, on the one hand, and the United States or the European Union on the other, through a two-stage approach: first, to conclude bilateral trade agreements between the countries of the MENA region and external actors; and second, to build a regional partnership between States signatories to bilateral agreements.

The rationale of this two-stage approach is as follows: signing bilateral agreements first with the States of the region gives the United States and the European Union enough leverage to persuade ruling elites in signatory States to introduce democratic, economic, social and developmental reforms. This in turn enables those States to enter into regional coalitions with Western partners and Israel, and to accede to the World Trade Organization (WTO).¹⁵

The Western parties, in particular the European Union, have adopted this approach for several reasons. First, dealing with individual Arab States encourages negative competition between those States and nudges them to accept what is offered. One such 'encouragement'

In addition to opposing Arab integration projects, the Western powers developed alternatives to Arab regional structures and institutions, sidelining the League of Arab States

Dealing with individual Arab States, the alternative integration projects nudge those States to accept what is offered

The alternative integration projects proposed by Western powers seek less to promote Arab cooperation than to direct it towards outside interests, including the build-up and protection of Israel's scientific, technological, commercial and military capabilities

is the linking of financial assistance to progress made by ruling elites towards engaging in regional projects. These latter projects seek primarily to ensure security and stability in Middle Eastern countries within the European strategic sphere through forging economic links between them. Second, the bilateral approach spares Western parties the complications involved in collective bargaining with an Arab bloc, allowing them to win greater concessions and more preferential trade conditions from individual Arab States. This partly explains the motive behind the exclusion of the League of Arab States from these projects, and clarifies the nature of the obstacle to Arab economic integration. Third, and probably most importantly, this approach enables Western parties to circumvent Arab opposition to collective negotiations with Israel, by delinking that State's economic integration in the region from a just and comprehensive resolution to the question of Palestine.

In the first stage of this approach — bilateral trade agreements — each Arab State is required to adopt legal arrangements for coordinating its commercial, economic and legislative structures in a manner complementary to the arrangements in the Western States parties. In the second stage, which consists of building a regional partnership between States signatories, the removal of technical and economic obstacles to trade with Israel renders the concerns usually raised by Arab States irrelevant. It thus becomes easier to persuade Arab States to establish relations with Israel and facilitate its integration in the region.

► **Securing foreign interests in the Arab region**

The Western parties perceive the Arab region as vital to their achievement of three main goals, namely, maintaining oil flow at reasonable costs; preserving the

security and military supremacy of Israel; and fighting terrorism.¹⁶

Obviously, these alternative integration schemes do not converge with the premises of regional cooperation and integration. There are no set standards or rules for the establishment of regional organizations. They must not, however, be established arbitrarily; rather, they should take into consideration a number of requirements. These include: geographical proximity, cultural and linguistic homogeneity, similar beliefs, shared history, concordant economic needs and interests, and similar political and social institutions, in addition to common challenges and threats.¹⁷ The regional partnerships with Arab countries proposed by Western powers lack most of these requirements; they seek less to promote Arab cooperation than to direct it towards outside interests.

Prominent among those interests are the build-up and protection of Israel's scientific, technological, commercial and military capabilities through preferential treatment, and at the expense of Arab security and progress.

Relations resulting from bilateral agreements between powerful entities and small or middle-power countries are unbalanced more often than not. Bilateral agreements between Western and Maghreb countries have fostered hub-and-spoke relations, undermining nascent local industries and sparking popular outrage with the Arab Governments that signed them.¹⁸

Regional coalitions comprising Western and Arab countries are equally open to question. Gathering Arabs and Israelis within the same regional organization and ending the Arab boycott of Israel before the latter complies with United Nations resolutions, would significantly tip the balance of power in favour of Israel. Such projects become even more worrisome when Israeli leaders styled as 'moderates'

in the West welcome them. One of them, Abba Eban, has argued that “the Middle East is a mosaic of countries and Zionism is the only unifying factor in it”.¹⁹

Internal obstacles to Arab unity

Internal factors have contributed no less to the failure of Arab unity, some circumstantial and unavoidable, others well within the control of political and economic decision makers. The greatest deficiency has been the lack of political will to achieve full integration.

Political and institutional factors

► Unrepresentative Government in the Arab region

Many Arab regimes are not representative of their people or accountable to them, a fact that mainly accounts for the failure of Arab integration. Some regimes believed that their legitimacy and security were guaranteed by regional or international powers rather than by their people. As a result, they made little effort to serve the interests or priorities of their people.

Most Arab leaders had two fundamental concerns: to hold on to power, and to protect the interests of the national elites who bolstered them, by allowing them to monopolize institutions and wealth. These leaders undermined every real prospect for Arab integration, fearing that it would throw the elites of different countries into fierce political and economic competition within a wider Arab market, thus jeopardizing their own interests.

► Conflicts between Arab countries

Conflicts and disputes have frequently erupted between Arab countries, most

Box 4-3 Elite misgovernance in Arab countries

“The evidence suggests that in the past, misgovernance in the Middle East was largely ignored by the international community, which provided increasing volumes of foreign aid to Governments while their standards of voice and accountability were among the worst worldwide — and declining. Both politics and the economy were subject to elite capture — that is, the shaping of the rules of the game and State institutions for the benefit of the few — across the region.

In Egypt and Tunisia, the old leadership has been toppled, yet even there the legacy of misgovernance and capture matters for prioritizing reforms and assistance during the transition, and calls for a revamping of the aid strategies of the international community, including the international financial institutions. Aid strategies need to become more selective across countries and institutions, with due attention given to democratic reforms, devolution, civil society, and to concrete governance and transparency reforms. Reforms also need to mitigate capture and corruption.”

Source: Kaufman, 2011, p. 1.

notably the proxy war between Egypt and Saudi Arabia in the North Yemen Civil War (1962-1970), the Iraqi invasion of Kuwait in 1990, and the ongoing dispute between Algeria and Morocco over the Western Sahara. These disputes disrupted ongoing pan-Arab projects and sharply undercut prospects for integration: an example is the imposition of restrictions on Arab migrant workers from labour-exporting countries, as happened in the Gulf Cooperation Council (GCC) countries, Iraq and Libya. At the same time, Arab leaders have maintained superficial ties between their countries despite underlying conflicts, by paying lip service to pan-Arab institutions. This posturing has rendered such institutions inauthentic and ineffective.

The greatest deficiency has been the lack of political will to achieve full integration

Disputes between Arab countries have made it impossible to reach unanimity on several pan-Arab issues and have disrupted the financing of regional institutions

► **Ineffective pan-Arab institutions**

In the post-Cold War era, attempts to establish pan-Arab entities faded. Regional integration disappeared from the agendas of major institutions, even those originally founded to achieve that goal.

Although the League of Arab States and its subsidiary bodies were inspired by the model of the United Nations, they have become no more than a gathering of Arab bureaucracies, lacking the efficiency of the Member States of the United Nations. The League and its organizations are bound by a Charter stipulating that decisions must be adopted unanimously. This requirement has often paralysed the institution. Disputes between Arab countries have made it impossible to reach unanimity on several pan-Arab issues and have disrupted the financing of regional institutions. Countries have often failed to honour their financial obligations towards the League of Arab States, pushing it to the brink of bankruptcy whenever inter-Arab relations faltered.

Administrative, political and technical problems have plagued the Economic and Social Council of the League of Arab States, which prepares and coordinates Arab socioeconomic cooperation. A 2010 report on the Council by the League of Arab States pointed to the lack of political will as its largest stumbling block. Other impediments included: a lack of transparency during negotiations, constant changes, or reductions of level, in member country representation, and the failure of members to comply with Council decisions. The report recommended that member countries take decisions independently of political considerations; raise the level of their representatives; and do their homework on draft resolutions, which could be submitted to their respective Councils of Ministers, before discussing them in the Council.

The report also found that the General Secretariat of the Council

lacked the financial and technical capacity to implement programmes or prepare specialized studies for proper consideration by the Council. It confirmed that procedural and organizational matters took up the bulk of the agendas. The report went on to fault the Council's unbalanced structure and ambiguous relationship to its subsidiaries, which led to duplication of some kinds of work and neglect of other kinds. It also criticised the blurred roles of important organs in the Council, the lack of follow-up by specialized agencies and the proliferation of time-consuming ad-hoc committees.

► **Inefficient Arab summits**

Between its inception in 1945 and 2013, the League of Arab States has held 35 summits, including 24 ordinary, 11 extraordinary and three economic and social summits. These summits focused mainly on external threats to the Arab region, notably the Arab-Israeli conflict and the Israeli occupation of Palestinian and other Arab territories.²⁰

Over time, the Arab summits toned down their position towards Israel and its occupation of Arab territories. While the 1964 summit considered Israel as an imminent threat to the Arab nation, the 1982 summit held in Fez, Morocco, adopted the Fez Summit Peace Proposal referring for the first time to guarantees of peace by all countries of the region. That was a clear indication of recognition of the State of Israel, albeit linked to some conditions. At the 2002 Beirut summit, this conditional recognition became a promise to fully normalize relations with Israel, should Israel meet the Arab demands set out in the Arab Peace Initiative proposed by then-Crown Prince Abdullah of Saudi Arabia. Those demands included the full withdrawal of Israel from all Arab territories occupied since 1967, and the establishment of an independent sovereign State of Palestine with East Jerusalem as its capital.

Table 4-1 Participation and level of representation of Arab countries in Arab summits (2004-2012)

Session number	Year	Hosting city	Number of participating Arab countries	Number of countries represented at the level of the Head of State*
24th ordinary session	2013	Doha, Qatar	22	14
23rd ordinary session	2012	Baghdad, Iraq	21	9
22nd ordinary session	2010	Sirte, Libya	22	14
21st ordinary session	2009	Doha, Qatar	22	16
20th ordinary session	2008	Damascus, Syrian Arab Republic	21	11
19th ordinary session	2007	Riyadh, Saudi Arabia	21	16
18th ordinary session	2006	Khartoum, Sudan	22	13
17th ordinary session	2005	Algiers, Algeria	22	13
16th ordinary session	2004	Tunis, Tunisia	22	13

* Including Palestine represented by the President of the Palestinian National Authority if present.
Source: The League of Arab States portal. <http://www.lasportal.org>.

Israel rejected the Arab Peace Initiative despite the major concessions offered by Arab States, notably on the rights of Palestinian refugees. Instead, it continued with expansion of settlements in the Occupied Territories, the confiscation of Palestinian lands, the destruction of Palestinian property and the Judaization of Jerusalem.

The Arab summits failed not only to address the Palestinian cause, but also to settle conflicts between Arab countries. Some conflicts never appeared on the agenda of any summit. Even if a conflict made it in, discussions seldom yielded a resolution.

For instance, none of the resolutions adopted by the Arab summits held in the 1960s touched upon the civil war in Yemen. Later summits did not address the 1994 Yemeni war of secession, four years after the unification of the north and south. On the other hand, an Arab summit was convened to address the

bloody armed conflict between the Palestine Liberation Organization and Jordan in September 1970; it brought the two parties to a cease-fire agreement.

Moreover, while Arab leaders convened in 1990 to support the liberation of Kuwait following the Iraqi invasion, no Arab summit was held in response to Israel's July 2006 War against Lebanon, which lasted 34 days. In the first instance, the Treaty of Joint Defense and Economic Cooperation between Arab States was taken as the basis of Arab support for Kuwait. But the same Treaty was not seen as enjoining Arab countries to defend Lebanon against Israeli aggression.

Equally striking has been the repeated absence of most Arab Heads of State from Arab summits, held regularly since the 2001 Summit in Oman; indeed, some meetings were attended by less than half the Arab leaders (table 4-1). With absenteeism on this scale, Arab summits began to lose their relevance.

Arab summits began to lose their relevance with the repeated absence of most Arab Heads of State

On a positive note, the 2007 Arab summit in Riyadh decided to hold Arab summits dedicated to economic and social development

With subsidiary bodies of the League of Arab States proving ineffective, the Arab people naturally looked to the League summits, hoping that leaders at the apex of the region would invest their power in Arab unity, dignity and important common causes. But as one after another summit fell short of popular expectations, public scepticism spread and the meetings came to be seen as largely irrelevant. This was confirmed by two opinion polls conducted by the Euro-Arab Center for Studies in the lead-up to the 2010 and 2012 Arab summits.²¹ Some 85.2 per cent of those polled believed that the 2010 summit would not rise to the challenges faced by the Arab world, while only 11.5 per cent thought its decisions could help to improve conditions in the region. The opinion poll before the 2012 summit indicated even lower public opinion ratings, with just 6.4 per cent favourably disposed.

Unlike regional mechanisms elsewhere in the world which, in some cases, have proved to be highly efficient, not only in settling conflicts, but also in moving the regional integration process forward, Arab summits inspire little confidence. European integration, which culminated in an economic union and a unified currency, was achieved as a result of European summits. In Africa, summits are convened regularly at the highest levels despite limited resources and numerous economic and developmental challenges. African summits convened within the framework of the New Partnership for Africa's Development (NEPAD) focus executive attention on development targets. They are held once every four months and attended by over 20 African Heads of State. In order to enhance pan-African coordination, the African Union summits are very often convened twice instead of once a year.

On a positive note, the 2007 Arab summit in Riyadh decided to hold Arab

summits dedicated to economic and social development and to discuss programmes and mechanisms to implement inclusive development strategies. The first Arab Economic and Social Development Summit was held in Kuwait in 2009, almost half a century after the Arab countries adopted the Economic Unity Agreement. Its major achievement was the establishment of a US\$2 billion fund to finance small and medium enterprises in Arab countries.²²

In the declaration of the second Arab Economic and Social Development Summit, held in Sharm el-Sheikh, Egypt in 2011, Arab leaders pledged their commitment to development strategies and modern economic thinking. They acknowledged that food security was a top priority for Arab countries, and that a new approach should be developed towards its achievement. They also stressed that water security was to be a priority of joint Arab action in the coming years to combat the effects of climate change.²³

The third Arab Economic and Social Development Summit convened in Riyadh in January 2013. Its key outcome was a decision to increase the capital assets of Arab financial institutions and joint companies by at least 50 per cent, to enable them to expand their business, enhance private-public partnerships to meet increasing demands for goods and services in Arab countries, and create more job opportunities.

In the Riyadh Declaration, Arab leaders reaffirmed their determination to fulfil the requirements for the establishment of the Greater Arab Free Trade Area (GAFTA) by the end of 2013. They re-adopted the 1980 Unified Agreement for the Investment of Arab Capital in the Arab States in an amended version that reflects recent developments at the Arab, regional and international levels. They stressed the importance of implementing the Agreement and asked the Arab

private sector, including emigrant Arab entrepreneurs, to take advantage of its favourable provisions to make their contribution. They also committed themselves to creating an appropriate legal and regulatory environment for investment in Arab countries.

The Riyadh Summit adopted the Arab Strategy for the Development of Renewable Energy Applications for the Period 2010-2030, in order to meet increasing demand for energy, diversify energy sources and promote sustainable development. The Strategy aims to facilitate the establishment of an Arab renewable energy market, which would boost job creation with the active participation of the private sector.

The Riyadh Summit also adopted the recommendations of the Arab Conference on Implementation of the Millennium Development Goals. Those recommendations call for joint Arab action to develop contributions to a new round of United Nations sustainable development goals beyond 2015.²⁴

As instability and public discontent sweep through the Arab world, questions have emerged surrounding the fourth Arab Economic and Social Development Summit: will it rise to meet the challenges it faces and take the right decisions? Will it mark a radical shift towards strengthening the effectiveness of Arab summits, ushering in a new era of Arab integration and renaissance in the Arab world?

Economic factors

► Structural

› *Different trade integration potentials*

The trade integration index is used to assess the potential for trade between countries by analysing the fit between their respective exports and import needs. This index indicates the possibility of improving trade between countries in the case of a free trade

zone. It provides useful information on the prospects of intraregional trade, including conformity of imports and exports, and the competitive advantages of the countries concerned.²⁵

The Arab intraregional trade integration index is close to the index of Arab trade integration with other partners, albeit slightly lower. The trade integration index of Saudi Arabia with other Arab countries is 13.3 per cent, while it is 21.3 per cent with Turkey, 18.7 with China, 18.2 per cent with the United States, 16 per cent with European countries and 3.5 per cent with India.²⁶

It should be noted that the level of trade integration varies from one Arab subregion to another. The trade integration index of GCC countries is low while that of the countries of the Agadir Agreement is high. The trade integration index of the more diversified Arab economies with other Arab countries is high. For instance, the Arab intraregional trade integration index is 30 per cent for Egypt, 27.9 per cent for Lebanon, 26 per cent for Jordan and 26 per cent for Tunisia. Those percentages suggest that many opportunities for intraregional trade are not seized by Arab countries because of obstacles hindering the development of such trade. At the same time, some Arab countries lack the means to improve their exports to other Arab countries, in particular those with poorly or non-diversified economies such as Iraq, where the index is 2.4 per cent, and Qatar, where it is 9.7 per cent.²⁷

› *Poor economic diversification*

Among structural factors causing poor Arab intraregional trade is the dominance of oil in the external trade of some Arab countries. In many of those countries oil export revenues represent more than 80 per cent of

The Arab intraregional trade integration index is close to the index of Arab trade integration with other partners

The trade integration index of GCC countries is low while that of the more diversified Arab economies is high

Many goods traded between Arab countries are still protected by tariffs, contrary to GAFTA provisions *** Non-tariff measures in Arab countries are equivalent to 32 per cent of customs tariffs on industrial trade and 29 per cent of customs tariffs on agricultural imports

total export revenues.²⁸ This situation has been exacerbated in the last few years by the continuous rise in global oil prices and falling shares of other sectors. This may explain the low trade integration indicator in GCC States, in contrast to that of States parties to the Agadir Agreement.

With oil and other natural resource sectors predominant, Arab economies remain captive to their relative specialization in a limited number of goods. The added value of extractive industry represents more than 35 per cent of the overall gross domestic product of Arab countries, while that of agriculture does not exceed 6.1 per cent and manufacturing 9.3 per cent. The added value of services, including a large share of government services, represents 42.6 per cent.²⁹

Nevertheless, a number of Arab countries have made progress in economic diversification, particularly in the agricultural, industrial and services sectors. Some have established industrial zones to encourage industrial enterprise, while others have allocated large areas for agricultural land reclamation or enhanced the services sector, in particular tourism and financial services, as well as the construction sector. Figures 4-1 and 4-2 present the export concentration index for all Arab countries in 2000 and 2010. Despite the progress achieved by most Arab countries during this period in diversifying their economies, export concentration remains high.

► **Non-structural**
 > **Non-compliance with customs duties exemption**

The database of the Global Trade Analysis Project (GTAP), used in the General Equilibrium Modelling 'MIRAGE', indicates that many goods

traded between Arab countries are still protected by tariffs, contrary to the requirement for full exemption from customs duties as stipulated by GAFTA.³⁰ For example, according to the MacMap database, Morocco imposed customs duties on 84 of a total of 97 categories of goods imported in 2009 from Egypt, as stipulated by the second section of the Harmonized Commodity Description and Coding System (HS6). Data on intraregional trade indicate how trade relations between two Arab countries can become ambiguous when they are bound by multiple free trade agreements. For example, in 2009, Morocco charged 112.1 per cent in tariffs on livestock imported from Egypt within the framework of GAFTA, while livestock imported under the terms of the Agadir Agreement incurred tariffs of only 11.8 per cent.³¹

► **Non-tariff protectionist barriers**

Non-tariff measures remain an obstacle to the development of Arab intraregional trade. Surveys conducted by the International Trade Centre (ITC) in Egypt, Morocco and Tunisia revealed numerous examples of the problem. Barriers include import and export permits, as well as taxes with effects similar to customs tariffs such as stamp duties, alongside consulate, statistical, customs and transit duties. These additional duties and taxes raise trade costs and are used systematically in order to limit imports.

Complicated administrative procedures, including clearance and customs estimation of goods, also affect Arab intraregional trade. The submission, verification and validation of shipping documents, as well as cargo inspection and handling, take far longer than in other regions. The 2012 World Bank *Doing Business Report* indicated that export and

import handling procedures in the Middle East and North Africa last 21 days and 24 days respectively; export handling procedures in the Sudan and Mauritania last between 32 and 80 days and import procedures between 38 and 83 days, a significant difference compared with 11 days for import and 10 days for export handling in the countries of the Organisation for Economic Co-operation and Development (OECD).³²

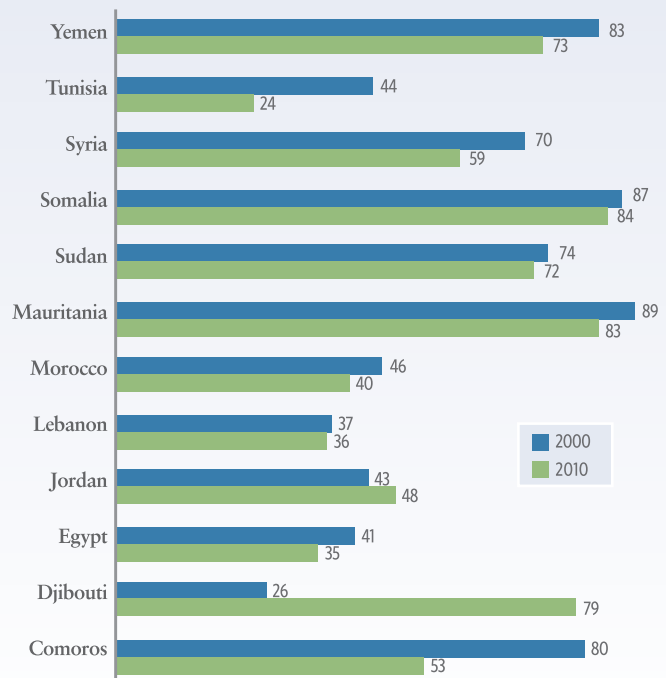
Additional barriers hindering Arab intraregional trade include duties and taxes imposed on the export handling procedure itself as well as those imposed on the value and quantity of goods; and financial measures requiring advance payment for imports and a specific foreign currency, particularly in countries applying restrictions on current account transactions.

Protectionist technical barriers are a further issue. This may in some cases be attributed to the various different quality, specifications and standards systems adopted by Arab countries and the absence of collective agreements on mutual recognition of those systems or non-compliance with the Arab unified standards. Data indicate that the rules of origin which require verification of the added value of traded goods in order to determine preferential treatment, as stipulated in the Inter-Arab Trade Facilitation and Development Agreement, place a heavy burden on Arab countries.

Non-tariff measures in Arab countries are equivalent to 32 per cent of customs tariffs on industrial trade and 29 per cent of customs tariffs on agricultural imports.

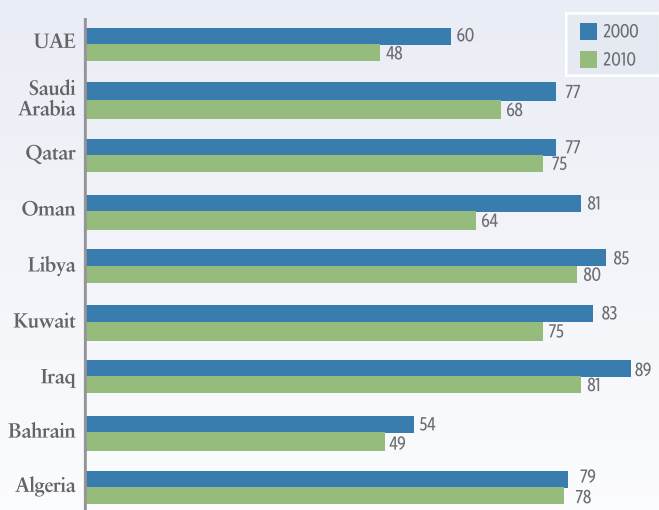
In addition to non-tariff duties, a variety of other barriers may block external trade, notably technical and customs procedures for ensuring that

Figure 4-1 Export concentration index for non-oil exporting Arab countries



Note: Economic diversification is weak when the export concentration index tends to 100. It improves when the index tends to zero.
Source: <http://wits.worldbank.org/wits>.

Figure 4-2 Export concentration index for oil exporting Arab countries



Note: Economic diversification is weak when the export concentration index tends to 100. It improves when the index tends to zero.
Source: <http://wits.worldbank.org/wits>.

imports meet environmental and health regulations, and the limited capacity

of customs officials to carry out those procedures in a timely, transparent and effective manner.

› **High transport costs and technical barriers**

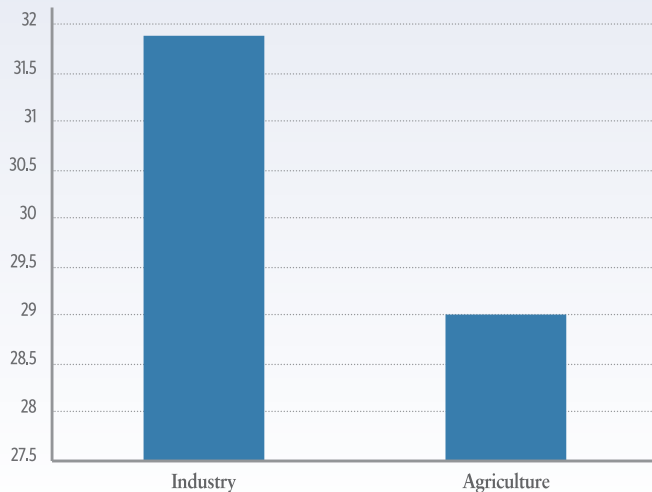
The state of transport and logistics services is the second most important obstruction to the flow of Arab intraregional trade, followed by services in modern communication technologies and their ineffectiveness in facilitating business processes. Table 4-1 ranks most Arab countries by their Logistics Performance Index, which assesses their logistical effectiveness in foreign trade compared to other countries around the world.³³

The Index ranks the United Arab Emirates first among Arab countries and 17th worldwide, followed by Qatar (33rd), Saudi Arabia (37th) and Tunisia (41st). The Arab countries with the least effective logistical services are Algeria, the Comoros, Djibouti, Iraq, Jordan, Libya, Mauritania and the Sudan, all with global rankings outside the top 100.

The Index clearly shows that Arab countries do not enjoy an environment that would enable them to develop intraregional trade. Even the United Arab Emirates, which is more effective than other Arab countries in this area, faces problems in intraregional trade owing to the inefficiency of logistics in other Arab countries. Efficient logistical services in one country are not enough: that efficiency has to be matched by its trading partners

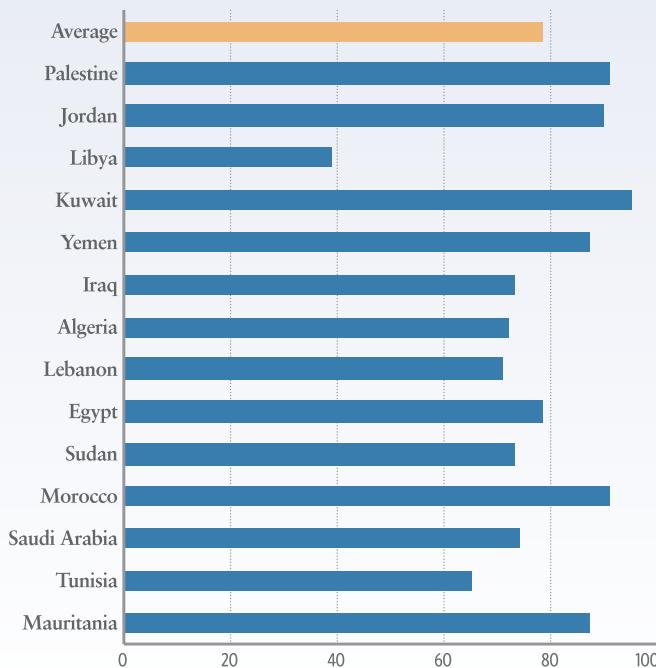
Arab intraregional trade remains hobbled by restrictions on trade-related services imposed by most Arab countries, particularly those that have not yet joined WTO. Of course, acceding to the Organization does not necessarily entail a commitment to liberalize services; but it carries an obligation to ensure a minimum level

Figure 4-3 Customs percentage equivalence of non-tariff measures in Arab countries



Source: <http://www.trademap.org>.

Figure 4-4 Arab popular opposition to tariff and non-tariff barriers in intraregional trade, 2012-2013 (Percentage)



Source: Adopted from the Arab Center for Research and Policy Studies, 2013 (Arabic).

of transparency in national legislation governing trade in services. The same applies to Arab countries which have not liberalized their services sector under their association agreements with the European Union or their free trade agreements with the United States, especially in road and maritime transport, financial services and insurance sectors.

Barriers to free trade between Arab countries are unpopular with the Arab public. People from all Arab countries strongly support the lifting of tariff and non-tariff restrictions on Arab products in regional trade.

► Slack coordination of macroeconomic policies

A well-coordinated monetary policy among partners is a prerequisite for creating a Customs Union. Basic coordination consists of harmonizing the real exchange rates of all Arab currencies in order to use them for import and export transactions. When official exchange rates diverge markedly from real rates, the competitive advantages of Arab countries are distorted and intraregional trade incurs higher costs for some countries.

Recognizing the importance of common monetary policies, large economic blocs such as the European Union began harmonizing their monetary policies by adopting a system for the stabilization of exchange rates. The Union then developed unified arrangements to achieve the adoption of the euro as a common currency. It also established a joint central bank to manage the common monetary policy.

Similarly, countries of the Association of Southeast Asian Nations (ASEAN) recognized the importance of coordinated macroeconomic policies when they were struck by a financial crisis in 1997. They proposed the establishment of an Asian monetary fund and a common currency.

Table 4-2 Logistics Performance Index, 2012

Country	Rank	Total points out of five
United Arab Emirates	17	3.78
Qatar	33	3.32
Saudi Arabia	37	3.18
Tunisia	41	3.17
Bahrain	48	3.05
Morocco	50	3.03
Egypt	57	2.98
Oman	62	2.89
Yemen	63	2.89
Kuwait	70	2.83
Syrian Arab Republic	92	2.60
Lebanon	96	2.58
Jordan	102	2.56
Algeria	125	2.41
Mauritania	127	2.40
Libya	137	2.28
Iraq	145	2.16
Comoros	146	2.14
Sudan	148	2.10
Djibouti	154	1.80

Source: <http://www.doingbusiness.org/data/exploretopics/trading-across-borders#sub-menu-item-link>.

By contrast, the monetary policies of Arab countries still show great disparities, a result of different exchange rate policies. Some have their currency rates pegged to the United States dollar while others associate their currency rates with a currency basket. As a result, Arab countries have different inflationary

**Global powers
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failure of
Arab regional
integration**

factors, thus different exchange rates and liquidity policies. A more harmonized monetary policy has been adopted by the GCC countries, which peg their currency to the United States dollar, with the exception of Kuwait, which allows some flexibility by linking its currency rates to a basket dominated by the United States dollar. A GCC common currency was planned, but no progress has yet been achieved in that direction.³⁴

In order to coordinate macroeconomic policies, the Economic and Social Council of the League of Arab States established the Arab Monetary Fund (AMF) in 1976. The functions of this fund are similar to those of the International Monetary Fund (IMF) and

include regulating the balance of payments of member countries; helping member countries remove restrictions on their current payments; formulating policies and methods for Arab monetary cooperation; providing advice on the investment of Arab resources in foreign markets; promoting the development of Arab financial markets; strengthening Arab intraregional trade; and facilitating the creation of a common Arab currency. But more than three decades after its establishment, the Arab Monetary Fund has been unable to achieve any significant level of regional macroeconomic policy coordination. In turn, Arab countries have not taken advantage of GAFTA to achieve the same goal.

* * *

Arab countries have spent a great deal of ink on agreements intended to remove barriers to intraregional trade. Their objectives — to promote Arab regional integration, achieve economic growth and alleviate poverty and unemployment — have not been met, and the hopes of the Arab people remain unfulfilled. Global powers have played a significant, largely political role in this failure, but this does not let Arab regimes off the hook: they could do much more to achieve full or even purely economic Arab integration. Arab countries have often entered into agreements unprepared, without thorough studies of intraregional trade barriers and potential strategies to overcome them. In short, they have not understood the task. As a result, some agreements were deflected by political or protectionist measures. Finally, Arab economies are not yet sufficiently diversified and lack adequate infrastructure, including the logistical capacity to facilitate and revitalize intraregional trade. All of this has contributed to the current lack of integration in the Arab region.

Chapter 5

Arab Cultural Integration

The status of a people reflects that of their language

Mostafa Sadem al-Rifai

Arab Cultural Integration

Arab culture is rich, complex and diverse, a dynamic fusion of many elements bound together by a shared language, history and heritage that transcend artificial borders. This multifaceted culture is the mainstay of Arab identity; it is an authentic expression of the different phases through which the Arab region has passed. The artistic and literary masterpieces of this culture often contrast Arab dreams and ambitions with tragedies and defeats, exposing the resulting chasm in the lives of the common people. Such dreams can be restored through cultural integration, revitalizing the Arab region and rediscovering its heritage of cultural innovation.

This chapter reflects on Arab cultural integration. It explores Arab identity as expressed in great works of art and literature from across the Arab world; works which have given voice to the aspirations and struggles of a people united by their rich history. These celebrations of Arab identity have made their way to the people through their shared language and culture, bypassing official structures.

Arab civilization as the foundation of cultural integration

Culture cements the unity of a nation. It is the tie that binds a community and the spark that gives life to the spirit. Every community is united through the stories written about it, its history and its path to civilization. All civilizations produce creative achievements that reflect universal values and which embody humankind's eternal struggle to fulfill its dreams beyond the material world, to close the gap between the real and the ideal and thus to transcend time and space. In that respect, creativity is the aspiring heart of civilization.

Human creativity constantly seeks to rise above the constraints of the natural order, materialism and cultural inertia. This yearning to reach for the skies and break all chains is not an attempt to escape reality but rather to re-imagine its possibilities as seen by creative minds exploring aesthetics, knowledge and values. Arab culture is full of such

yearnings: they are the driving force behind its literary utopias that extend human vistas; the source of its people's faith in the immortality of the human soul, without which sacrifice and dignity are inconceivable; the impetus for their great legends that set them free from human confines; and the inspiration for their mystical intuitions beyond earthly life and their personal communion with the Divine.

To understand the power of the imagination is to understand the nature of heroism: both make the impossible seem possible.

State cultural policies obscure Arab history and culture

A general lack of pride in the living Arab heritage holds back Arab integration. National cultural policies have smothered freedom of thought under a blanket of orthodoxy. Attempts to break free from the myriad constraints of human existence start with creative minds and the works they produce. However, these kinds of achievement can only be attained

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when society understands and values the power of free minds, and shares a desire for transcendence. The rise of developed countries was very largely due to their determination to nurture the intellectual and scientific genius of their people. They created environments that enhanced productivity and creativity through quality

education. They fostered their people's talents and promoted their curiosity so that they could create and apply new knowledge and constructs. Such creativity is the basis of self-determined development.

Arab policies have divided Arab space. Some countries have become

Box 5-1 The story of *Hantoush*: the imagination of a Palestinian girl frees her from the Israeli occupation

"My name is Salha, and I am 14 years old. I live in a small tent in Abou Hindi valley and I study at the School of Arab al Jahalin.

During the day, I go to the cane schoolhouse built by the hands of the inhabitants. My school is made of cane because the soldiers declared our land a closed military area where they practice shooting.

I take care of 70 female sheep living with us. After school, I milk them and make cheese, which I sell in the city.

The road here is very bumpy because the soldiers forbid its paving. They practice shooting at night and since I am afraid of the sound of bullets and guns — they just make me crazy — I run away. I truly run away.

I don't have a bicycle because the road is very bumpy. I don't own a car or an airplane. However, I do have a means to run away. Come closer, I need to whisper my secret in your ear! Come closer! I have a flying sheep called *Hantoush*. He is black and has long ears. He also has two secret wings he hides under his wool. He only lets them out when I whisper this into his ears:

*Hantoush,
Hantoush
Black sheep of mine,
Release your wings from under your spine.*

I sing in his ear when the soldiers start training and shooting. Then I mount him and we fly. Yesterday, we escaped to Barcelona. Let me share something with you: we don't have soccer fields in Abou Hindi valley because the land is planted with mines.

In Barcelona, we met Messi, the famous footballer. We played with him for hours and *Hantoush* was the keeper. I played against Messi and his team and I scored 5 goals.

Messi wanted *Hantoush* and me to join Barcelona but we refused. We wanted to go back to Abou Hindi because the sheep there were waiting for us and there was only me to milk them since my father has been in jail for 6 years and still has 19 more to serve on his sentence.

Let me tell you a secret: Messi told me he was going to visit Abou Hindi valley in two years. We're going to host the 2014 World Cup there. Together, we're going to take the mines out and build the largest stadium in the world. We're going to call it *Hantoush Stadium* and the sheep will be the tournament's mascot.

Welcome to Abou Hindi valley! We are all waiting for you."

Note: The author of this story is Salha Hamdine, a 14-year-old girl living in Abou Hindi valley in Occupied Palestine. In 2012, her story *Hantoush* won the Hans Christian Andersen Award for best fictional story.

more attached to their former masters than they were before independence, and more than they are to other Arab countries. Government educational and cultural policies have contributed to dividing Arab history as well. Attempts to legitimize the nation-State have almost wiped out the Arab memory, with each country becoming solely interested in its own recent past to the exclusion of the common history that preceded its artificial borders.

The unity of Arab space is reflected in a common geography and the unity of Arab time in a common history. These two shared conditions are the basis of a common culture which is essential for the education of youth. It is only when neighbouring communities interact that natural geography acquires a civilizational dimension and that successive generations forge a civilization and its history. Civilizational history and geography thus form the spiritual union of a community in a given time and space and define their shared cultural sphere. This union transcends political borders and does not recognize nation-States, constructs which have assaulted Arab unity in an extension of the war waged on it by colonialism.

State cultural policies have also sought to erode the pan-Arab language and imagination through a folkloric culture that promotes national identities. The revival of local cultures can help to enrich a civilization; but limiting culture solely to local manifestations can only erase the common Arab heritage, just as Arab time and space were erased. The task thus is to revive the local without extinguishing the common, a balance no official policy tries actively to strike.

The Arabic language has been affected by a dominant Western culture that claims to hold the keys to modernity and knowledge, and a popular culture that provides an authentic form of self expression and preserves the local

heritage. It is a false dichotomy that fails to acknowledge the capacity of the Arabic language to stretch in both directions. It may be recalled that *A Thousand and One Nights* and other popular epic stories were written in Arabic, although it was not the universal or dominant language at the time.

The cultural prominence of the West need not threaten the unity of the Arab culture or language. A foreign culture only becomes intrusive when it is used to divide and rule, or to impose a world-view, such as an exclusionary interpretation of modernity. Unfortunately, this is the case with some expatriate Arab elites who understand modernity only as a divorce from all that has come before. However, theirs is not the only way to relate to foreign culture.

On the other hand, some State cultural policies have certainly weakened the unity of common symbols. The way education curricula are designed legitimizes the destruction of the common past and the common heritage by marginalizing pan-Arab leaders, works and landmarks. They also exaggerate the importance of anything local, in an effort to reinforce allegiance to the nation-State. This may prove more damaging to the cohesiveness of Arab culture and the unity of the Arabic language than Western influence.

These policies have corrupted public taste, and lowered standards of intellectual discourse and media cultural programming. They have corroded the historical and cultural links that bind Arab communities and downgraded the level of integration between Arab countries, leaving them as isolated as medieval sultanates. But the Arab culture is difficult to uproot. The Arabic language and the cultural and historical unity of the Arab world have withstood official policies that tried to undermine them. They resisted, in the twentieth century, several attempts by colonial powers to eradicate the Arabic language, the very core of cultural unity,

The Arabic language and the cultural and historical unity of the Arab world have withstood official policies that tried to undermine them; they resisted, in the twentieth century, several attempts by colonial powers to eradicate the Arabic language, the very core of cultural unity, especially in the countries of the Maghreb

Cultural integration is based on language, religion, history, geography, customs and traditions

Despite obstacles to Arab cultural integration, individual and civic cultural engagement has endured

especially in the countries of the Maghreb. Arabic was preserved thanks to the Koran and the religious culture of the Arab *Nahda* (renaissance) period. The effort of Arab elites to legitimize nation-States by suppressing Arab cultural unity did not succeed in stamping it out. That unity was preserved and even strengthened, not only by religious awakening but also by the spread of Arab nationalism in the Mashreq, which revived Arab literary and intellectual traditions.

Creative works strengthen the common Arab heritage

Culture is most often understood as referring to literary, artistic and intellectual creativity. This creativity enhances the language, religion, history, geography, customs and traditions of the Arab peoples on which cultural integration is based. The Arab common heritage has preserved cultural diversity in the region, reflected in its demographic, religious, geographic and ethnic specificities. Cultural integration is further enhanced through the adoption of common historical causes, such as that of Palestine.

Despite obstacles to Arab cultural integration, individual and civic cultural engagement has endured. These relationships stem from individual and popular initiatives, the feeling of national and religious belonging, the adoption of humanitarian and charitable causes and the interaction between educated people.

Official restrictions still hamper Arab cultural cooperation. While national frontiers are physical boundaries, State censorship of information and culture erects invisible barriers that have immobilized educated minds, leaving ideologues to fill the public space. Social censorship extends those barriers even further. The extremists who tend to surface during periods of crisis and regression take a monolithic and

absolutist approach to Arab culture and its components. Their narrow worldview excludes diversity, which makes them hostile to all forms of culture and art. Such ideologues become even more dangerous when they exploit the popular classes by presenting themselves as the sole custodians of the Arab heritage, even as their restrictive beliefs contradict the creativity and spontaneity that have always characterized Arab culture.¹

The Arab identity in poetry and novels

Literature and the arts lend themselves to wide interpretation and analysis. They draw on conditions in the societies in which they are created giving voice to their concerns and aspirations. Creative production also provides common ground for the 'Imagined Communities'² and a basis for national identity grounded in humanistic principles and a common language, bringing together people from various backgrounds in a shared geographical space. Arabic novels and poetry have played an important role in sustaining the Arab soul throughout the region's long history. It is a soul that has been reborn in response to every upheaval and every conflict through a process of individual and community renewal, just as the land itself has been transformed, renewed and enriched over time.

Poetry: the repository of Arab history

Poetry has always been regarded as the finest expression of Arab culture and the repository of Arab history. Despite its relative decline at one point in time, poetry soon reclaimed its place as both a flower and root of culture. During the twentieth century, Arab literature, and mainly poetry,

Box 5-2 Ahmed Shawqi, Prince of Poets and poet of pan-Arabism

Shawqi was the poet of all Arabs; his words resonated in all Arab States and emirates, rejoicing for their joy and grieving for their grief. He saluted Damascus when it was in distress, describing his salutation as

...softer than the Barada river breeze, proclaiming ...Our tears cannot be restrained, Oh Damascus...

He praised the beauty of Lebanon:

**In the Kingdom of God,
Nothing equals the beauty of Lebanon and Paradise**

He also praised Omar Mukhtar, the Libyan activist who was martyred in 1931 after leading the national resistance to Italian colonialism:

**They laid your ashes in the sand like a banner
Calling on the valley to rise at dawn and dusk**

While in exile in Spain, Shawqi felt nostalgia for his home country, Egypt. He wrote in one of his most famous verses:

**Were Paradise to drive me away from my country
My soul would all but drive me back to it**

One of his most famous verses became a popular proverb:

**Nations are but morals
Without them they exist no more**

In 1927, five years before his death, poets from all over the Arab world flew to the Royal Opera House in Cairo to hold a ceremony in his honour. During that ceremony, Hafez Ibrahim recited his famous poem in which he named Shawqi *Amir al-Sho'araā* (Prince of Poets).

**Prince of rhymes, I have come to name you
Along with all the peoples of the East who are here for you**

In the poem he wrote for that occasion, Shawqi called on his compatriots to unite and support each other in all times:

**My verses chanted the joy of the East
My verses consoled the sad of the East
God brought us together
That we may bear our wounds
In our grief he gave us unity
So that when one of us falls
The whole of the East
Holds its side in pain**

Source: Adapted from Shawqi, 1984 (Arabic).

Poetry
had an
important role
in breaking the
shackles that
bind society
and culture

became a battleground between two schools of thought about nationalism and Arab identity: one which looked to a past golden age and saw in it a reflection of Arab destiny; and one that sought renewal and modernity on the Western model, and considered openness to the West as the only gateway to the Arab future.

Traditional poetry was very popular in the last quarter of the nineteenth century and well into part of the twentieth century, thanks to great poets like Ahmed Shawqi, Hafez Ibrahim, Maarouf al-Rassafi and many others. It then began to recede during the mid-twentieth century, but regained some vigour at the hands of the great Iraqi poet Muhammad Mahdi al-Jawahiri. The 'revival' poems of Mahmoud Sami el-Baroudi, an Egyptian poet and one of the leaders of the Urabi revolution, paved the way for traditional poets to return to early sources. El-Baroudi led Arabic poetry out of the Decadence that lasted for centuries after the fall of Baghdad to the Mongols in 1258. Ahmed Shawqi was given the epithet of *Amir al-Sho'araā* (Prince of Poets). Poets and writers from all Arab countries met in the Royal Opera House in Cairo in 1927 to honour him, and assert that they belong to the same kingdom of poetry and language.

The Romantic Movement succeeded in introducing change into Arabic poetry and language through the works of a long dynasty of poets living within and beyond the borders of Arab countries. The Arabic language witnessed a new golden age of poetry with Ahmed Zaki Abou Chadi, Ahmed Shawqi, Ibrahim Nagi, Ali Mahmoud Taha, Aboul-Qacem Echebbi, Elias Abou Chabke, Amin Nakhle, Said Akl and others. No reference can be made to the Romantic Movement without mentioning Gibran Khalil Gibran, one of the pioneers of that era: a revolutionary poet, artist and philosopher, who elevated Arab Romanticism to new heights of

inspiration and innovation. With Gibran, Arab romanticism gathered into a storm of renewal and revolution against outdated traditions, a loud scream of refusal and a call to raze what had once been to the ground and begin again.

While Romanticism in all its forms played an important historical role, poetry also had an important role in breaking the shackles that bind society and culture. After the Second World War, the renewal of Arab poetry started in 1947 with the Iraqi poets Nazik al-Malaika, Bader Shakir al-Sayyab and Abd el-Wahhab al-Bayyati and evolved with a number of other Arab poets. Renewal began by freeing poetry from its conventions of form, meter and substance.

In Beirut, a league of Lebanese and Syrian poets and thinkers was founded that rapidly turned into a movement. The group launched the quarterly poetry magazine *Shiir*, a platform for modern Arab poetry, whose first issue was published in January 1957. With the new meter that accompanied 'free verse' came the modern poem which found its home on the pages of *Shiir*. The magazine became a beacon for Arab poetry and criticism, publishing a wealth of excerpts, translations, studies and theories and triggering rich debates around poetic tradition, modernization and consolidation. *Shiir* was a thriving example of Arab cultural integration and, for the outside world, a window on modern Arab culture. The openness apparent in each installment came from an eager society of poets who welcomed the new with no fear of losing their identity.

One cannot discuss Arab poetry without mentioning Mahmoud Darwish, an international Arab poet from Palestine, whose words have united Arabs and non-Arabs, combining the finest forms of artistic expression with patriotic and nationalist sentiment. His poems inspired generations and united individuals in a haunting existential meditation on justice,

freedom and the highest levels of Arab and human belonging. The theme of the Palestinian homeland, with everything that grows and blossoms in it, and the yearning to return to it, resonate through his work.

Arab poets and thinkers from all over the region took part in the modern movement, communicating through the common Arabic language. Arab intellectuals and writers have always

Box 5-3 **Aboul-Qacem Echebbi: trans-generational poetry**

Young people at the vanguard of the recent Arab civil protests chanted a noble slogan which they borrowed from the poetry of Echebbi:

If the people wanted to live then destiny must respond
And the night must disappear and the chain must break

If the second part of the first verse is brought forward to precede the first part, the meaning becomes destiny 'cannot' respond 'unless' the people wanted to live. However, such reversal shows that the verse is in fact a poetic formulation of a Koranic verse stressing that God does not change a people (destiny's response) until they change themselves (wanting life):

﴿*Verily, Allah will not change the condition of a people until they change what is in themselves*﴾
 (Surat Ar-Ra'd, verse 11).

'Until' means 'unless' and the use of the negative with 'until' in the Koranic verse means 'negation... unless' which is equivalent to 'only if.'

In his poem, Echebbi implied that the condition 'if' is related to 'must'. This conveys an accurate understanding of the fate and destiny, contrary to the interpretation of decadent thought. In that sense, the revolution is a revolt against decadence and misinterpretation of the Acts of God. It is a return to the real meaning of the verse of the Koran.

It is also known that this holy verse, from which Echebbi drew inspiration, is related to negative change. It means that God will not allow nations to deteriorate unless nations want such deterioration; God puts an end to the morals and civilization of those nations that seek their own death. Echebbi reversed the order, drawing upon its binding meaning; therefore destiny shall have to respond to the will of the people, a positive reaction to a positive will and a negative reaction to a negative will: the perfect foundation for freedom.

The first verse is a cultural and religious interpretation of the freedom of the people, whereas the second verse links this concept to the relationship between natural and historic law. By saying in the second verse that ***the night must disappear***, Echebbi refers to the astronomic order, the succession of day and night. By drawing a parallel metaphor in the second part of the verse, ***and the chain must break***, Echebbi implies that the transition from subjugation to freedom is, like the succession of days and nights, inevitable.

However, natural succession is an eternal cycle fixed by laws of nature, whereas historical succession is a conditional advancement: any revolution is a result of the will of the people, and thus understanding the poem hinges on the meaning of the first verse. More than anything, Echebbi wanted to underline the agency and consequences of free will.

Source: Prepared for this report by Abou Yaareb Marzouki.

Box 5-4 The land in the poems of Mahmoud Darwish

The primacy of the land over the self is clear through *A Lover from Palestine*, the first poem of an anthology bearing the same title:

Your eyes, a thorn in my heart
Painful...Yet adorable
I shield them from the wind

...The poem reveals a 'vision' that describes expatriation, and a certitude that marginalizes expatriation to assert a fulfilled identity.

Palestinian eyes and kohl
Palestinian name
Palestinian words and silence

...And though the poet talks about winning at the end of his poem, repeating thrice **You will not pass**, this victory exists in the epic realm; thus, the words of the poet:

My country is far...and so is my heart!
My country is near...and so is my prison!
Why am I singing here
And my face is there?

Source: Darraj, 2009 (Arabic).

**Arab writers
 have always
 been
 preoccupied
 with the Arab
 causes**

been deeply preoccupied with the Arab cause, its current state and its destiny, identity, language and culture. They have returned time and again to the sources of their Arab identity, searching for answers to questions springing from the harsh realities of the day, and for glimpses of light in the darkness.

Literature and the novel

The Arabic novel emerged towards the end of the nineteenth century in response to changes in Arab countries resulting from colonialism and the contact with Western civilization and culture. Early novels were mainly didactic, aiming to introduce Western civilization through

adaptation and Arabization, to fit the needs of the Arab region. Thus came the translation by Rifa'a al-Tahtawi of Fénelon's novel *The Adventures of Telemachus* in 1867, and the novel by Salim al-Bustani *Passion in Syrian Gardens* in 1870. Lebanese writer Zaynab Fawaz, who lived in Egypt, became the first female writer to publish a novel in 1895. The novel *Zaynab* by Mouhammad Hussein Haykal, published in 1914, is considered to be the first Arab novel to embody a modern definition of form and content. It laid the foundation of the realist school by addressing social causes and depicting people's everyday concerns and circumstances. This trend lasted for decades, influenced by the rise of political movements whose prosaic ideologies dominated the Arab public space, confining novelists and storytellers to writing about daily life and current affairs.

The Arab novel did not emerge in all Arab countries at the same time. It appeared and evolved in step with the socioeconomic development of each country. Novels were first published in Lebanon and Egypt. Other countries followed suit: Iraq in 1928, Saudi Arabia in 1930, the Sudan in 1948 and Kuwait in 1962. Tunisia became the first country in the Arab Maghreb to publish novels in 1935, followed by Algeria in 1947 and Morocco in 1957. Like their male compatriots, Arab women wrote realistic and historical novels often based on tradition in a tone at once didactic and critical.

► The novels of independence and pan-Arabism

In the years following independence, the novel went through another rebirth. The new authorities did not respect the independence of culture and the educated class; rather, they forced both to serve their own interests. Consequently, the Arab novel developed in a new, conflicted direction, mixing cries against despotism

with nationalist aspirations. Many novelists expressed this conflict from different angles, such as Toufic Youssef Awwad in *The Loaf* (1939); Mohammed Dib in *The Big House* (1952); Naguib Mahfouz who wrote about the 1919 Egyptian Revolution in his famous triad *Palace Walk, Palace of Desire and Sugar Street* (1956-1957); and Abdul-Rahman Munif in *Cities of Salt* (1984). Several authors wrote about coercion, repression and prisons in what became known as Prison Literature. Prison life, wracked by terrible forms of torture, drove authors into a profound inner life, which inspired several outstanding novels, rich in human insight and reverberating with scathing indictments of a system that crushed freedom.

Novels reflected the deterioration of the local political situation and the schism between the great powers. For instance, socialist realism appeared in Iraq, influenced by literature in the Soviet Union. Faisal Darraj, author of the *National Memory in the Arabic Novel*,³ believes that the novel was instrumental in uniting Arabs at this time of division. The Egyptian novelist Radwa Ashour writes about Andalusia while dreaming of Palestine; the Saudi novelist Abdul-Rahman Munif writes about Saudi Arabia while living between Damascus and Baghdad.

During that period, many Arab novelists were influenced by the French existentialists, Jean Paul Sartre and Albert Camus, often probing the same questions. Naguib Mahfouz questioned power, sex, religion and the existence of God. Souheil Idriss questioned the identity of the Arab individual and his or her relationship with traditions, the past and the West. Colette Khoury examined the relationship between women and men, linking the emancipation of women to economic freedom as the foundation of their moral liberty. These works all captured the doubts and apprehensions of a troubled modern generation across the Arab world.

► The literature of resistance

The agony of the 1967 *Naksa* (defeat) and the Israeli occupation of new Arab lands echoed across the region. *Feda'yeen* (armed militants) operations depicted in novels appeared to some as a means to shake off defeat and free oneself from the debacle, thus giving birth to a new Arab soul. The novels of Layla Osseiran, Sahar Khalifeh, Liana Badr, Emile Habibi, Ghassan Kanafani, Jabra Ibrahim Jabra, Hamida Naanaa and others described the Palestinian resistance and illustrated its acts of heroism. Layla Osseiran considered *feda'yeen* operations as "the miracle of weapons that create a human being from a pile of rubbish thrown into the dirt streets of camps;"⁴ her first novel *Birds of Dawn* (1968) on the *feda'yeen* reflects her communion with this bitter reality. The involvement of women in *feda'yeen* operations raised many questions about their participation and role, as well as their ability to bear the burdens of revolutionary work. Their novels touched upon all those issues.

After the Oslo Accord was signed in 1993, several disillusioned novelists turned to absurdist realism. Other genres of the novel also emerged, but all took up questions of identity, belonging and the relationship of Arabs to their history. They depicted a society torn between war and peace where the former predominated, scarring both the present and the future. The frustration and despair caused by war, as well as by autocratic regimes, inspired a new trend in novel writing. Novelists immersed themselves in the past to avoid the present. They also retreated into Sufi mysticism and esoteric linguistic rambles in order to conceal their real opinions, escape ugly realities, or simply survive.

Some novels also portrayed everyday city life in detail as rich as the lives of city residents and communities. Others dealt with emigration, sharply re-creating the everyday life of migrants. The main

Arab writers
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time and
again to the
sources of their
Arab identity,
searching
for answers
to questions
springing
from the harsh
realities of
the day, and
for glimpses
of light in the
darkness

The Egyptian and, later, the Lebanese movie industry pioneered new media forms that helped to unify the Arab identity and strengthen cooperation in the face of social challenges

Arab women and youth have taken a larger role in the production of documentaries

theme of these works was the city and its contradictions. Novels thrust fictional people and stories into detailed real-world places under actual historical conditions, giving birth to original literary creations.

The Arab identity in cinema and television

Film production

The Egyptian and, later, the Lebanese movie industry pioneered new media forms that helped to unify the Arab identity and strengthen cooperation in the face of social challenges. Film production in Egypt started towards the end of the nineteenth century, a few years after it began in Europe. In Lebanon, it appeared in 1929.

During that time, film production units appeared in many other Arab countries, including Algeria, Iraq, Kuwait, Mauritania, Morocco and Tunisia. Algeria, Iraq, Lebanon and Syria tried to promote the industry in the 1960s, but the lack of a clear cultural policy affected their efforts.

► Documentaries

In recent decades, Arab women and youth have taken a larger role in the production of documentaries. There are many reasons for this, including the spread of satellite television channels, some of which specialize in documentaries; the more frequent organization of festivals; and the availability of documentaries and films on the Internet. Documentaries have become an instrument of social interaction across borders, because they tell interesting and attractive human stories, in contrast to the plots of many mainstream films.⁵

The Palestinian cause has attracted much interest among well-known documentary producers in the Arab region, such as May Masri, Jean Chamoun,

Kassem Hawal and Maysoon Pachachi. In addition, political changes over the last decade and the recent civil protests in the region have inspired a new wave of productions, such as *Al-Midan* (The Square) directed by the Egyptian Jehane Noujaim, which features the daily routine of young people who opted to stay in Cairo's Tahrir Square day and night for months to voice opposition to the regime; *Ladder to Damascus* directed by the Syrian Mohammad Malas, which documents the participation of a group of young Syrians in the spontaneous peaceful movements in Syria in 2011, and *Displaced in the Diaspora: the Palestinians in Iraq* directed by the Tunisian Jamal al-Dalali, which documents the tragedy of Palestinians in their second forced migration, this time leaving their homes in Baghdad after the American invasion of Iraq. In his documentary *The People Want*, Tunisian film director Mohammad Razan used the slogan of the Tunisian *intifada* (uprising), a slogan that resonated through streets across the Arab world. His lens captured the feelings of Tunisians breathing in freedom.

► Palestine, absent from the stage yet present in Arab film

The Palestinian cause has also been a major topic of interest for the Arab film industry, and the subject of numerous productions.

The 1967 *Naksa* marked a major turning point in the history of the region, affecting different aspects of cultural life including film production. Social and national developments fueled a burst of activity and experimentation in film production and reviews. Cooperation in the Arab film industry also began during that period. Productions tackled the Palestinian cause, as in *Deceived* by Egyptian film director Toufic Saleh, inspired by the novel *Men Under the Sun* by Ghassan Kanafani. In 1974, the Syrian National Film Organization, in cooperation with

the Lebanese Film Association presented *Kufur Qassem* by Lebanese director Burhan Alawiya. The film depicted the massacre in Palestine from which its title comes through a storyline by Assem el-Jundi and a script by Issam Mahfouz. A more recent film around this topic is *The Gate of the Sun* by Yousri Nasrallah inspired by a novel of Elias Khoury, which sets out to tell “the story of a nation without an army usurped by an army without a nation.”

Films about Palestine were made from various perspectives. Palestine became the backdrop for criticizing the Arab mainstream and class relationships, and provided a setting in which to reflect on the life of the individual and community. *Dreams of the City* by Mohamed Malas, whose events take place between Damascus and Konaytra, Syria, during the 1950s union between Egypt and Syria, presents the Palestinian cause as the catalyst for military coups and the subject of every slogan and motto in the region. Malas further developed his vision in his film *The Night* (1992), in which hordes of volunteers flock towards Palestine only to return defeated and broken. From the deep relationship between the Syrian citizen and the Palestinian cause came the film *Stars in Broad Daylight* (1988) by Osama Mohamed. It was about preparations for a wedding in a rural area deserted by its inhabitants who chose to enroll in the army and security forces of the capital. Osama links domestic violence in a patriarchal society with the political violence inflicted upon citizens.

► Identity and religious intransigence

Starting in the early 1990s, religious discourse began to harden and grow more extreme, threatening to choke the Arab cultural scene once more. Islamic *fatwas* or judgements were issued against many thinkers and philosophers, such as Nasr Hamed Abou Zayd, Nawal el-Saadawi, Naguib Mahfouz and Abdel Karim

al-Razihi. Film directors were not spared; Youssef Chahine’s film *The Emigrant* (1994) was censored and withdrawn from theaters. Some producers retaliated by making films on religious intransigence, for instance: *The Destiny* by Youssef Chahine (1997), *The Closed Doors* by Atef Hatata (1999), *I Love Movies* by Osama Fawzi and Hani Fawzi (2004) and *Rashida* by Yamina Bachir-Chouikh (2002).

During that period, Arab cinemas teemed with films about Arab identity and other social issues. These themes permeated Egyptian films in particular which courageously depicted social injustice and suffering, foreshadowing the grievances of the Arab civil protests of 2010-2011.

Television production⁶

The art of sequenced story-telling reflected in television series is not new to Arabs, long accustomed to the *hakawati* (storyteller) who once roamed Arab cities and villages. The popular series of traditional epics, also known as the biography series, spread from one country to another in just this way. However, the emergence of television in Arab life in the mid-twentieth century popularized a new form of the art: the television drama. This art form benefited from the rich Arab tradition of storytelling, and television became the medium around which families would gather, as they had gathered around the *hakawati* in the past.

Television drama series are a Western invention. Their form and content are nonetheless deeply rooted in human nature, which is reflected in their appeal to audiences around the world. Arab television drama was launched at the beginning of the 1960s with the birth of television itself. It was a local form of media art because there were no rules for its scripting or direction. Dramatic artists only had the theatre and radio plays as

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Television series focused on women's rights, poverty, marriage, divorce, family and education, raising common public awareness of women's issues

Political drama flourished with the appearance of satellite television channels which managed to free producers from some government censorship

a guide, while scriptwriters could only turn to the region's limited experience in film-making. However, the Arab television industry made strong efforts to discover appropriate forms and structures for Arab shows. They quickly developed their art, capturing the minds and hearts of viewers who soon took these series as part of their everyday lives.

Early television drama played a role in the cultural and intellectual integration of the two poles within the United Arab Republic (Egypt and Syria). Television programmes were broadcast simultaneously in both parts of the Republic and dramas brought their different audiences together in shared experiences. This cooperation spread to all Arab countries through media exchanges among State channels and with the appearance of private production companies joining hands in a profitable industry. Many talents contributed to the development of this art and became famous throughout the region.

The end of the 1970s saw Arab television drama established as a flourishing art form, with a rich profusion of content, forms and storylines, giving birth to types of comedy and political satire that many viewers relished. Many Egyptian comedy series concentrated on social satire. The State channels initially tried to restrict such shows, fearing they would be subversive; but they eventually found satire to be a useful safety valve for venting political tension, as in *Mirrors* by Yasser al-Azama, broadcast on dozens of channels several times.

By the 1980s, Arab television drama had multiplied into several genres: nationalistic, historical, epic, social, political, religious, literary and fantasy. Comedy in all its forms also remained highly popular.

Historical dramas were the most popular of all. Dramatists found their inspiration in Islamic and Arab history,

which provided a way to escape reality by transposing it historically. These series taught many viewers, from all walks of life, the history of Arabism and Islam. Historical dramas contained elements of national epics relating the story of Arab independence from colonialism. Here, the Arab public discovered stories of struggles in the Mashreq and Maghreb through re-enactments that brought out the close similarities between these quests for independence. The titles of the series were a close reflection of their content: *Suleiman al-Halabi* (1976), *Fingerprints on the Wall of Time* (1980), *The Four-Year War* (1980), *Ezzeddine al-Qassam* (1981), *Brothers of Dust* (1996) and *The Invasion* (2007).

In the social field, television series focused on women's rights, poverty, marriage, divorce, and family and educational relationships, raising common public awareness of women's issues. Some social dramas touched on darker matters; they dealt with modern social and moral dilemmas facing Arab families, such as drugs, the brain drain and the ingratitude of children. Other social dramas combined the most popular themes with the best storylines to present famous soap operas like *Layali al-Helmiya*, *Bittersweet* and *The Halwani Gate*.

Political drama did not flourish until the appearance of satellite television channels. Satellite broadcasting managed to free producers from some government censorship but remained cautious when dealing with strategic or thorny issues. For instance, the Palestinian cause did not receive its due; and it was not until political changes came about in the region that series like *The Palestinian Expulsion* found channels to broadcast them. Programmes such as *The Road to Kabul* did not find it easy to gain air time on satellite channels. Some dramas dealing with the Palestinian cause, such as the famous Turkish series *The Valley of Wolves*, caused political controversy.

A few channels had the vision to develop special policies to deal with sensitive issues such as terrorism and religious extremism, and adopted their own rules for educating public opinion. One famous series that stirred a broad debate from the Mashreq to the Maghreb was that entitled *Ma malakat aymanokom*;⁷ another, before it, was the series *Hoor el-ayn*.⁸ They both addressed the conditions of women in contemporary Arab societies. The Ramadan series *Hassan and Hussein*, produced in Jordan, set off a sectarian, legal and political debate in Iraq after political groups demanded it be taken off the air. The Grand Imam of Al-Azhar in Egypt also banned it. The series *Omar* which depicted the life of Omar Bin el-Khattab excited similar controversy. Other series generated heated debates because of their political content, the latest being *In the Presence of Absence* about the life and accomplishments of the Palestinian poet Mahmoud Darwish.

From Oman to Morocco, satellite networks have given the Arab peoples a new cultural space in which to get to know

each other, to appreciate their differences and to recognize their commonalities. People at one end of the region can now share the same art forms popular with those at the other, and all of them can follow the same event or join the same debate on matters of common importance. Another key achievement of satellite television has been to bring customs and traditions, as well as dialects, closer together. The literary Arabic language has also been strengthened by thoughtful religious and historical programmes.

The Arab identity in music⁹

Music plays a primordial role in creating a common Arab taste and mood, both at the popular and cultural levels. This was the case centuries ago; it is even more so in modern times, first with the invention of radio and recording machines, then of television, followed by the spread of the Internet and the explosion in electronic devices that now diffuse music throughout the Arab countries.

Satellite television has brought customs, traditions and dialects closer together and strengthened the literary Arabic language by thoughtful religious and historical programmes

Box 5-5 Former Lebanese Prime Minister Sa'eb Salam (1905-2000): Um Kulthoom consolidated Arab unity

"I would say that this unique personality is not all about rare talent or distinguished art; she has in fact combined both in the service of the Arab people, from the Atlantic to the Gulf. She has kindled deep love in the hearts of her listeners and fans. How can one be Arab and not love Um Kulthoom?"

The greatness of Um Kulthoom lies in her ability to cultivate and evoke shared feelings among the Arab people, achieving thereby an emotional Arab unity long before political or constitutional unity were ever considered.

During those marvelous nights when Um Kulthoom sang her heart out, Arab citizens from the Maghreb to the Gulf and from the North to the South of the Arab region - all of them with different opinions and leanings - responded passionately. With her magical voice and charisma, she drew Arabs across the region into a warm community of feeling, renewing the age-old bonds between them no matter where they were."

Source: Ramadan, 1997 (Arabic).

Box 5-6 Arab integration through music

The professional Arab song was born in the Hijaz (present day Saudi Arabia). It combined Arabic poetry that appeared in the Arabian Peninsula with the melody inherited from ancient Arab cities and kingdoms. It developed in Damascus and Baghdad. This birth and development of the Arab song was the first expression of Arab integration in music. The path of this artistic integration followed the shifting fortunes of Arab economic and political power, moving from one Arab city to another. It was also subject to the different conditions for producing and performing music in each city.

Arab musical integration followed that same path down the centuries. Political and economic power and patronage determined the music capital of the Arab world. This Arab city would then dominate music for an entire generation and would attract local and foreign Arab musical talents. In this music capital, local and visiting talents would compete, using the elements of old musical structures to produce new masterpieces in a cycle of inspiration and creativity. Productions in the new musical language would then be launched into the region through the economic muscle of the music capital. Other Arab cities would become markets and satellites for these productions, drawing inspiration from that hub and emulating it. Once the core of that capital city — its political and economic power — ceased to exist, music would move on, through its composers and scholars, to another Arab city where new power had emerged. The old music capital would reminisce about its golden age, receiving the creations of the new music capital and imitating them.

This pattern has guaranteed the sustainability of Arab music throughout the centuries, allowing music to develop in different places and times while remaining a fruit of both heritage and innovation.

Arab classical music found a deep spiritual welcome wherever it went in the region, crossing borders through strong radio broadcasts and, like all music, entering human hearts with ease. Consequently, it kept its unity, despite borders and differences.

The former music capitals continued to save their past output and republish it. Damascus continued to offer its musical history while impregnating it with the Sufi style after having been the capital city of the Ottoman pilgrimage. Aleppo continued to present its *koudouds* and Baghdad its Iraqi *maqams*. Andalusia's cultural heritage was passed on to the Maghreb and Aleppo after the departure of the Arabs, transforming the Maghreb into an archive of old Andalusian songs. Meanwhile, Aleppo became famous for developing the techniques of Andalusian singing in the Mashreq, taking profit from its commercial power. The Sudan was endowed with its unique musical style based on its signature 5-meter scale.

In modern times, Cairo became the capital of Arab music with the opening of the Suez Canal which benefited trade, and because it attracted composers from Damascus who brought along their own musical experience. Cairo also gained from the spread of Arab nationalism, the blossoming of romanticism and the simultaneous emergence of great Egyptian composers who were able to use new media such as the record, the radio and the cinema to create unprecedented vocal forms like *addawr* (the loop), the romantic monologue and popular songs for radio and television. Cairo developed a new and powerful musical language. Messages were conveyed through melody which became a major part of the song structure. At this time too, direct communication was established between the composers and the awakening Arab public across the region. All this turned Cairo into the capital of Arab music, especially once other Arab cities began imitating its products.

Beirut benefited from its economic power and liberal political climate between the 1950s and 1970s to become a creative hub parallel to that of Cairo. It assimilated the music productions of both Cairo and Syrian folk culture, opened itself to the West and kept closely in touch with the constant reinvention of Arabic musical theatre, becoming as a result a cosmopolitan music capital in its own right.

Note: This text does not include folkloric and rural songs which, although widespread, are local and simple in nature. Folk music remains a great source of inspiration for neighbouring cities because Arab cities have always drawn on one another's musical influences in creating new outputs reflecting their time.

Source: Prepared for this report by Saadalla Agha al-Qalaa.

Music not only develops a common taste; it also conveys common messages, especially when its lyrics centre on familiar everyday experiences. The best examples are Marcel Khalife singing the poems of Mahmoud Darwish, Sheikh Imam singing the poems of Ahmad Fouad Nigm, the operetta of Sayed Darwish in Egypt, and the integrated musical theatre of the Rahbani brothers in Lebanon. Music and songs convey common values, practices and traditions. Their appeal is more open, immediate and visceral than that of other oral or written forms of art because they speak directly to the heart. Popular songs encounter less censorship than other forms of expression. Some are fluid vehicles of tradition, as in the case of the poems sung by women in the remote villages of Yemen and Tunisia, which keep alive popular folk culture, a rich storehouse of art and universal values.

People come together in listening to music and are united by its emotional impact. The voice of Lebanese diva Fairuz is the daily bread of radio stations in Damascus, Tunis and Cairo, as well as in other Arab cities. In the 1970s, the songs of Sheikh Imam, with lyrics from the poetry of Ahmad Fouad Nigm, were

passed around the underground culture of young left-wing nationalists on smuggled tapes, cherished because they reflected a unified identity. The great Egyptian icons — the likes of Mohammad Abdel Wahhab, Oum Kulthoom and Asmahaneh — were Arab stars; calling them simply 'Egyptians' would be unfair to their broader legacy. The same could be said of the Iraqi Nazem el-Ghazali, the Syrian Sabah Fakhry and others.

In the last few years, young people have left their mark on literature and the arts, with creative works that capture the pathos, condition and hopes of a new generation, circumstances that were also reflected in the recent Arab civil protests. On a different level, Arab television contests for performing artists have shown how that medium can popularize quality music, art and songs. These programmes are watched by millions of Arabs; millions participate by casting their votes; and contestants come from all over the Arab world to perform old and new songs associated with different countries, genres and dialects. These participatory shows help to spread a musical culture shared by all Arabs.

Music not only develops a common taste; it also conveys common messages, especially when its lyrics centre on familiar everyday experiences

* * *

**Arab artistic
creativity has
transcended
artificial
boundaries**

Arab artistic and literary creativity has transcended the artificial boundaries and institutional constraints that accompanied the fragmentation of the Arab world. The underpinnings of this creativity have been a common language and a shared culture without which it is impossible to imagine any form of Arab integration.

Bypassing officialdom, and sometimes challenging it, Arab cultural creativity has expressed the will, aspirations and multifaceted experiences of the people. It has drawn on the dreams and experiences, hope and disappointment, acceptance and rejection that meet in the core of the Arab soul. Literary works have become the record of the Arabs' past, the mirror of their present, and the lamp lighting up their future. Together with the Arabic language, they hold the key to Arab integration and the promise of rebirth throughout the region.

Chapter 6

Arab Popular Integration
in the Political and Civil Space

The people want...

A slogan of the Arab popular uprisings

Arab Popular Integration in the Political and Civil Space

Arabs have always found ways to reach out directly to their fellow citizens in other countries, despite official obstacles. People-to-people contact and exchange across national borders is an everyday occurrence in the region.

Such connectedness flows from the native sense of kinship among peoples with a common history, language and culture, and it has manifested itself in various informal ways. Arabs from different countries have always inter-married. Like-minded groups in different parts of the region have often come together to take joint political or social action; today, they use social media to collaborate as though they lived on the same street. Perhaps the strongest expression of this popular solidarity is the Arab public's close identification with Palestinians under Israeli occupation, a cause that unites people from all walks of life in every country of the Arab world.

Arab popular integration did not emerge in a void but is grounded in a historical context with its own paradoxes and challenges. Before the so-called 'Arab Spring', the Arab world had gone through three distinct periods of solidarity and struggle: the Arab Nahda (renaissance) period in the late nineteenth and early twentieth century; the colonial and mandate period; and the period of nation-States.

This chapter examines cases of popular integration during the political and civil struggles of those periods, which in some respects foreshadowed the Arab civil revolts that erupted in 2010-2011. The chapter concludes with a discussion of the motivations, methods and goals of those revolts, along with the new modes of cooperation they introduced to the Arab scene.

Popular solidarity in political causes

The Nahda era

During the *Nahda*, the idea of modern nationalism emerged, focusing on Arab unity in a contemporary context. Political activists, intellectuals and religious scholars joined hands. Arab action was organized through such politico-cultural associations as *Al-Arabiya al-Fatat* (the Young Arab Society) and *Al-Orwa al-Wothqa* (the Tight Tie). In the absence of independent Arab States led by national governments, joint Arab popular action developed spontaneously and naturally, with no distinctions of nationality.

Solid ties also developed between popular movements in Arab countries

and Arab communities abroad. Arab emigrants were involved in most associations and the founding assemblies of some were even convened abroad, safe from repression and informants.

The rise of inclusive Arab associations meant that when an Arab city professed support for certain Arab causes, it acted on behalf of the whole region. Beirut, for example, played a significant role in modernizing the Arabic language and building an Arab identity. Cairo, which was not under Ottoman rule, hosted political, cultural and journalistic movements. It was home to numerous Arab activists, intellectuals, thinkers and writers who had fled Ottoman oppression. In the Maghreb, Tunis played a similar role. Because Tunisia, like Egypt, was liberated from Ottoman rule earlier than

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Box 6-1 The Arab *Nahda*

In his book *Arabic Thought in the Liberal Age, 1798-1939*, Albert Hourani described the intellectual and political movement that emerged in the mid-nineteenth century as the Liberal Age, inspired by greater exposure to Europe.

Intellectuals of that era were concerned with two fundamental questions: “Why do Arabs lag behind other regions, and how can they advance?” Although they belonged to two different reformist trends, one religious and one liberal, they had several essential beliefs in common. These included:

- The importance of science and rationalism;
- Openness to the world and the conditional adaptation of Western ideas;
- The primacy of freedom, justice, equality and the rule of law;
- Reform, change and modernization had to be introduced gradually;
- Reform, change and modernization should not be limited to the upper class; they had to encompass society as a whole, including the political system, women, language, education, lifestyle and morals.

The *Nahda* movement brought together an impressive cast of prominent thinkers. They included intellectuals, religious figures, scientists, writers and reformers from various countries, disciplines, and schools of thought. They founded printing presses, newspapers and schools, translated books and revitalized the Arabic language. They pressed for religious and political reform, the emancipation of women and the establishment of modern States. They wrote about science, reason and logic, and the relationship between religion and the State, politics and morals, and tradition and modernism. They did not differentiate between citizens of different countries, nor between Muslims and Christians. They agreed and disagreed on ideas out of a commitment to the ideal of a pan-Arab identity. They debated democratically in the belief that they were working towards the goal of prosperity for all Arab peoples.

Source: Adapted from Al-Shareef, 2000, pp. 19-30 (Arabic).

the other Mashreq countries, it served as a progressive pillar of the *Nahda*.

During this time, distance was not an obstacle for activists, who felt naturally bonded by a single identity or cause. It was not unusual for Arab elites to travel from one country to another in search of greater freedom, oblivious to what would become the national borders of separate States that would restrict movement, or prevent it altogether.

The common struggle against colonialism

During the colonial period, independence was the sole objective of the Arab struggle, driving all forms of popular solidarity between Arab countries, many of which came under the same colonial power.

Two things distinguished this period from the *Nahda*: firstly, cultural integration came second to direct political struggle; and secondly, the Arab region was divided into zones under the control of British and French authorities respectively. Colonial powers, through occupation or mandate, created local authorities to mediate their relationship with the people. This led to conflicting interests among social and political groups in each territory, and to divergences between countries. Popular cooperation, which had been relatively straightforward and progressive during the *Nahda* era, became more complicated in the colonial period, which was marked by greater discrepancies and differences among emerging nation-States. This contrasted with the campaigns for independence from the Ottoman Empire, which were associated with the concept of a single unified Arab State. Nonetheless, the Arab people continued to cooperate in the struggle for independence from colonialism, which remained a common goal in the newly formed Arab States.

One notable instance of Arab solidarity against Ottoman rule was the Arab Revolt from 1916 to 1919, led by Sharif Hussein of Mecca and his son Prince Faysal. The Revolt was supported by Great Britain, in particular, and, to a lesser extent, France. As the campaign advanced from the heartland of Arabia towards the Gulf of Aqaba, it gained momentum with increasing numbers of Arab fighters joining the force. But following the breakup of the Ottoman Empire, much of the Arab Mashreq was divided into British and French spheres of influence. Arabs everywhere felt betrayed: they had fought alongside the allies during the First World War in the belief that Britain would support a unified Arab State.

Other examples of Arab solidarity include popular support for the Algerian revolution against France from the 1950s until independence in 1962; and collaboration between Algeria, Libya, Morocco and Tunisia in their struggles for independence.¹

► **Tramway battle in Tunisia**

In 1912, solidarity between the people of Tunisia and Libya developed in the aftermath of what is now known as the 'tramway battle'. This was one of the largest manifestations of mass politicization in the Maghreb at that time. Italy had occupied Libya in October 1911, taking the capital city of Tripoli first. Meanwhile, the nationalist movement in Tunisia was still developing; its leaders lacked political experience and had not yet demanded independence. Mass protests were rare and most nationalist activities were of an intellectual and cultural nature. But the violent Italian occupation of Libya changed all that, spurring the Tunisian nationalist movement towards mass political protests.

With reports arriving from occupied Libya about the number of victims and the scale of destruction, Tunisians grew

more resentful of Italians residing in Tunisia, who shared interests with the French authorities. Tensions peaked after a Tunisian child was accidentally run over by a tram with an Italian driver and Tunisians announced that they would boycott the tramway on 8 February 1912. The death triggered anti-Italian protests. At first, French officials responded with restraint; but as the protests began to spread and gain ground, they resorted to violence. Tunisian workers at the tramway company seized the opportunity of the boycott to demand a number of labour rights, forcing the company to make concessions. The tipping point for the colonial authorities came when the workers demanded a political right: the right to vote. The French responded by arresting seven people accused of organizing the boycott and by deporting four of them, including their leader, Ali Bash Hamba.

The tramway battle was a pivotal event in the history of the Tunisian national movement. It turned the nationalists from a loose intellectual movement into a more organized mass political movement. Shortly after it, the Constitutional Liberal Party was founded. It was the first political party in Tunisia, led by Sheikh Abdel Aziz al-Thaalibi. Solidarity with the Libyan struggle against occupation was the catalyst of Tunisia's political transformation.

► **Casablanca uprising**

The Casablanca uprising of 8 December 1952 is another demonstration of solidarity among the people of the Maghreb. It was triggered by the assassination of the Tunisian trade union leader Farhat Hashad three days earlier by the Red Hand, a secret French intelligence service. Hashad was the founder of the Tunisian General Labour Union, the first Arab and African trade union. He is remembered for his nationalist, union-related and intellectual action across the Arab Maghreb, as well as his relentless opposition to French rule.

During the colonial period, independence was the sole objective of the Arab struggle, driving all forms of popular solidarity between Arab countries, many of which came under the same colonial power

The French authorities' raid on Sakiet Sidi Youssef was meant to crush Tunisian support to the Algerian revolution, but instead resulted in stronger solidarity

The 1952 Casablanca uprising was the spark that ignited the struggle for Moroccan independence. It changed the nature of the conflict between Moroccans and the French authorities, eventually driving the latter to deport the King of Morocco, Mohammed V² whom the French considered a supporter of the uprising. To this day, the uprising lives on in the memories of Moroccans as an expression of Arab popular solidarity.

► **Massacre in Sakiet Sidi Youssef**

In 1958, Sakiet Sidi Youssef, a Tunisian village in Al-Kaf governorate on the northwestern border with Algeria, was the scene of another example of popular solidarity in the Maghreb, this time between the peoples of Tunisia and Algeria. Pressured by nationalist movements and armed struggles in Tunisia and Morocco, France had been forced to sign independence treaties for both countries in 1956. Algeria, on the other hand, was considered to be an integral part of France. The French authorities reinforced their military

presence there, warning Tunisia and Morocco not to interfere.

Sakiet Sidi Youssef was a strategic region for Algerians, especially for the Algerian National Liberation Army. It was bombarded several times by French artillery on 1 and 2 October 1957. Having failed to regain control of the borders or halt communications between border villages, the French attacked Sakiet Sidi Youssef again on 30 January 1958 and raided it on 8 February, resulting in scores of casualties. Those tragic events continue to be commemorated to this day.

The French authorities chose the day of the raid to coincide with Sakiet Sidi Youssef's crowded weekly market. For two hours, Sakiet Sidi Youssef was pounded by air raids and ground artillery, which razed it to the ground. Infantry squads were deployed to terrorize civilians. The indiscriminate attack killed 79 people, including 20 children, and injured more than 130.

The assault was meant to crush Tunisian support to the Algerian revolution, but instead resulted in

Box 6-2 The Casablanca uprising

Late on Friday 5 December 1952, news reached Casablanca of the assassination of Farhat Hashad, the leader of the trade union movement in Tunisia and North Africa and Secretary General of the Tunisian General Labour Union. The next day, officials of the General Association of United Unions in Morocco called for a 24-hour general strike in solidarity with Tunisian workers who had already gone on strike. At the same time, the Independence Party leadership in Rabat sent a representative to advise Union members in Casablanca to close all businesses, thus making the strike a nationwide event. The Party also called for a national demonstration on Monday 8 December.

French authorities attempted to pre-empt the mobilization. Pro-occupation newspapers circulated rumours of a plot targeting French and European residents in Casablanca. French and Moroccan armed patrols were dispatched Sunday night to the Moroccan slums, intimidating the inhabitants and arresting Union leaders. On Monday morning, a massacre in Casablanca killed dozens of Moroccans. The attacks recurred several times that day, with the colonial authorities conducting house raids and shooting indiscriminately at targets that included mourners attending a funeral.

Source: Adapted from Ayache, 1993, pp. 156-174.

stronger solidarity. A common defence front was established through a historic agreement by political groups including the Algerian National Liberation Front, the Moroccan Independence Party and the Tunisian Constitutional Liberal Party at a conference in the Moroccan city of Tanja in April 1958. A joint statement was issued affirming Tunisian and Moroccan support for the Algerian revolution. Tunisian, Moroccan and Algerian joint popular action during the Maghreb's struggle for independence rose from the ashes of Sakiet Sidi Youssef.

Popular alliances in the age of nation-States

Arab States gained their independence in the years and decades following the Second World War. Following the creation of the State of Israel, Palestine became the central cause for Arab solidarity.

This period witnessed the rise of Arab nationalist movements, particularly Nasserism and Baathism. The ideas of Arab unity and pan-Arabism became major driving forces for political action. It was also during this period that socialist and communist ideologies gained traction in some Arab countries, and an ideological divide began to emerge between countries sympathetic to Nasserism and traditionalist countries more closely aligned with the policies of the United States of America and the West.

At the beginning of that period, popular integration was mainly affected by leaders such as Gamal Abdel Nasser, whose charismatic influence extended beyond national borders. These leaders were inspired public speakers with a message of "freedom, unity and socialism" that resonated with ordinary people. The major issues of that time, to which Nasser and others spoke, included Arab unity and

Following the creation of the State of Israel, Palestine became the central cause for Arab solidarity

Box 6-3 Solidarity of the Syrian people with the Iraqi and Lebanese peoples at the turn of the twenty-first century

The Syrian people showed solidarity with the Iraqi people during and after the American invasion of Iraq in 2003, and with the Lebanese people during the Israeli attack on Lebanon in July 2006. By that time, civil society in Syria enjoyed little freedom of action and movement; popular solidarity was therefore often expressed directly through active existing organizations or popular committees formed around the specific cause.

In the July 2006 war on Lebanon, the Syrian regime encouraged people to support the displaced, thereby clearing the way for popular solidarity. Syrian activists reported that "the first waves of displaced Lebanese people were all settled in Syrian homes, from Damascus to Homs. Not a single person was settled in a shed or a tent. As the numbers of the displaced increased, some schools, centres and institutions were rehabilitated to host them and house them in decent conditions. Popular committees were formed to receive the displaced at the al-Masnaa border point, provide them with immediate necessities and manage the support process."

In 2003, Syrian activists organized fundraising and relief campaigns for Iraqi refugees settled by the United Nations in refugee camps in desert areas near the border. They offered medical and food aid, although at a lower level than desired.

Now that Syrians in turn need help from the region, Syrian activists have expressed concern about the level of human solidarity shown to their compatriots recently displaced to neighbouring countries.

Source: Testimonies of Syrian activists Ahmad, Rami and Shadi.

Advocacy for the Palestinian cause and for Arab identity in the face of external threats remained a common link, even when the shift from Arab to Islamic identity began

the Palestinian cause, as well as social justice and freedom from old and new forms of colonialism. The masses rallied around such visions of Arab power, pride and identity.

In the 1970s, inter-Arab conflicts emerged and national regimes faced the dilemma of their internal and external legitimacy. During this period, transnational coordination frameworks for Arab political movements appeared and nationalist parties and groups developed regional as well as national leaderships. Parties and groups with a common reference convened regularly, as was the case with socialist parties and the Muslim Brotherhood. For common political reasons, various groups entered into alliances despite their ideological differences. These included the leftist-nationalist alliance on national issues and the struggle for freedom, and later the nationalist-Islamist alliance, following the eclipse of the leftist movements by Islamism.

Deep Arab divisions affected popular awareness and behaviour in the 1980s. Cooperation became a partisan endeavour. Thus popular interest in cooperative action started to depend on convergence between major political movements on nationalist issues. Arab popular solidarity became selective, as advocates for various causes in different Arab countries grew closer to one another than to their compatriots with whom they disagreed over domestic political matters.

Throughout the period, advocacy for the Palestinian cause and for Arab identity in the face of external threats remained a common link. Even when the shift from Arab to Islamic identity began, subsequent developments demonstrated that Islamic identity did not contradict, but in fact strengthened Arab identity. Islamism became an alternative means of achieving Arab popular solidarity.

In the 1980s, Islamic solidarity broadly superseded Arab solidarity among peoples

and Governments. The Iraqi invasion of Kuwait in 1990 and the second Gulf War that followed further contributed to the erosion of the idea of Arab unity.

Events since the September 11, 2001 attacks in New York and Washington, D.C., including the war in Afghanistan; the invasion of Iraq; the war on terror; and the Israeli wars on Lebanon and the Gaza Strip all contributed to a shift in the axes of Arab differences: a 'moderate' versus 'rejectionist' axis involving Iran, a non-Arab country, replaced the 'peace' versus 'resistance' axis which had emerged following the 1973 October War.³

At the turn of the twenty-first century, Arab regimes were embroiled in crises. They had renounced national and nationalist ideals, and Arab unity had become just another wishful slogan. But that decline could not diminish a sense of common allegiance among people who believed that Arab solidarity was, at least, a moral choice and a common cultural and social foundation, in the absence of a corresponding political agenda.

Arabs unite behind the Palestinian cause

Popular solidarity with the Palestinian cause has taken various forms. As with other instances of popular cooperation, it has also gone through several distinct stages.

Organized Jewish immigration to Palestine began in the early twentieth century and received a boost from the Balfour Declaration in 1917, which expressed Britain's support for the establishment of a 'national home' for the Jewish people in Palestine. As the presence and political organization of the Zionist movement expanded, it encountered increasing resistance from Arabs across the region, at both official and popular

levels. A groundswell of Arab support developed for the Palestinian people's right to a State alongside the other Arab countries then seeking independence from mandate rule.

The Arab Revolt in Palestine (1936-1939) began with a general strike led by Haj Amin al-Husseini and soon turned into an armed uprising. Volunteers from many Arab countries, including Iraq, Jordan and Syria, joined ranks. A prominent military commander from Lebanon, Fawzi al-Qawuqji, became the general leader of the Revolt. Other notable Arab volunteers included Sheikh Ezzedine al-Qassam, Said al-Aas and Mohammed al-Ashmar from Syria. Later, in 1947, al-Qawuqji would be designated by the League of Arab States to lead the Arab Liberation Army, one of several forces that took up arms in the first Arab-Israeli War. Al-Qawuqji commanded military operations and fought the famous battle of al-Malikiyah alongside the Lebanese and Syrian armies. But the military confrontation ended in defeat and Palestinians were uprooted from their homeland to make way for the State of Israel in 1948.

Arab popular opposition to the creation of the State of Israel was strong enough to draw Arab volunteers to the fight against British authorities and Zionist gangs in Palestine. Throughout the latter half of the twentieth century, the Palestinian cause would remain one of the most compelling examples of Arab solidarity in which official positions converged with popular ones transcending political and other differences. A shared sense of Arab identity, religious and moral obligation, and anger over the perceived injustices of the occupation were the main factors contributing to this solidarity.

Aside from direct military action, social groups, activists and associations took up the Palestinian cause in other initiatives. Solidarity with Palestine was at the heart of the first initiatives undertaken by

women's organizations and movements in Arab countries. The Arab Women's Union in Jerusalem was established in 1928 and had close interaction with the growing popular struggle, leading to the Arab Women's Conference in Jerusalem in 1929. Its most important decision was the rejection of the Balfour Declaration and Jewish immigration to Palestine that was meant to evict Palestinians from their homeland. The Conference has been considered the launch point for Arab women in the political sphere. Coordination among women expanded beyond the borders of the Palestinian homeland. Palestinian women maintained contact with Arab women activists and organizations in Egypt and other countries. This resulted in several conferences, most notably the Women of the Orient, which was organized by Huda Shaarawi from Egypt in 1938 in support of the Palestinian cause.⁴ This too was a key event in the course of Arab popular solidarity with the Palestinian cause, highlighting the central role of women in the national liberation struggle.

The 1948 *Nakba* (catastrophe) was subject to different political interpretations. National and community groups bitterly blamed contemporary regimes for not standing up to colonial policies, which prompted a series of political changes bringing nationalists to power through military coups, most notably in Egypt in 1952. In 1964, the Palestine Liberation Organization was founded. The new Arab Governments that emerged during that period continued to declare their opposition to the occupation.

A crucial development took place during 1965 with the ascent of the *feda'yeen* (armed militants) under the command of Yasser Arafat, the charismatic head of *Fatah*, the largest faction of the Palestine Liberation Organization. A new phase of Palestinian resistance began with the emergence

A shared sense of Arab identity, religious and moral obligation, and anger over the perceived injustices of the occupation were the main factors contributing to Arab solidarity with the Palestinian people

Arab popular and political movements have steadily opposed the naturalization of relations with Israel

of an independent Palestinian national character and a surge in various forms of political, social and military struggle. This restored the concept of Arab nationalism, yet through a discourse different from that of traditional nationalist movements. New variations began to emerge within the Arab nationalist movement, resulting in the Marxists and leftists joining forces with the nationalists within the Palestinian resistance and in other Arab countries.

In that period, a distinction could be drawn between government solidarity, on the one hand, and the solidarity among various popular movements on the other, with the latter growing more distinct from the former. As time went on, knowing how deeply Palestine resonated with the masses, rulers would begin to exploit the situation there to distract their people from their grievances at home.

These developments clearly shaped the nationalist and moral dimensions of the Palestinian cause, and those based on universal principles and values, namely the right to self-determination and rejection

of oppression. That is why solidarity with the Palestinian people was not limited to the Arab region, but went far beyond to reach other countries across the world, especially after the Israeli occupation of the rest of Palestine and other Arab territories in the 1967 War.

As was the case during the previous phase, popular engagement in the Palestinian revolution was not just a matter of sentiment. From its first years, the Palestinian revolution attracted young men and women from various Arab countries, in particular those where the revolution had an organized armed presence. These young people enlisted as members equal to Palestinians. The *feda'yeen* had an aura in the late 1960s and early 1970s that attracted Arab youth: the freedom fighters represented the universal concept of struggle for justice. The militancy of the *feda'yeen* was seen as a revolt against harsh realities and a legitimate response to the complete denial of freedom. Other groups of political and social activists, motivated by humanitarianism,

Box 6-4 Bahraini activist declares 'no grey zone' in the defence of human rights

Bahraini human rights activist Maryam al-Khawaja withdrew from a conference organized by UNESCO to honour her father, Abdulhadi al-Khawaja, considered by Amnesty International to be a prisoner of conscience, because the same event also honoured Israeli President Shimon Peres.

Maryam al-Khawaja is the acting president of the Bahrain Center for Human Rights, founded by her father, who is currently in prison. The current president of the organization is also in prison for his advocacy of political change and human rights in Bahrain.

In an open letter to UNESCO announcing her withdrawal, Maryam wrote: "Whilst I am honoured that you chose my father, I am also deeply disappointed that you would honour him alongside a person who has been responsible for many human rights violations and who should be put on trial, not honoured." She also wrote: "My father always says that when it comes to human rights, there is no grey zone, either you stand up for human rights everywhere and against perpetrators of human rights violations or you do not."

In support of her position, Maryam attached to her letter a list of human rights violations and war crimes for which Shimon Peres is responsible.

Source: <http://electronicintifada.net/blogs/ali-abunimah/bahrain-rights-defender-maryam-al-khawaja-pulls-out-unesco-ceremony-over-honor>.

volunteered to provide social and health services in the Palestinian refugee camps.

In the 1960s and 1970s, the Palestinian cause became a major icon of popular resistance, standing alongside the anti-Viet Nam war movement and the guerilla struggles of Che Guevara. It was not unusual to see names like the latter's adopted as pseudonyms by the *feda'yeen* and leaders of the Palestinian revolution. The Palestinian *kufiyya* (headdress) became a symbol of the Palestinian struggle. Solidarity with the cause emerged in literature, art, poetry, music, films and novels around the world, elevating empathy with the plight of Palestinians to unprecedented levels.

In 1987, the first Palestinian *Intifada* (uprising) broke out, rallying considerable Arab and international popular support, given its spontaneous character and the courage demonstrated by the Palestinian people. Through civil and peaceful resistance to the occupation in the 1980s and 1990s, the first *Intifada* acquired a symbolic stature no less than that of the Palestinian cause during its armed struggle phase in the early 1970s. Among the most remarkable international solidarity campaigns were those against the construction of the separation Wall in the West Bank; the foreign-backed campaign against settlements and house demolition immortalized by the searing case of Rachel Corrie, the young American woman killed by an Israeli bulldozer in Gaza while sitting on the ground to prevent it from demolishing a Palestinian house; international campaigns, particularly in Europe, to boycott products originating in Israeli settlements; and the freedom fleets which repeatedly attempted to break the siege of Gaza.

Arab popular and political movements have steadily opposed the naturalization of relations with Israel. Egypt, the country most concerned with this issue after Sadat's peace treaty with Israel, took the lead in those efforts. Various forms of

solidarity were exhibited in support of the Palestinian cause and against Israeli aggression during the siege of Yasser Arafat in Ramallah in 2002 and the war on Gaza in late 2008 and early 2009.

Remarkable Arab solidarity with the Lebanese people's resistance was shown during and after the 1982 Israeli invasion. Second only to the Palestinian resistance, the Lebanese resistance was the most significant expression of a long struggle against the Israeli occupation, which resulted in the liberation of Lebanon in 2000 and, a few years earlier, in the defeat of the 17 May 1983 Agreement.⁵ The resilience of the Lebanese people and the Palestinian resistance during the siege of Beirut and in confrontations with the Israeli forces; the surge of the national Lebanese resistance on 16 September 1982; and the recurring episodes of Israeli aggression against Lebanon (the Seven-Day War in 1993, the April War in 1996 and the July 2006 War) all prompted wide Arab and international solidarity.

Popular cooperation through civil action⁶

Civil work refers here to the work of civil society organizations (CSOs) which consist of all traditional and modern types of social association, including traditional charity organizations with two centuries of history; labour unions and federations; associations, clubs and committees set up in neighbourhoods, villages and cities; and modern non-governmental organizations (NGOs) that have been active for only a few decades.

Labour unions and professional associations

Shortly after their establishment in a number of Arab countries in the

The resilience of the Lebanese people in the face of recurring episodes of Israeli aggression against Lebanon prompted broad Arab and international solidarity

For decades, civil society organizations were hobbled by restrictive legislation that undermined their efficiency and autonomy; limited access to resources and information prevented those organizations from playing an effective role at the regional level

1920s, Arab labour unions began to come together actively as affiliates of international federations of labour unions, before the creation of Arab federations. Professionals sharing the same concerns, such as teachers, law practitioners, engineers and physicians also interacted within less formal scientific, professional and political forums.

During the colonial period and prior to the creation of pan-Arab labour federations, national Arab labour unions and associations displayed a strong sense of mutual solidarity. Labour organizations emerged at an earlier stage than professional associations; the first, in Egypt, in 1908, and then in Lebanon and Syria in 1920. Professional unions emerged in the 1930s and 1940s, including the Order of Engineers and Architects in Beirut and another in Aleppo in 1934, while earlier attempts to establish an order for engineers in Egypt in 1920 remained fruitless until 1946.⁷ National union federations were founded in the 1940s, the first of which was the Tunisian General Labour Union, in 1946.

The League of Arab States, which was founded in 1945, promoted regional unions which were gradually established as regional non-governmental organizations. Thus, the Arab Lawyers' Union was established in 1944, the International Federation of Arab Workers in 1956, the Arab Federation of Teachers in 1961, the Arab Doctors' Union in 1962 and the Federation of Arab Engineers in 1963.

However, these unions did not develop a distinct status independent of their Governments or of the League of Arab States. Most did not intend to influence political decisions, and those that did lacked the power to exercise any influence. The Arab Lawyers' Union was somewhat of an exception. It enjoyed relative autonomy earned through years of struggle, which enabled it to champion public and individual freedoms.

Tightening constraints on political freedoms drove some professional unions, such as the Jordan Engineers' Association, to switch from social to direct political activism. This often involved unions in conflicts; for example, members of professional unions in Syria, including engineers, physicians and lawyers, rallied in 1963 to demand the termination of the state of emergency. They lost their battle and the Government maintained its control over them. Indeed, despite their different ideological stances, most Arab Governments converged in forcing professional unions to toe political and party lines, thus suppressing them and keeping them out of popular solidarity movements.

Other popular unions, in particular labour federations, were no more independent. In most Arab countries they were also controlled by Governments; however, those in Bahrain, Lebanon, Morocco and Tunisia⁸ were able to maintain some room to manoeuvre.

With most national labour unions on a government leash, the General Union of Arab workers was merely a tame reflection of State policies and differences, and remained tied to the political decisions of the League of Arab States. It played no effective role in promoting popular solidarity among Arabs.

Civil society networks

For decades, NGOs and CSOs were hobbled by restrictive legislation that undermined their efficiency and autonomy. Limited access to resources and information, among other factors, prevented those organizations from playing an effective role at the regional level.

In most Arab countries, the structures and functions of CSOs are quite similar. Arab CSOs embodied the religious and spiritual values of the Arab region. That is why the oldest CSOs are charitable

foundations. Controlled by official authorities who were generally wary of initiatives that rally crowds, Arab CSOs had little scope to work among the people. However, popular solidarity, which surfaced at times of struggle against colonialism, war and disasters, boosted Arab civic action, which was also positively influenced by development policy changes at the national, regional and global levels emphasizing human development.⁹

Arab CSOs were greatly influenced by international developments, primarily in the 1990s, when they managed to overcome some political and legal barriers to their movement. During the last two decades of the twentieth century, the United Nations held international conferences on various development themes and challenges with the participation of CSOs. These conferences advocated partnership between CSOs and international organizations in addressing development challenges. A new approach to policies and modalities of cooperation was adopted, based on the deep structural links between politics and development.

This new approach asserted the role of civil society and promoted the idea of regional cooperation. Global summits provided an incentive for Arab CSOs to broaden their interests and establish regional coordination networks in order to reinforce their participation in international forums. Regional groupings and networks of Arab CSOs were established to address issues raised by the summits: networks concerned with development and environment appeared after the Rio Summit (1992); with human rights after the Vienna Summit (1993); with population and family after the Cairo Summit (1994); with human development after the Copenhagen Summit (1995); and with women's issues, including violence against women and the implementation of international

conventions on women's rights following the Beijing Summit (1995).

The Arab feminist movement has a long history of struggle. It has so far been able to help improve the condition of women in North African countries and a number of Arab Mashreq countries. The involvement of Arab women in civic action went beyond national borders. Arab women's organizations in all Arab countries coordinated their work and their links were strengthened by joint conferences and activities.

Popular integration in the Arab civil revolts

Youth revolutions

With the Arab revolts that broke out in late 2010, new forms of popular solidarity and coordination have emerged. Reflecting greater diversity, freedom and individualism, these spontaneous rebellions developed without institutions, formal mechanisms or traditional agendas. This new type of civil protest, trans-nationalized largely through the Internet, has given rise to mass mobilizations that have altered the course of modern Arab history.

Today, a number of the Arab countries that have been swept by revolutionary movements are undergoing radical transformations. It is hoped that this will lead to democratic States and societies, where human dignity and the values of citizenship and justice prevail. As they leave the legacy of the past behind them, and transition towards a new future, the Arab peoples and their leaders will be faced with many challenges.

It is no coincidence that these protests spread with astonishing speed across the region. The Arab space has never been defined by geography alone. It is instead

Global summits

provided an incentive for Arab civil society organizations to broaden their interests and establish regional coordination networks in order to reinforce their participation in international forums

The world was obliged to characterize the popular uprisings as the ‘Arab Spring’, using the epithet ‘Arab’ for a region long accustomed to irrelevant labels such as the Middle East, the Middle East and North Africa, the Near East, Western Asia or the Southern Mediterranean – all of which strip it of its Arab identity

a shared cultural space that facilitated the evolvment of the Tunisian uprising into a sweeping Arab revolt, proving the enduring relevance of pan-Arabism. These mobilizations were nothing less than a renewed expression of an Arab identity and cause that have never ceased to exist, but have lain dormant through a long period of political decay. Fittingly, the world was obliged to characterize these uprisings as the ‘Arab Spring’, using the epithet ‘Arab’ for a region long accustomed to irrelevant labels such as the Middle East, the Middle East and North Africa, the Near East, Western Asia or the Southern Mediterranean — all of which strip it of its Arab identity.

With the outbreak of these civil revolts, the potential and capabilities of the Arabs have been released. Young Arabs, the people with the largest stake in the region’s future, have been the most prominent members of the revolutionary vanguard. Working through a framework of collective action, they have inspired the Arab people to flex their muscles and exert the power of united civil resistance in the face of injustice.

New and innovative methods¹⁰

The young Arabs that took to the streets had been poised to demand comprehensive change for quite some time. During their young lives, many had only known frustration and psychological violence stemming from repression and unemployment, conditions that had robbed them of freedom and dignity. For years, they had quietly nurtured an ‘inner revolution’, developing an underground counter-culture that escaped authoritarian control. These were the region’s first cyber-activists, connected to their peers and the world through the web, satellite and cell. These young people knew the difference between conditions abroad and at home, and felt the contrast vividly. They

had discovered new experiences, ideas and counterparts in an expanded political and social space beyond the suffocating world of officialdom. Compared to previous generations, their horizons were wider, their expectations correspondingly higher and their demands more specific and urgent. This generation would stun the world by carrying out the first Internet Revolution of the twenty-first century.

The Arab civil revolts drew their dynamism from these young people’s passion, shared experiences and abilities. In many countries, young activists organized themselves into an autonomous opposition movement independent of muzzled political parties. They created new tools of organization and team-work through the Internet, resorting to horizontal outreach (in contrast to the vertical chains of command within political parties) and multiple initiatives coordinated in real-time. Although often leaderless, each national movement nevertheless had a clear plan of action and specific, unambiguous and inclusive demands.

The term ‘rhizome’,¹¹ which refers to a concept developed by French philosopher Gilles Deleuze, aptly characterizes the youth revolts in Tunisia, Egypt and other Arab countries. Like a rhizome, these groups sprang into multiple grassroots initiatives and web-like alliances with roots and offshoots; they were numerous and diverse, spontaneous, anonymous, active and energetic. They were not associated with sub-identities; they had no leaders, no charisma, no narrow platforms and no political or sectarian tactics; they did not replicate stereotypical or traditional patterns; they had no offices, and thus could not be disrupted. They operated without a visible hierarchy, which would have made their members vulnerable.

These rhizomic structures gradually evolved into full-fledged popular movements and attracted radical and

independent followers who recognized that they were in uncharted territory, and would require new, trailblazing forms of organization.

Social media served as an incubator for this rising force. Youth groups used media tools to network in many areas of strategic coordination, exchanging expertise, pinpointing security issues, calling for demonstrations and sit-ins, evading censorship, and disseminating information, videos and images. Their cooperation was logistical and technical rather than political. They had no jointly

agreed programmes. Born of shared frustration over particular grievances, rather than from a clear political strategy, these rebellions were yet able to maximize the power of alliances and networks.

As presidents fled or fell in some States and social and political crises escalated in others, the youth movements adapted to the fast-moving scene. Their working methods changed, moving from spontaneous to more organized networking, and learning from events in neighbouring countries. They acted on the belief that success in one country would

Box 6-5 **Bloggers without frontiers or restrictions**

Declaration of the Third Arab Bloggers Meeting (Tunis, 3-6 October 2011)

Once again, we Arab bloggers have come together; this time in free Tunisia. The first time we convened, we were thrilled to be together and eager to meet again.

We came from across the Arab world in order to talk with each other, get to know each other, share experiences of the revolution, celebrate triumphs and exchange lessons from our setbacks. We have come together to learn from each other and weave networks of cooperation and coordination throughout Arab societies. We are determined to keep the flame of revolution alive in the hearts of all Arabs, guided by an unshakable belief that we are all partners in one world. This belief was in the heart of every seeker of freedom and liberation in every Arab square.

Our generation reached out to the world, searching for creativity and innovation across borders and boundaries. The boundaries drawn through our region have only served to hinder development, a cloak for chauvinistic tendencies bred by incapable governments, and a means to impoverish communities and undermine what had for centuries been prosperous ways of life. No valid alternatives were perceived. Today, people in every urban, rural and desert area in every Arab country have joined the new tide of Arab freedom, aspiring to a pan-Arab nation led by people from local communities, towns and villages, not presidential palaces, military barracks, or other circles plagued by conspiracies. Recognizing that, by their very nature, people yearn to communicate with one another, we are determined to expand our communications, especially now that the virtual chains that once shackled our organizations and even our minds have been removed.

We hope that free and independent media will grow and improve. When media is diverse and pluralistic, balance and impartiality can be achieved. In the presence of diverse media, no struggle for freedom, no revolution, uprising or call for reform in any Arab country can be ignored; not under any pretext, whether communal, sectarian, or political, nor under the pressure exerted by kingdoms, governments or regional or international powers.

Having renewed our bonds of friendship and common struggle, we return to our countries or places of residence determined to resume our work in our societies with great hopes, self-confidence and a strong sense of solidarity.

Source: <http://www.ps.boell.org/web/index-ar-608.html>.

translate into successes in others, and that any setback in one country would similarly have repercussions elsewhere. Through organized networks, youth movements were able to unite their calls for the overthrow of the old regime and to demand that corrupt officials be held accountable. Together, they monitored associates of the previous regime and blocked their return to power; together, they demanded reforms and institutional change; and together, they kept the goals of the revolution on track.

The Arab civil revolts looked beyond the overthrow of the regimes to the dream of a State where citizenship, dignity and justice for all would prevail

Pan-Arabism in the youth revolutions

At first glance, the revolutionary movements in Arab countries may seem to have had no pan-Arab dimension, probably because they began with specific local grievances and by opposing their own national regimes. Nevertheless, young revolutionary people in one country knew that their success would lead to successes in other countries. The common Arab causes were present in their minds, actions, slogans and initiatives. Their interaction and exchange of experiences and lessons across border were even stronger than in the past; they were intense, direct and people-centered. They gathered tens of thousands of supporters in no time, thanks to their skilful use of information technology.

The same observation applies to the new activists joining the revolutionary scene (box 6-5). In the final statement of the Third Arab Bloggers' Meeting, which convened in Tunis in October 2011 to discuss the role of social media in Arab revolutions and democratization, bloggers underlined the importance of these new channels because they largely escaped the grip of politicians. Participants criticized the Palestinian authorities for keeping their Palestinian counterparts from attending the meeting, and the Egyptian authorities

for hampering the participation of Egyptian bloggers. In addition, they roundly condemned official restrictions on bloggers in Bahrain, Iran and other countries. It is thus evident that Arab solidarity has developed into a transnational culture, an expansion led by bloggers who are, by definition, universal citizens working in the open space that is the Internet.

Social media and the revolution¹²

The information age, with its satellite television channels and social media networks, has ended the notion that revolution and change must be driven by a single, narrowly focused ideology. Global experiences, transmitted instantly through the Internet, have made individual and collective freedoms, human rights and democracy the foundation of any rational approach to resolving political conflicts and managing the political process. As a result, ideologues seeking to rise on the coat-tails of revolution and purporting to be its legitimate heirs have been rejected. Intellectuals are no longer the exclusive channels of knowledge and ideas, nor are they necessarily accepted as the spokespersons of either political movements or the people. The Arab public now knows better.

With limited resources and no conventional weapons or leadership, young people nonetheless rallied thousands of people in the streets of Tunis, in Cairo's Tahrir Square and in tens of other Arab cities. The tools they did have — the social media — were powerful weapons in the hands of young people. Remarking on the speed of events, an Egyptian activist explained succinctly how the Tahrir Square mobilizations were organized: "We used Facebook to schedule the protests, Twitter to coordinate, and YouTube to tell the world."¹³

The Arab civil revolts looked beyond the overthrow of the regimes in some

countries to the dream of a State where citizenship, dignity and justice for all would prevail. The protesters were well aware that change in Tunisia would not be complete without change in Egypt, Libya and Yemen. Crowds in Tahrir Square voiced their support for the Libyan, Yemeni and Syrian people. Jordanians, Qataris, Moroccans and Tunisians took to the streets in support of popular uprisings in Egypt. Protesters filled the streets of Amman, Gaza, Damascus and Tunis on 28 January 2011 and the streets of Beirut and Rabat on 29 and 30 January in support of the popular revolt in Egypt.

Countless examples of youth cooperation could be cited. On 6 May 2011, Egyptians celebrated the 100th day of revolution in Tahrir Square, shouting slogans supporting the Arab people's right to choose their rulers and for the opening of Arab borders. In February 2011, medical and food aid convoys headed from Tahrir Square, Tanta and Matrouh to Libya, and in May 2011, similar convoys headed to Gaza on the occasion of the Palestinian Land Day. A fundraising campaign was also organized for the Syrian people.

During the uprisings, those who commanded the Internet determined the revolution. Through the social media, activists exchanged information, spread tactics and learned from the experiences of others. Taking their cue from Tunisian protesters on Borgeiba Street, Egyptian demonstrators in Tahrir Square remained peaceful even when brutally attacked by the police with tear gas grenades. When Egyptian authorities cracked down on social media networks, young Egyptians smartly unblocked proxy walls, enabling activists to access Facebook and Twitter. Demonstrators went so far as to sabotage official websites, threatening to send them offline. Dozens of Facebook pages spoke to the dream of Arab unity. They also reported political and other violations, and acted as forums for trans-country dialogue.¹⁴

Improvised neighbourhood committees, charged with securing streets, homes and spaces used by demonstrators in Tunis, spread to other regions in Tunisia via social networks, offering a volunteer-based participatory alternative for people living near one another. These neighbourhood watches closed gaps in security which had threatened to break up the demonstrations. They were equally effective in Egypt during the uprisings. Such committees had also been established during the Palestinian *Intifada*, and the Lebanese National Movement had made use of them in the 1970s.

Chants, cartoons, drawings, graffiti and slogans produced in one Arab country were broadcast across the region through social networks. The slogan "no military trials for civilians" was reprinted and used in several countries. The slogan of solidarity with Palestinian prisoners in Israeli jails became the slogan for every campaign in solidarity with Arab prisoners. Music bands and singers celebrated the revolution, their homeland and the dream of a secure and united Arab nation.

A new civil partnership

Civil society organizations, especially those championing human rights, kept local and international public opinion focused on the uprisings and provided moral, financial and legal support for demonstrators and detainees. The Egyptian Organization for Human Rights, the Arab Network for Human Rights Information and the Arab Organization for Human Rights vigilantly covered events; they monitored and denounced government violations of the rights of demonstrators; provided legal services for detainees; and articulated their case. Two wings of popular action joined forces in a unique type of cooperation: on one side, the institutionalized CSOs, with records of

Dozens of Facebook pages spoke to the dream of Arab unity; they also reported political and other violations, and acted as forums for trans-country dialogue

defending human rights since the 1990s; on the other, young activists coming from non-institutionalized, open environments to assume a powerful revolutionary role.

* * *

Arab popular integration has consistently proved itself a resilient force

Through solidarity, cooperation and organized resistance, the Arab people have demonstrated that their creativity far surpasses that of their Governments; and, more importantly, that they have their fingers on the pulse of their fellow citizens across the Arab world. Over many decades, the Arab people have remained connected to one another, immune to the politics that have divided their countries and caused turmoil across the region. Popular integration has endured because the people have remained committed to the fundamental values of freedom and justice.

Such solidarity has not always found tangible forms of expression. The partisan, ethnic and ideological divides that have plagued the Arab environment have often interposed themselves between Arabs. For decades, the iron grip of dictators on freedom of expression, movement and information seemed impossible to loosen. But Arab popular integration has consistently proved itself a resilient force, opening up new channels of communication and action when old ones closed, breaking down the high walls erected by imperial and colonial powers and by the Arab autocrats who followed them, and, through the recent uprisings, achieving the seemingly impossible. This enormous popular strength is thus a cornerstone of any future effort to achieve Arab integration.

Chapter 7

A Legacy of Fragmentation
and Development Failures

**It is only when a nation is divided and plagued by discord
that God condemns it to perdition and, with that, to eternal
humiliation, torment and annihilation**

Jamal ad-Din al-Afghani

A Legacy of Fragmentation and Development Failures

Decades of fragmentation and division in the Arab world have created major threats and challenges to its development and progress. Some challenges are political or humanitarian; they concern national freedoms, regional security and refugee populations; others stem from flawed or failed national development policies. Still other threats are environmental, undermining both present-day and intergenerational equity. There are also polarizing cultural challenges that shape the individual and collective consciousness; drag society into conflicts; and limit the potential for human awakening.

This chapter explores the risks and challenges facing any initiative for renewal in the Arab world. Some of these challenges, such as foreign interference, were directly related to the absence of Arab integration, and would not have been so serious had the Arab States fulfilled their commitment to achieve cooperation and jointly defend the security of their countries and citizens. Other challenges, such as underdevelopment and environmental degradation, have resulted from economic and social policies that lacked popular participation, and thus failed to take the priorities of the people into account.

External interference and weak Arab unity undermine human rights and regional security

In the Arab world, which has a long and continuing history of foreign interference, national liberation and self-determination have special significance. As previous chapters have noted, Palestine is still under Israeli occupation and the policy of settlement building and displacement continues, in flagrant violation of international charters and resolutions. Israel not only occupies Palestine, the Golan Heights in the Syrian Arab Republic and some parts of South Lebanon, but continues to launch attacks on Arab countries, most recently the Syrian Arab Republic. In 1982, Israel also invaded Lebanon and besieged its capital. It attacked again in July 2006, causing heavy human losses and extensive damage.

Another notorious example is Iraq: invaded and occupied by a United States-led coalition in 2003, the country saw its institutions and infrastructure destroyed and afterwards inherited a legacy of sectarian and ethnic division.

Moreover, several Arab countries host large foreign military bases or are under the influence of foreign powers. While that situation continues, national sovereignty remains illusory. The failure to adopt unified positions against such interference, even in cases of flagrant aggression, has weakened the Arab world, and encouraged foreign powers to be cavalier with its freedoms and sovereignty while pursuing their own strategic goals connected with oil and the State of Israel.

Building the security and well-being of the Arab people in the face of external threats begins with stronger Arab coordination and commitment under the Treaty of Joint Defense and Economic

Building the security and well-being of the Arab people in the face of external threats begins with stronger Arab coordination

Cooperation signed over six decades ago, in 1950 (box 7-1). This Treaty has frequently been ignored despite its vital importance. Arab countries, including those that spend huge amounts of money on armaments, have always called on foreign troops for protection. Such dependence mocks the vast sums invested in Arab arsenals.

Box 7-1 Excerpts from the Treaty of Joint Defense and Economic Cooperation, 1950

Article 1

The Contracting States, in an effort to maintain and stabilize peace and security, hereby confirm their desire to settle their international disputes by peaceful means, whether such disputes concern relations among themselves or with other Powers.

Article 3

At the invitation of any one of the signatories of this Treaty, the Contracting States shall hold consultations whenever there are reasonable grounds for the belief that the territorial integrity, independence, or security of any one of the parties is threatened. In the event of the threat of war or the existence of an international emergency, the Contracting States shall immediately proceed to unify their plans and defensive measures, as the situation may demand.

Article 4

The Contracting States, desiring to implement fully the above obligations and effectively carry them out, shall cooperate in consolidating and coordinating their armed forces, and shall participate according to their resources and needs in preparing individual and collective means of defense to repulse the said armed aggression.

Article 10

The Contracting States undertake to conclude no international agreements which may be contradictory to the provisions of this Treaty, nor to act, in their international relations, in a way which may be contrary to the aims of this Treaty.

Note: Full text of the Treaty is presented in annex I.

Israeli policies threaten Arab human security

The threat posed by Israel is not limited to the occupation of Palestine and the displacement of its people, the discriminatory and aggressive practices of the Israeli authorities or the Israeli army's repeated attacks on neighbouring Arab countries. Israeli policies as a whole compromise the security of Arab citizens across the region.

► Supporting civil wars and dividing Arab countries along sectarian lines

Before the State of Israel was established in 1948, the Zionist movement sought to thwart any Arab attempt at unity, or even cooperation. Post-1948, this policy extended to supporting civil wars in the region and sowing sedition among various groups. Israel took advantage of the sectarian and ethnic diversity of Arab countries, stoking feelings of injustice among minorities. In Lebanon, Israel supported certain parties in the civil war and sought to divide the country into a series of sectarian cantons. In the Sudan, it played a role in encouraging secessionist tendencies. In Morocco, Israel sought to strengthen its relations with Amazigh factions,¹ but failed to penetrate the Moroccan social fabric.

► Adopting the concept of religious or ethnic purity

Israel insists on being recognized by the world and the Arabs as an exclusively Jewish State. It imposes this recognition as a condition for reaching a settlement with the Palestinians. This policy is based on the concept of the religious or ethnic purity of States, which brought to humanity the worst crimes and atrocities of the twentieth century. The Israeli policy undermines the notion of human development based on good democratic governance, which guarantees equal rights for all citizens

irrespective of their religion or ethnicity. Arab recognition of Israel's 'purity' would effectively license it to continue with ethnic cleansing and discrimination against Arabs in Israel, both Muslims and Christians. It would also undercut the Palestinian's legitimate right of return to their homeland.

► **The nuclear threat**

Israel is known to possess a nuclear arsenal consisting of hundreds of atomic warheads.² It is the only country which has threatened to use nuclear weapons against the Arabs, and has actually taken preparatory measures towards that end. On 8 October 1973, Israel readied its nuclear missiles and directed them not only towards military targets in Egypt and Syria, but also against Arab cities such as Damascus.³ It may be noted that the war at the time was not a threat to Israel or Israeli territory, but took place on Arab lands occupied by Israel in 1967.

► **Occupation aggravates water shortages**

Israel has disputes with its neighbours over scarce water resources from the River Jordan and the Litani River. It is also exploiting and depleting the groundwater sources in Palestine and depriving Palestinians who live above these aquifers from drawing on them, in violation of international conventions. In the West Bank, Israel directs more than 83 per cent of available water to its citizens and settlers and sells Palestinians approximately 17 per cent of the water extracted from their land.

Water shortages threaten Palestinian lives and livelihoods, and the imminent exhaustion of potable water in the besieged Gaza Strip is a human disaster in the making.

Israel's aggressive practices make the environment unsafe, affecting the security of Arab citizens, especially children.

Examples include the cluster bombs dropped on Lebanon in July 2006 — after the terms of a ceasefire were agreed. Unexploded bombs in parts of the country continue to endanger lives. The use of white phosphorous shells during the Gaza War of 2008-2009 is another such case.

The worsening plight of refugees and displaced persons

As a direct result of deteriorating national security, the Arab region suffers more than any other region from crises related to refugees and forcibly displaced persons. Indeed, more than 53 per cent of the total number of refugees in the world comes from the Arab region, which is home to less than 5 per cent of the global population.⁴ In 2011, the number of refugees from the Arab region was estimated at more than eight million. This

More than 53 percent of the total number of refugees in the world comes from the Arab region

Box 7-2 Humanitarian disaster in the Gaza Strip

The people of Gaza face a humanitarian disaster, the main cause of which is a severe and worsening shortage of potable water.

The practices of the Israeli occupation since 1967, the siege it has imposed since 2006, and the continuous pressure of military operations have caused the water situation in the Gaza Strip to deteriorate. The decline in terms of quality and quantity is now critical and threatens the public health of the population.

Data show that 95 per cent of the water used in the Gaza Strip is not safe to drink and does not meet World Health Organization (WHO) minimum standards. Drinking it may cause infectious and malignant diseases. All sources of potable groundwater have dried up. Within 15 years, these water sources are expected to be completely unfit for human use. At that point, the one and a half million Palestinians trapped in the largest open-air prison in the world, the Gaza Strip, will face a death sentence.

Source: <http://www.unrwa.org/etemplate.php?id=1423>.

**Accepting
foreign
assistance
often obligates
recipients to
accommodate
donor country
or institutional
interests**

includes around five million Palestinians, about a million and a half Iraqis, 500,000 Sudanese, over a million Somalis, and 150,000 Syrians.

The problem of displaced persons is just as grave. According to data released by the Office of the United Nations High Commissioner for Refugees (UNHCR), the number of persons forcibly displaced within their own countries in the Arab region exceeded five million at the end of 2011; about half of them in the Sudan and more than a million in each of Iraq and Somalia.⁵

In the past two years, the number of refugees and displaced persons in the Arab region has increased with the

continuing influx of Syrian refugees. The total number of officially registered Syrian refugees reached two million in September 2013.⁶

These alarming numbers reflect the magnitude of human misery in the region, which extends to women and children disproportionately. Girls and women in particular suffer the worst types of violence and sexual exploitation. This is especially so given that both government aid and popular action to help refugees and displaced persons in the region are very limited.

Development failures threaten national security and human welfare

Threats to the Arab world are not limited to those from outside the region. Many risk factors result from internal policy failures.

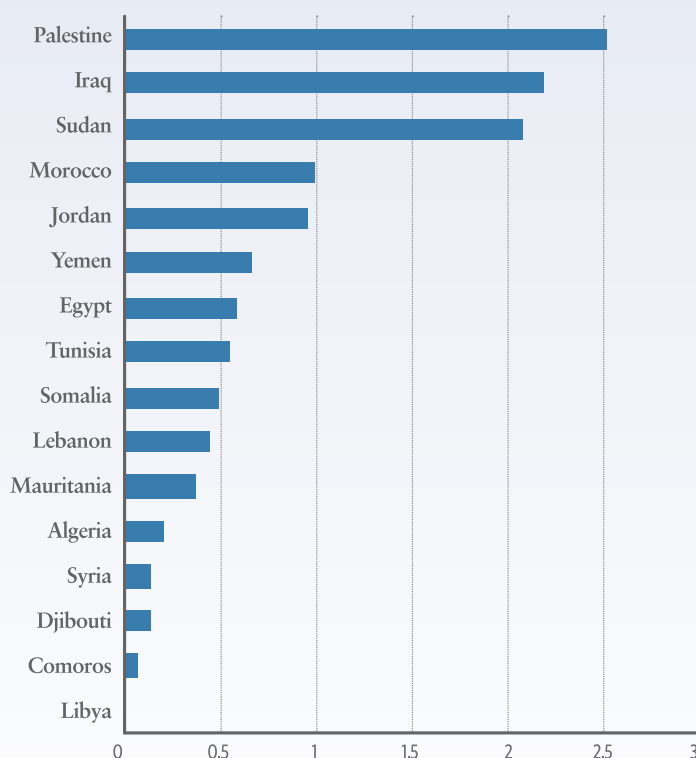
Overreliance on foreign aid

Some Arab countries rely heavily on foreign aid, which represents another source of foreign influence. Generally speaking, there is no free lunch when it comes to aid: those who give it usually do so as part of their own political agenda or that of their Government. Accepting foreign assistance often obligates recipients to accommodate donor country or institutional interests.

The data on development aid does not include military assistance, a huge inflow in some Arab countries. Military aid to Egypt, for example, amounts to US\$1.3 billion annually.⁷

In Arab countries, official decisions about the use of foreign aid are taken without popular participation and under weak public systems of monitoring and accountability. Thus, foreign aid can

Figure 7-1 Foreign aid to Arab countries, 2010 (Net sums, in billions of United States dollars)



Note: Net official aid for development comprises soft loans to recipient countries less repayments, in addition to grants from organizations that are members of the OECD Development Assistance Committee, multilateral agencies and other development partners.

Source: ESCWA calculations based on the World Bank WDI database. <http://data.worldbank.org/data-catalog/world-development-indicators>.

sometimes shore up political autocracy and tyranny, and invite corruption and waste.

Rampant corruption and illicit financial outflows

Corruption is rampant in the Arab countries. This is especially true if 'corruption' is understood to include the unlawful acquisition of money through political or financial power. The example of Iraq demonstrates that chaos nurtures the spread of corruption. Realities on the ground in that country today stand in stark contrast to the stated goals of the former occupying forces, namely building democratic institutions, establishing transparent governance and fighting corruption.

Illicit financial flows (IFFs), which are funds illegally earned, transferred, or utilized, are an extremely serious issue in the Arab countries, and reflect the extent of corruption plaguing them. The report *Absorption of Illicit Financial Flows from Developing Countries: 2002-2006*, issued by Global Financial Integrity (GFI),⁸ shows that developing countries lose large and increasing amounts of money through IFFs. The report estimates that IFFs from developing countries are equivalent to approximately ten times the official development assistance (ODA) they receive. The annual IFFs from developing countries average US\$1 trillion and are growing at a high annual rate, about 18.5 per cent. Between 2002 and 2006, the annual growth rate of IFFs worldwide was highest in the Middle East and North Africa, which includes the Arab countries, where it reached nearly 50 per cent. The average IFFs smuggled from Arab countries during that period exceeded \$111 billion a year⁹ (figure 7-2).

Those IFFs are proceeds from operations involving corruption, crime and tax evasion. The various taxes evaded by

businesses account for about 60 per cent of total illicit outflows. The report utilized several tested economic models to arrive at the most credible estimates. Trade and external debt data from the World Bank and the International Monetary Fund (IMF) provided the basis of the study.

Money smuggling is only one form of corruption in the Arab countries. Large-scale corruption pervades official transactions, especially in major arms supply deals.

Illicit financial flows from Arab countries exceeded US\$111 billion a year

Box 7-3 Corruption in Iraq after the occupation

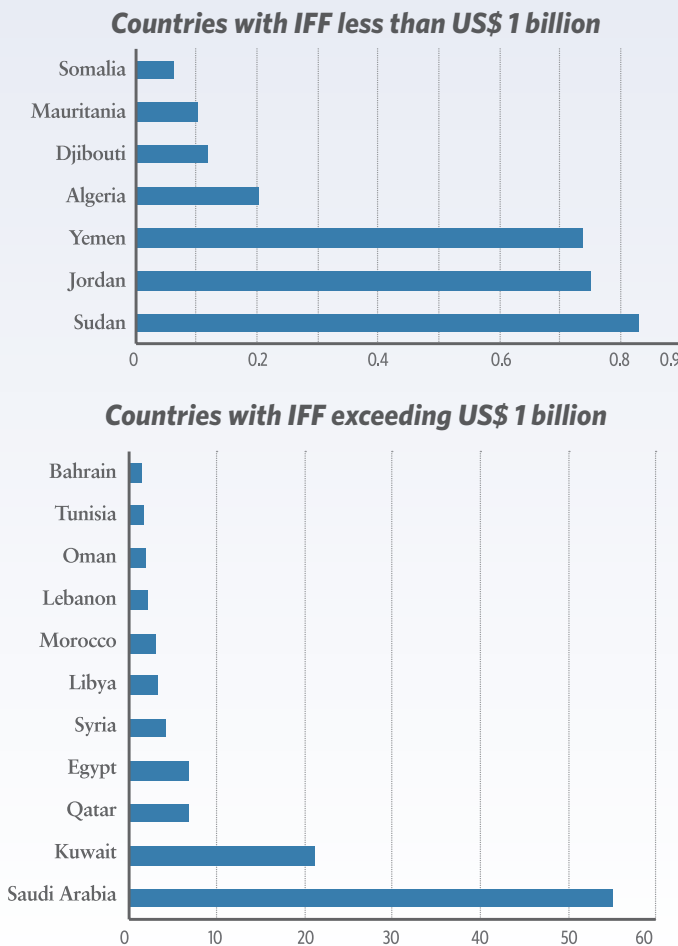
The events that followed the invasion in 2003 created conditions conducive to the spread of corruption. Although corruption certainly existed under the former regime, including bribes and other 'transaction costs' in the implementation of the United Nations Oil-for-Food Programme, the consensus is that corruption peaked after 2003.

The flow of reconstruction funds after 2003 was too large to be managed by the weak and disorganized Iraqi public sector. Rampant corruption followed, undermining State-building efforts. In 2006, Iraqi Prime Minister Nouri al-Maliki described corruption as the second form of terrorism in the country. As a result, Iraq continues to rank poorly on most international corruption indices. According to the Corruption Perception Index of Transparency International, Iraq ranked 169 among 175 countries in 2012, and scored 18 points on a 100-point scale measuring corruption in the private sector. Going by the 2011 Worldwide Governance Indicators (WGI) applied by the World Bank, Iraq has the least control over corruption in the world.

In the area of trade, a 2012 World Bank survey showed that bribes are solicited in 33.8 per cent of trade transactions with the public sector. Eighty nine per cent of the companies with medium-size investment projects in Karbala resort to bribery and offer gifts to public officials to facilitate their business, and 70 per cent of the companies operating in Baghdad have encountered demands for bribes.

Source: <http://www.iraq-businessnews.com/tag/transparency-international/>.

Figure 7-2 Average illicit financial flows from Arab countries, 2002-2006 (Billions of United States dollars)



Source: Kar and Cartwright-Smith, 2008.

The 'opportunity cost' (an economic term for the cost of missed opportunities) of these illicit outflows raises the sharp question: what if these enormous sums of stolen and smuggled money from Arab countries had been available for their human development?

In the absence of democracy, group loyalties supplant national loyalties

A number of Arab countries have recently seen a rise in sectarian and ethnic

feuds, which have come to threaten unity and civil peace in Arab societies.

In countries under autocratic rule, most citizens suffer social injustice. Naturally, they seek an end to their plight and aspire to exercise their rights in dignity. Those rights are what good democratic governance based on the principle of equal citizenship guarantees: social, economic, cultural, civil and political rights for all people.¹⁰ Under good democratic governance, citizens are equal before the law and protected by it without discrimination. Group loyalties — whether tribal, clan-based, sectarian or confessional — recede when equal citizens can exercise their rights under the law. But in the absence of good governance, particularly where discrimination against social, sectarian or tribal identities is tolerated, individuals and families turn to their particular group to remedy injustice.

The population challenge: problem or opportunity?

United, the Arab people represent a powerful force for bringing about a knowledge-based renaissance. The size of the Arab population is not itself an obstacle to such a process. It would, however, become a burden if the knowledge gap persists as this would create ever-larger pockets of backwardness and dependency that would weigh down economies and further erode the region's human capital.

If the Arab population is compared to that of other major countries, it becomes clear that population size is not invariably a limitation. Today, the Arab population is equivalent to a quarter of the population of India, and a fifth of the population of China;¹¹ the large population in either country has not prevented it from making great progress although its size has influenced the type of development policies adopted. Both countries have developed more dynamically than the

Arab region, especially in acquiring and adapting knowledge and harnessing it to build economic capacity.

The size of the population in Arab countries varies greatly. Countries such as Algeria, Egypt, Iraq, Morocco, Saudi Arabia, the Sudan and Yemen have dense populations of tens of millions of people. On the other hand, Bahrain, the Comoros, Djibouti and Qatar have small populations of less than one million people.¹² The Gulf countries include a high percentage of expatriates.¹³

Differences in population size, and in the relationship between population and socioeconomic conditions in Arab countries, call for a more analytic approach to the 'population problem'. In some Arab countries, the population problem is the demographic opposite of that in others, especially in terms of population size and rate of growth. Some natural resource-rich countries have small populations and even smaller native workforces, while other less well-endowed countries have surplus labour. Incongruously, the total migrant workforce coming from outside the Arab region is estimated at 15 million¹⁴ while some Arab countries have high unemployment rates. These variations suggest that the population problem in the Arab world is not so much an issue of growth as one of distribution. Regional integration could turn the mismatch between human and natural wealth in individual Arab countries into effective intercountry complementarities.

Population-wise, the Arab world is virtually in a state of complementarity already because the 'demographic window' in the region is opening on countries sequentially rather than simultaneously. This allows for successive flows of young people who can bring energy, creativity and innovation to bear on development. However, this opening will only turn into a demographic gift if Arab countries make collaborative investments

in education, public health, scientific research, technology development and employment-generation. Investing in human development on this regional scale would enable youth to grow into a dynamic, skilled and economically active workforce, with lower dependency ratios and the capacity to generate income, savings and investment.

So the answer to whether Arab population growth is an asset or a burden depends very largely on how seriously the Arab countries invest in their own people. The right policies and close cooperation will make all the difference.

Economic fragility and faltering human development

Each post-independence Arab State attempted to develop separately. But the courses they took were very similar. In many cases, national leaders dictated the social contract with their people, adopted rent-based economic models and pursued narrow development policies that left large areas of unemployment, poverty and social injustice. Their legacy is still apparent today.

► The spread of rent appropriation

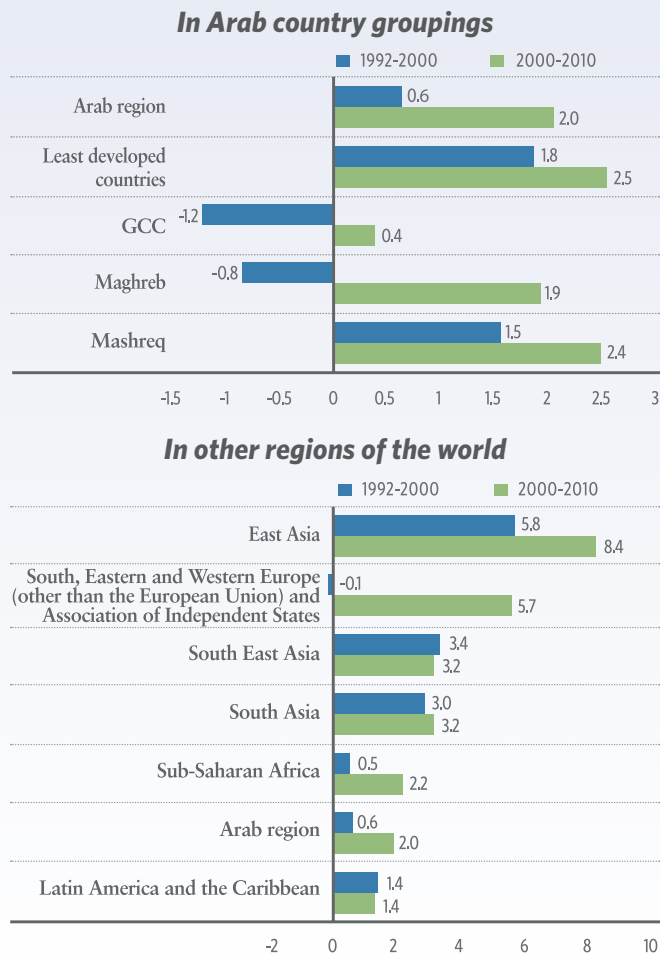
Rent, in short, is the financial revenue or profit that results from the monopoly of a material or moral asset. The income it brings is not necessarily associated with an increase in total output or in productivity.

The Arab States are either original or derivative rentier States. Arab oil countries belong to the first category, where the authorities monopolize oil extraction and directly appropriate oil proceeds. For their part, Arab non-oil countries obtain original rents from the earth in the form of ore and other raw materials, such as phosphate in Jordan and Morocco. They also obtain derivative rents from the share of oil revenues they receive through the remittances of workers in Arab oil

The
'demographic
window' will
only turn into a
demographic
gift if Arab
countries make
collaborative
investments
in building
human capacity,
scientific
research and
technological
development

Failed
development
policies
caused the
spread of rent
appropriation,
unemployment
and poverty

Figure 7-3 Average labour productivity in Arab countries and the world, by group



Source: International Labour Organization. http://www.ilo.org/empelm/what/WCMS_114240/lang--en/index.htm.

countries, as well as from the financial aid of those countries. This income amounted to about US\$5 billion in 2010.¹⁵ Some non-oil Arab countries derive rents from their geostrategic location, as in the case of Egypt and the Suez Canal. Egypt also obtains rents for its strategic political role in its peace treaty with Israel. Some poor Arab countries have become addicted to foreign aid, and some such as Yemen also obtain 'original' rents because of the 'war on terrorism' conducted on its territory.

The first victims of the rampant rent appropriation pattern across Arab

countries are the people. The States enjoying those rents see little need to develop strong, diversified production structures to meet people's needs and raise living standards. Why go to such difficult lengths, when easy money can buy any commodity? This attitude reveals how an extractive economy distorts mindsets, and it has led Governments to neglect real and sustainable economic development.

Rentier societies are political monopolies: rulers are not accountable to the people because they are not elected by them and because the State usually appropriates and distributes rents directly, instead of relying on taxes. The people provide their leaders with neither funds nor legitimacy, and can thus be ignored, in contrast to the close accountability to tax payers of elected leaders in democratic societies.

A third distortion in rentier economies comes from the way that money and power usually go together, which skews the direction of societal incentives. For example, it deters investment in efficient means of production or knowledge acquisition since neither provides access to power and decisions, which remain tied to wealth.

The net effect of such distortions has been to condemn rentier societies to primitive extractive economies and low individual and collective productivity.

► Poverty, unemployment and low productivity

Labour productivity is relatively poor in all Arab economies. Although it has risen slightly in recent decades, it remains at the lowest levels in the world. Low productivity is associated with poor growth, distorted economic structures and weak labour markets, which in turn create unemployment and poverty.

From a comparative perspective, labour productivity decreases in Arab countries when oil revenues are excluded from the

gross domestic product (GDP), because the latter reflect a geographical advantage, not a level of productivity.

Arab countries suffer from very high levels of unemployment which harms human development and disproportionately affects such vulnerable groups as young people, women and the poor. Partial open unemployment is widespread in rural areas and in the informal business sector.

According to the *Arab Millennium Development Goals Report*, the unemployment rate in the Arab region reached 14.5 per cent in 2012. The highest increase was recorded in the least developed countries from 8.4 per cent in 2010 to 18.4 per cent, followed by the Mashreq countries where the unemployment rate rose from 11.3 to 16.3 per cent.¹⁶

Taking into account population growth projections, the composition of the workforce, the Arab youth bulge and age distribution, and assuming that the unemployment rate will remain at this level, it is estimated that by 2020 the Arab countries will need 51 million new jobs.¹⁷ Without those jobs, young entrants into the workforce will face a bleak future.

Rising unemployment, weak social protection systems and worsening distribution of income and wealth have lowered living standards and increased poverty among large segments of Arab societies. These explosive conditions cause human misery, increase social divisions and hold back progress.

Poverty estimates for Arab countries based on the income poverty line show that more than a fifth of the population of the Arab region is poor, and that it is the only region in the world that has not achieved any significant progress in poverty reduction in the past two decades.

When compared to indicators of human poverty, namely the deprivation of basic human capabilities, income-based poverty

estimates may underestimate the situation. Conventional income poverty measurement does not capture the kind of human misery that cannot escape the eye in Arab countries: the street children, elderly beggars and the disabled found in many Arab capitals who subsist under degrading and harsh conditions; or the mushrooming slums alongside the sumptuous communities of the wealthy few.

There is evidence of growing disparity in income distribution in the Arab countries during the last decade of the twentieth century.¹⁸ A recent study from the United Nations Development Programme (UNDP) pointed out that “the Arab region is characterized by income and wealth inequalities that are not reflected in Gini coefficients.” The study concludes that “the expenditure of the (actual) highest percentiles, which is difficult to capture in household surveys, underwent significantly higher-than-average growth. If so, it is conceivable that reported inequality measures are underestimated.”¹⁹

Not surprisingly, unemployment, poverty, inequality and social injustice were among the chief grievances of the Arab popular revolts. This explosive mix had been building for years.

Current and emerging risks to the environment

The Arab world faces serious environmental hazards which, if neglected, could threaten human lives in the foreseeable future.

The fragile regional environment and its arid and semi-arid nature constitute the biggest challenge to sustainable development, and to food security and safe drinking water. Dry and semi-dry land accounts for 90 per cent of all Arab territory.²⁰ The worsening food security

Some poor Arab countries have become addicted to foreign aid, and some obtain ‘original’ rents because of their geostrategic location or their political role

More than a fifth of the population of the Arab region is poor

of the Arab region is further affected by steadily encroaching deserts and the loss of wide swathes of arable land. Overlooking these risks would leave future Arab generations facing a calamity.

Water scarcity

The Arab region occupies about 10 per cent of the area of the planet, and is home to 5 per cent of the world population. Yet, it contains less than 1 per cent of the freshwater resources in the world.²¹ The Arab water crisis is further exacerbated by the fact that two thirds of renewable water resources originate from outside the region. The impact of global climate change is expected to aggravate water scarcity in several areas.

In only six Arab countries does the per capita share of renewable water resources exceed the water poverty level (1,000 cubic meters per year). These countries are the Comoros, Iraq, Lebanon, Mauritania, Somalia and the Sudan which account for only 18 per cent of the region's population. Moreover, the per capita share in 12 Arab countries is below the level of acute water scarcity (500 cubic meters per year).

Per capita water availability in the region is expected to decrease as a result of changing lifestyles and growing population, especially in urban areas. Adding to the problem is evidence of deteriorating water quality. Further water pollution is likely to ensue from indiscriminate urbanization with its sanitation risks, effluents and waste. At the same time, the region will incur an increase in the salinity of fresh water as a result of rising sea levels and saltwater intrusion into groundwater.

The total volume of surface water available in the Arab countries is estimated at 277 billion cubic meters per year, 43 per cent of which rise from Arab countries, and the rest from outside.²² This in itself demands regional cooperation as

it requires the development of institutional and legal frameworks for the management of basins shared by riparian countries.

By the end of the twenty-first century, under global climate change, the rainfall in the region is expected to decrease by a quarter, with a 25 per cent increase in the evaporation rate, which would threaten rain-fed agriculture and decrease yields by at least a fifth.²³

Water scarcity, shrinking arable land, population growth, urbanization and large dependence on imported food in the Arab region make food security an urgent priority. The countries of the region have adopted the traditional concept of food security,²⁴ which seeks to achieve self-sufficiency for each individual country. In the past, this approach has adversely affected the environment. In the name of self-sufficiency, water and land were often overexploited, harming the environment without achieving food security. These policies increased water insecurity through the over-use of non-renewable groundwater resources and by increasing their salinity ratios. A study that covered Iraq, Jordan, Lebanon, Palestine, the Syrian Arab Republic and Turkey, concluded that the structural deficit in water resources experienced by most of these countries makes current levels of exploitation unsustainable.²⁵

Yemen faces the most severe water and food crises in the region, as 19 of its 21 aquifers have been drained. The other Arab countries are not much better placed. Jordan is facing a huge water deficit; its water per capita may decrease from 200 m³ to less than 100 m³ within three decades.²⁶ Algeria, Iraq, Morocco, Tunisia and the United Arab Emirates are among water-deficit countries as they consume much more water than their renewable water resources.²⁷

Gulf Cooperation Council (GCC) countries rely heavily on seawater desalination. There are now more than

Overlooking the environmental risks would leave future Arab generations facing a calamity

Two thirds of renewable Arab water resources originate from outside the region

a hundred desalination plants in GCC countries. Desalinated water caters to a large proportion of the total water demand in GCC countries, reaching 40 per cent in Oman and Saudi Arabia, 92 per cent in Bahrain, 97 per cent in Kuwait and 99 per cent in Qatar in 2005.²⁸

Desalination, however, has various harmful effects which diminish its efficiency. This expensive process is energy-consuming and produces greenhouse gases. Also, by returning the extracted salt to the sea, the process raises seawater salinity, which harms the marine biota. In some Gulf areas, water salinity has reached eight times the previous rate. Yet the seawater desalination market continues to grow vigorously.²⁹

Arab environmentalists warn that the current wasteful use of water and energy resources must be stopped to avoid an ecological disaster. Unless rescued by breakthrough technical discoveries, the Arab region will inevitably face a chronic water deficit.

Disputes over water could trigger conflicts and wars in and around the region. These disputes can only be settled peacefully through joint Arab action. It may be noted that the Darfur conflict started with the mismanagement of a drought crisis and that Egypt could face potential threats from the construction by Ethiopia of dams on the Blue Nile River.

The potential impact of climate change

It is expected that climate change will cause changes in temperature and rainfall, more frequent disasters and extreme events, and increased surface water runoff and river flow rates in the Arab region. These changes, in turn, are expected to cause serious hazards: a decline in the level of water resources in large and small river basins, including the shared river basins from which freshwater is derived; a

deterioration in the water quality of rivers and coastal areas stemming from sea-level rise; saltwater intrusion into aquifers in coastal areas; slower replenishment of renewable and non-renewable fossil groundwater resources; and a decrease in the availability of surface water.

Areas at the highest risk from sea-level rise are the coastal regions of the Arab countries, where most economic activity, especially agriculture and population centres, is concentrated. A study conducted by the Arab Forum for Environment and Development concluded that sea-level rise by one meter will have serious effects on Algeria, Egypt, Morocco and Saudi Arabia, and will affect 37 million people in the region.³⁰

Drought, which is becoming more severe and widespread with the changing duration of seasons, may halve agriculture yields, if no new preventive measures are taken, such as the development of agricultural strains that can withstand harsh climates.

People will face health risks as a result of rising temperatures. The spread of malaria, which currently affects three million people per year in the Arab region, is expected to increase and invade new areas. The fact is that a higher temperature would shorten the incubation period of the parasite in the mosquito and help it multiply and spread. The spread of malaria (as well as bilharzia) is likely to affect Egypt, Morocco and the Sudan in particular. A higher concentration of carbon dioxide and more frequent and more severe sand storms will increase chest diseases and allergies in the region.

Tourism would also suffer. Hotter summers may keep tourists away; natural attractions such as the coral reefs in the Red Sea may lose their distinctive colours. Coastal erosion and sea-level rise will affect tourism in Egypt, Jordan, Lebanon, Morocco and Tunisia especially where sandy beaches are narrow and buildings

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The crisis of Arab civilization stems from the loss of vitality in its cultural heritage, a weakness that threatens to sap social development and creativity

are close to the sea, such as in the Northern Coast of Egypt.

Biodiversity, which is already deteriorating, will also be affected by climate change; a rise in temperature by two degrees may result in the extinction of up to 40 per cent of existing biological species. Moreover, unique natural structures that are found in Arab countries could be damaged, such as the Mesopotamian Marshes in Iraq, high mountain chains in Yemen and Oman and mountain ranges that are adjacent to the beaches of the Red Sea.

Distressingly, Arab countries still have no serious individual or collective adaptive strategies to protect the environment and mitigate the adverse effects of climate change.³¹

Localized environmental risks

The excessive emission of greenhouse gases is a harmful effect that is specific to the Arab oil countries. In 2008, Qatar had the highest rate of per capita emission of these gases in the world, with 49.1 metric tons (Mt), followed by Kuwait (30.1 Mt), and the United Arab Emirates (25.0 Mt).³² In these countries, emissions arise from oil and gas extraction, flaring of gas associated with oil, and seawater desalination. In the other Arab countries, emissions levels are relatively low. For example, at the other end of the emissions scale, countries such as Somalia and Yemen have insignificant levels of about 0.1 Mt each.

Thus, the pattern of carbon dioxide (CO₂) emissions per capita in the Arab region is one where a small group of countries producing oil for global markets accounts for world-topping levels while the great majority fall below the world average. This pattern lowers the region's aggregate contribution to the global problem relative to its share of world population. Nonetheless, Arab countries are expected

to be among those hardest hit by the negative effects of global climate change.

While Arab countries possess enormous sources of renewable energy, wind power and solar energy, commercial investment in these sources is still very limited. In fact, the rate of contribution of these sources to electricity production is only around 0.2 per cent of generated electricity.³³

After enduring years of dictatorship, war and occupation, Iraq is beset by environmental hazards, a legacy of neglect and military adventures. The remnants of depleted uranium munitions that were used in the invasion and occupation of Iraq during 2003-2011, as well as during the coalition war on Iraq after it invaded Kuwait in 1991, constitute an endemic environmental problem. This is expected to remain a cause of serious health risks for many generations. A recent report indicated that, since 2003, about 15 per cent of newborns in Fallujah suffer from congenital malformations.³⁴

One of the biggest challenges facing the region is the risk of nuclear radiation from reactors that are beyond the control of the International Atomic Energy Agency (IAEA), as is the case with the Israeli Dimona reactor. This kind of challenge requires a unified Arab stance, especially given that the Arab countries have asserted their right to use various energy sources (including nuclear energy) as a strategic option in sustainable development, as stated in the Arab Ministerial Declaration on Rio+20 which was issued on 19 April 2012.

Cultural tensions freeze prospects for integration

Certain conflicts embedded in the Arab civilization have contributed to the economic and social decline of the Arab

region. This is a cultural crisis which can paralyze progress if left unresolved. Reviving the innovative and creative character of Arab culture is the key to renaissance.

The crisis of Arab culture

The crisis of Arab civilization stems from the loss of vitality in its cultural heritage, a weakness that threatens to sap social development and creativity. Arab cultural heritage in itself does not constitute an obstacle to social progress. Some of its components, however, can be exploited either to impede or to drive progress. This is evident in the case of conflicts over the values and the collective and individual moral and material interests of the Arab world manifested in the intense debate over whether to maintain the old form of society or establish a new one. Such debate can be authentic and purposeful when it takes place in an active and self-driven civil society. However, when a civilization succumbs to foreign intervention, the independence and vitality of civil society are undermined and the conflict between its past and future takes a new dimension.

There are two factors behind the cultural crisis. The first is that, historically, the Arab cultural movement has only looked for inspiration abroad and been driven solely by external stimuli; and the second is that, as a result, the Arab culture has been suppressed at the intellectual and institutional levels. One movement has based itself on unassimilated ideas and values from outside; in response, the other has stiffened into resistance, clinging to dogmas and doctrines from its past. Consequently, with no scope for lived experiences, renewal or creativity in modern history, the original aspirations of the Arab world have lost momentum.

For centuries, Arabs adopted the output of other civilizations without an

appropriate theoretical foundation for such change. This undermined *ijtihad* (independent reasoning) and creative thought, as initial resistance to external influence gave way to the wholesale adoption of foreign solutions. Thus the role of *ijtihad* was reduced to convoluted justifications for borrowing solutions created by other cultures.

This began with the Muslim world's adoption of the institutions of the Roman and Persian empires; it has continued into modern times with the application of Western models to every aspect of Arab life, from political, educational, legal and economic systems, to the content and shape of theoretical and practical thought. The Arab States came to import institutions in the same way as they import goods.

Reacting to the blind importation of solutions and constructs from foreign cultures, Islamic theology (*usool addeen*) became defensive and doctrinaire, taking scriptural tenets as rigid truth, instead of continuously searching for that truth. Such rigidity blocks the imagination, which generates everything from scientific theories and the humanities to physical institutions and technology. This in turn has resulted in the demise of spiritual and material creativity.

Reacting to the borrowing of legal norms from foreign laws, Islamic jurisprudence (*usool al-fiqh*) reduced justice to inflexible codes frozen for centuries instead of constantly searching for living justice and the conditions for achieving it. This distortion has paralyzed independent reason and smothered moral and institutional creativity.

The loss of imaginative, theoretical and rational faculties in theology and jurisprudence led to the narrowing and restriction of two crucial practices: *ijtihad* as the essence of absolute theoretical and practical reason, and *jihad* (struggle) as the essence of applied theoretical and practical reason.

Historically, the Arab cultural movement has only looked for inspiration abroad; consequently, with no scope for lived experiences, renewal or creativity, the original aspirations of the Arab world have lost momentum

**Blocking
the creative
application of
independent
reason has
crippled the
Arab world**

When doctrine and conformity eclipse imagination and reason, the result is passivity. Passive minds shun creative ventures or new ideas that might spell chaos. Their default stance is one of prohibition; and from that initial negative position, they decree what rigid tradition allows. Thus, theology has been reduced to flat prohibition and permission, ignoring the richness of Islamic thought, and paving the way for the return of spiritual and temporal authorities that claim to be infallible mediators between humans and God. Neither imagination nor reason has any scope in that setting.

As a result, *ijtihad* and *jihad* have been stripped of their original meaning and become limited to jurisprudence and militancy respectively. *Itjihad* is now solely a duty of jurists, instead of the obligation of every believer to seek lifelong knowledge; and *jihad* is for warriors only, instead of being a general task of self-preservation in the material world for every believer.

This narrowing of two vital cultural arteries has restricted theoretical and

practical sciences (partial *ijtihad*) as well as their aesthetic, technical, moral and institutional applications (partial *jihad*). It has crippled the Arab world by blocking its access to theoretical and practical knowledge, and the creative application of independent reason. Its outcome, passivity, has undermined the public commitment of Muslims to the life of the community. This is how the dialectic of dual blind imitation — both of the indigenous past and Western present — has come to polarize contemporary Arab culture.³⁵

The rise of extremism

The crisis of the Arab Islamic culture, and in particular the distortion of *jihad* and *ijtihad*, has produced groups with extreme and exclusionary doctrines that limit public rights and freedoms — especially those of women and non-Muslims. These groups seek to impose a rigid version of *sharia* on society. Their mission and methods contrast sharply with the Islam of reason, justice, equality, tolerance and compassion.

Box 7-4 Mohammed's pledge to Christians

"This is a message from Mohammed bin Abdullah to all people, as a harbinger and herald and as entrusted by Allah with the souls of his creation, lest the people have an excuse before Allah after his messengers, and Allah is mighty and wise. He wrote this message as a covenant to the people of his faith and all followers of Christianity from all parts of the world, near and far, known and unknown whether they are Arabs or non-Arabs. Those who violate this covenant shall be considered as violating the covenant of Allah and deriding his religion therefore deserving malediction, whether they were sultans or other Muslim believers.

Bishops shall not be replaced in their dioceses, monks shall not be removed from their monasteries, hermits shall not be disturbed in their solitudes, and preachers shall not be prohibited to preach. Their churches shall not be destroyed nor any of their material used in the construction of mosques or houses of Muslims. Should someone commit any of these, he shall be considered as violating the covenant of Allah and disobeying his Messenger. The monks and bishops shall not pay fines or tributes. The Christians, wherever they were, on land or in sea, East or West, North or South, are under my pact, and I protect them from all harms.

Ali bin Abi Taleb wrote this covenant in his own handwriting at the mosque of the Prophet. The Companions of the Prophet, peace be upon him, acted as witnesses to this covenant."

The fanatical sectarian rhetoric of these extremists incites blind sedition that threatens Arab unity. Some groups have gone beyond hard-line rhetoric to engage in organized violence against Christians and followers of other Muslim sects. Their leaders issue extremist *fatwas* (edicts) to justify violence, adding fuel to this fire, which threatens to engulf the region in religious and sectarian feuds.

Following the United States occupation of Iraq in 2003, Iraqi Christians, one of the oldest Christian communities in the world, became targets of savage violence aimed at their lives, property and places of worship, which forced large numbers of them to emigrate. There were over one million Christians in Iraq before the occupation; that number has dropped to less than half after the escalation of sectarian violence.³⁶ Two years after the end of occupation, Iraq is still plagued by religious and sectarian wars.

Muslims of all sects are often targets of extremist *fatwas* and acts of violence.

Such *fatwas* contradict true religion, as indicated in the *fatwa* issued by Sheikh Al-Azhar, Egypt in April 1960.

Persecuting Christians and Muslims is incompatible with the principle of the equality of all citizens and with the true spirit of Islam. It contradicts *sharia*, the Koran and the *Sunnah*. It is no coincidence that every verse of the Holy Koran begins with the recitation: *﴿In the name of Allah, the Merciful, the Compassionate﴾*. The two adjectives convey intense compassion. The Koran says that Allah considers leniency in the Islamic call as part of His mercy to the people, advocates and invitees, and forbids harsh treatment because it defeats the purpose of the call: *﴿It is part of the Mercy of Allah that thou dost deal gently with them. Wert thou severe or harsh-hearted, they would have broken away from about thee; so pass over (their faults), and ask for (Allah's) forgiveness for them...﴾* (Sourat Aal Imran, verse 159). The Koran also indicates that Allah stresses on wisdom

The distortion of jihad and ijihad has produced groups with extreme and exclusionary doctrines whose rhetoric incites blind sedition

Box 7-5 *Fatwa* by the Grand Imam of Al-Azhar Mahmoud Shaltout establishing the legality of following the Imami Shia doctrine

His Eminence was asked: Some people believe that for Muslims to be worshipping the correct way, they should follow one of the four known schools, which exclude the Imami Shia and Zaidi Shia doctrines. Do you absolutely agree with this opinion and therefore prohibit following the Imami Shia Twelver doctrine?

His Eminence said:

"Islam does not require any of its followers to adopt a certain doctrine. We say: Each Muslim has the right to follow any of the properly transmitted doctrines that have their own documented provisions. Those who follow a certain doctrine can convert to any other doctrine. Nothing prohibits that.

It is legal to follow the Jaafari doctrine, known as the Twelver or Imami Shia doctrine, like the other Sunni doctrines.

Muslims should know that and abandon the unjust intolerance of certain doctrines. God's religion and *sharia* were never associated or limited to a doctrine. All Muslims are *mujtahids* accepted by Almighty God. Those who are not eligible to assess and practice *ijihad* can adopt the views of *mujtahids* and adhere to their jurisprudential decisions on matters relating to worship and transactions."

Box 7-6 *Fitnah* (sedition) is worse than killing

﴿...and *fitnah* is worse than killing﴾ (The Koran, Sourat Al-Baqara, verse 191).

﴿And fear a trial which will not strike those who have wronged among you exclusively...﴾ (Sourat Al-Anfal, verse 25).

﴿Say, O People of the Scripture, come to a word that is equitable between us and you...﴾ (Sourat Aal Omran, verse 64).

﴿The Messenger has believed in what was revealed to him from his Lord, and [so have] the believers. All of them have believed in Allah and His angels and His books and His messengers, [saying], "We make no distinction between any of His messengers."﴾ (Sourat Al-Baqara, verse 285).

Note: English translation of the Koran verses is taken from Sabih International. <http://quran.com>.

**The Arab
educational
systems
provide a
high level of
education for a
few, and a low
level for the
vast majority**

and good advice in carrying the call: ﴿Invite (all) to the Way of thy Lord with wisdom and beautiful preaching; and argue with them in ways that are best and most gracious: for thy Lord knoweth best, who have strayed from His Path, and who receive guidance﴾ (Sourat Al-Nahl, verse 125).³⁷

The knowledge lag

It is widely understood that people are a country's most valuable resource, the primary means and ultimate end of human development. People embody and transmit knowledge, the quality of which determines progress. Education is the essential means through which humans acquire their knowledge capabilities, and is a cornerstone of national policies.

Arab educational systems are divided into two separate and incongruent domains, a large public sector and a smaller private one. The two sectors vary in terms of resources, quality of education and quality of the educational

process. They also differ in the level of their students and the qualifications they acquire, which are often unsuited to a labour market that has its own shortcomings.

Arab countries made great progress in providing education for all, but their quantitative achievements have not been matched by comparable improvements in quality. Educational systems remain unenterprising and fail to build the skills necessary for innovation and productivity. Their approach to knowledge acquisition does not sufficiently emphasize self-learning or analytical and critical thinking skills, the drivers of creativity.

International studies show a low level of educational attainment in Arab countries, especially in mathematics and science. The 2011 *Trends in the International Mathematics and Science Study* (TIMSS), in which only 14 Arab countries participated, showed that the scores achieved in the participating Arab countries came out below the average international scores. None of the participating Arab countries reached the 500 points threshold.³⁸

The majority of schools in the Arab countries which participated in the 2007 TIMSS had a small number of outstanding students and large numbers of low-grade students. Such educational systems provide a high level of education for a few and a low level for the vast majority, which hardly corresponds to a quality education for all. Lifting the level and quality of learning at schools in the Arab region has become urgent.³⁹ Generally speaking, outstanding students in Arab countries excel despite the current educational system, and not because of it.

The ministers of education of 17 Arab countries put their weight behind education reforms in the *Doha Declaration: Quality of Education for All* issued by the Ministerial Colloquium on Quality of Education in the Arab States (Qatar, 21-22

September 2010). They acknowledged the lack of resources in most countries to conduct important evaluation studies and therefore called for a joint Arab evaluation system and a regional research programme on education quality as well as for the development of common standards, benchmarks and databases.

In a recent ranking of world higher education institutions, not a single Arab university qualified among the top 100, while the list included three universities from Israel.⁴⁰

The *Times Higher Education Supplement* rankings of the top 400 world universities in 2012-2013 included only one Arab university, the King Abdul Aziz University in Saudi Arabia. This ranking considers all the core functions of a university, such as teaching methodology, research, transmission of knowledge and openness to the world. It included more than 60 universities in Asia, including three in Israel, five in Turkey, four in South Africa, and three in South America.⁴¹

Inadequate scientific research and technological development

Data produced by international sources on scientific research and technological development in Arab countries are limited, but what is available indicates that the Arab knowledge acquisition system is weaker than required for an effective contribution to human development.

The research and development system lacks resources, and suffers from a weak institutional infrastructure despite the relative abundance of human capabilities. Some brilliant scientists and engineers engaged in research and development in the Arab countries are not achieving their full potential. This paradox is one of the main causes for the Arab brain drain, which is being further exacerbated by globalization. Unsurprisingly, therefore, research and development

output is low and productivity in this field is deteriorating given the shrinkage in human resources. Arab scientific publications represent less than 1 per cent of world output, although Arabs constitute 5 per cent of the world population. The region's share of patent registrations is similarly low and not commensurate with the size of its population and financial capabilities.⁴²

Arab countries spend more on defence or consumer goods than on scientific research and technological development. In Kuwait and Saudi Arabia, the only two oil countries for which data was available, spending on scientific research and technological development does not exceed 0.1 per cent of GDP, while it reaches 0.2 per cent in Egypt. Qatar has announced it now allocates 2.8 per cent to scientific research and technological development; however, the data made available by the United Nations Educational, Scientific and Cultural Organization (UNESCO) do not include information on this. Comparison with the corresponding percentages in two high-GDP countries, Israel and the Republic of Korea, which are 4.3 per cent and 3 per cent respectively, shows the Arab region trailing in this vital field.⁴³

Scientific studies published in the Arab world are few: the number of publications in Egypt — the most productive Arab country in this field — is about half the number published in Iran, a third of that published in Israel, a quarter of Turkey's output, and a ninth of that of the Republic of Korea or India. In comparison with China the number is less than 3 per cent, a comparison, however, that favours Egypt when population is taken into account.⁴⁴

The patents index shows a similar situation. The output of Egypt, the Arab country listed first according to this index, is half that of Israel, a quarter that of Turkey and less than one-tenth that of the Republic of Korea.⁴⁵

**Acknowledging
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most countries
to conduct
important
evaluation
studies on
education
quality and
outcomes, the
Arab ministers
of education
called for a joint
Arab evaluation
system

Research and
development
output is low
in all Arab
countries**

The Arabic language, like all other languages, faces a number of challenges posed by the major shift taking place in global knowledge

Research and development efforts in Arab countries often lack relevance and neglect areas essential to knowledge societies such as communications and information. The main reasons for the Arab research and development gap are weak institutional infrastructure and lack of public support.⁴⁶ Knowledge thrives in an environment of adequate financing, just recognition, close cooperation and societal encouragement. A society that does not invest in the acquisition of knowledge is destined to be deprived of it and the productivity that flows from it.

The Arabic language at risk

Language mirrors culture. It reflects the regression or advancement of civilization. The Arabic language, like all other languages, reflects the status of the society that speaks it and follows its decline or progress.

The Arabic language, which is the vehicle of Arab culture, is the defining feature of the Arab world. At its most

vibrant, the Arabic language becomes the focal carrier of Arab comprehensive integration. When the Arab region was the cradle of a civilization that led the world in the production of knowledge, the Arabic language became an international language of science and civilization. The United Nations adopted the Arabic language in 1973 as one of its six official languages.

Classical Arabic is commonly used by all Arabs. It determines the Arab identity and is a reservoir of creativity. However, it is threatened by a distorted globalized culture, the use of foreign languages in education at the expense of education in Arabic, the deterioration of Arabic in Arab education systems, the adoption of local dialects and the misuse of Arabic in the media.

In his study of the risks threatening the Arabic language, Iraqi thinker Ali al-Qassimi warns that languages can, and do deteriorate and vanish.⁴⁷ In his book *Language Death*, linguist David Crystal defines criteria for the death of a language including the ascent of the language of the conqueror in a conquered country, to the point that it replaces its original language.⁴⁸ This is an established concept in sociology, which was earlier identified by Ibn Khaldoun in his *Al-Muqaddimah*: "The vanquished always want to imitate the victors in their distinctive marks, their dress, their occupations and all their other conditions and customs... A nation that has been defeated and come under the rule of another nation will quickly perish."

Linguists do not expect the English, German, French or Spanish languages to replace the Arabic language. However, some fear that the Egyptian, Iraqi, Moroccan and other local dialects may replace the classical Arabic, leading to its extinction.

Some think this fear is unfounded, arguing that "the Arabic language is not in danger of extinction, at least in the foreseeable future. For a language to

Box 7-7 Salah Abdel Sabour: the Arabic language — rich and poor at the same time

"By acknowledging that words are symbols of meanings we recognize that a poor language implies poor intellect....

Rich languages include terms that represent all human sensory and emotional perceptions. Dictionaries do not include any dead mummified terms, but living terms that continue to be used in everyday life.

In that sense, the Arabic language is very rich, but extremely poor at the same time. It is potentially rich and effectively poor, as Muslim philosophers say. Its potential richness is similar to the potential of a seed to become a tree. It must be watered and taken care of to grow and prosper."

Source: Abdel Sabour, 1977, pp. 173-178 (Arabic).

avoid extinction, it has to be spoken by at least 100 thousand people within a given country. The Arabic language is spoken by more than 300 million people."⁴⁹

The Arabic language is not in danger of extinction. Nevertheless, the language policies adopted by some Arab countries do not ensure the protection of the Arabic language, let alone its improvement. In fact, no effective measures have been taken to encourage the use of classical Arabic in the media and in the education system, or to promote Arabic in reading, knowledge acquisition and innovation and creativity. This has led to low reading rates and limited knowledge in Arab societies.

► Aspects of the linguistic gap

The major shift taking place in global knowledge poses a number of challenges to the languages of the world. Some challenges are common to all languages while others are related to the Arabic language, namely in research, terminology, education and documentation.

► **The research gap:** Arab scholars have not kept up with revolutionary advancements in linguistic theorization over the past 50 years. These advancements have produced many linguistic models, opened new horizons and placed language study in the category of exact sciences.

► **The terminology gap:** there is a wide range of Arabic specialized dictionaries in medicine, engineering, astronomy and the social sciences, and efforts are exerted to extend and improve those dictionaries. However, a terminology gap grows larger by the day as a result of the knowledge boom, outstripping human capacity to catch up. Attempts to generate Arabic scientific terms to match rapid advances in various branches of science are still dispersed and repetitive, with contradiction in some approved terms.⁵⁰ A new scientific method is urgently needed

for updating lexicons or preparing new ones, and for producing digital versions that are easy to search and read.

► **The gap in language teaching and learning:** methods of teaching or self-learning the Arabic language need to be developed to keep pace with the vital and changing features of the language itself, and to take advantage of information and communications technology (ICT). Successful experiences with ICT for language teaching provide useful models which could be adapted. An organized regional framework for this work would avoid scattered or duplicate efforts and build a new linguistic system rich in diverse terms, ideas and styles.

► **The gap in language use:** this gap is measured according to the use of the language at the individual and societal levels. The Arabic language suffers from a duality between classical and vernacular forms and competes with English or French. The problem of

The Arabic language suffers from a duality between classical and vernacular forms and competes with English or French, the legacy of British and French colonialism

Box 7-8 The sins of advertisers

Advertising can serve a useful purpose in society. It can also play a devastating role in the absence of regulation. One of the crimes of Arab advertising is its systematic and premeditated assassination of the Arabic language. In its quest to appeal to consumers, especially young people, the advertising industry uses a deliberately broken up Arabic language, creating a language that is even cruder than the vernacular language. Companies and advertisers compete in giving foreign brand names to goods, but written phonetically in Arabic. Even worse, they use foreign words for situations that have equivalent terms in both classical and vernacular Arabic. For example, the word 'cash' is used instead of '*naqdan*' and 'break' instead of '*istiraha*'. This is exactly what institutions concerned with protecting languages warn against.

Source: Panel of authors.

Box 7-9 Khalil Mutran, staunch defender of the Arabic language

Khalil Mutran was a poet with a unique calling. His first and foremost concern was the noble Arabic language and the Arab civilization, which he found ripe for renewal. He was a revered Bedouin who chose the humblest means to declare his own route to revolution and liberation.

In his poetry, he was primarily concerned with the regeneration of the Arab nation by enabling it to absorb the spirit and possess the tools of the times. He focused his energies on the Arabic poem, working on the theory that if Arabic poetry could successfully renew itself, the Arab civilization would also accept and absorb the spirit of the times.

In his introduction to the second part of *Diwan Khalil Mutran* (anthology of his poems) (1948) one year before his death, he reemphasized the ideas he had been promoting for forty years:

"I follow the predecessors in preserving the assets of the Arabic language and seeking appropriate instinctive inspiration from it... I expand on rhetorical doctrines to keep up with the necessities of the times as Arabs did before me. My greatest wish was to introduce new elements to Arab poetry, and to convince the conservatives that our language would be the mother of all languages if it were well maintained because it has all the elements that shall make it equal to all ancient and modern languages in expressing the most minute and significant purposes of the arts."

Introducing his epic poem *Nero* at a ceremony held by the Association for the Revitalization of the Arabic Language at the American University in Beirut, Mutran said:

"I hope to succeed in establishing evidence, though not so obvious in my poetry, that the Arabic language — which is extremely rich yet heavily shackled — is capable, when released, to open the doors of its endless treasures, and to grant its poets a unique vocabulary, fine sentences and wonderful metaphors to make it a surpassingly wondrous language."

Source: Adapted from Hijazi, 1989, pp. 188-205 (Arabic).

bilingualism swings between the need for localization and the use of foreign languages. The solution, as many acknowledge, is to Arabize education while requiring mastery of a foreign language.

- **The gap in natural language processing:** automated natural language processing (NLP) systems achieved tangible results with written language and, to a lesser extent, with spoken language. The automated NLP of the Arabic language has made significant technical and economic progress that should be built upon. The report of the Fifth Conference of the Arab Academy in Damascus indicated that "the processing of Arabic written and spoken texts has reached an advanced level...The automated translation from and into Arabic matches the level of automated translation of other languages."⁵¹

However, the automated NLP of the Arabic language is at a turning point and must be brought to a higher level. It needs to evolve from sentence processing to paragraph processing and eventually to the processing of narrative texts. At the same time, the use of artificial intelligence and knowledge processing systems requires an upgraded processing level to deal with the major substance of knowledge, the concept.

Opinions on the role and status of the Arabic language vary depending on one's perspective: it is a language with a brilliant past, a present overwhelmed by multiple rapid developments and a future that has yet to be determined, although hopes are high. It undoubtedly owns all of the elements needed for its advancement. In order for the Arabic language to make its potentially powerful contribution to Arab renaissance, it should be given every form of support.

* * *

Arab fragmentation has left behind a legacy of conflict that has affected the security of Arab citizens and undermined the very basis of their civilization. The economic system is no longer able to meet the material needs of the Arab world, nor can its cultural superstructure respond to its moral needs. The educational system has failed in its mission to nurture generations of knowledgeable, creative, pioneering citizens. The political system has not steered the region towards the type of economic and cultural development sought by the Arab people and promised by leaders; nor has that system upheld the basic rights to which citizens are entitled simply by virtue of their common humanity. The misfortunes visited on the Arab people are all the more regrettable because they could have been avoided; they leave to future generations an undeserved legacy of injustice.

**The Arabic
language
undoubtedly
has all of the
elements
needed for its
advancement**

Chapter 8

Arab Economic Integration:
Reaping Benefits for All

**It may be naïve to attempt to change the world,
but it is a crime not to**

Moncef Marzouki

Arab Economic Integration: Reaping Benefits for All

Since the 1950s, various policies and arrangements have been adopted to improve Arab economic integration, with mixed economic and social results across the region. Results fell below expectations owing to shortcomings in the policies themselves or their implementation. This chapter looks first at the possible consequences of maintaining current integration policies, which focus exclusively on the liberalization of trade in goods through the elimination of customs tariffs. This neglects, other more important obstacles such as technical and non-tariff barriers and high transport costs. The chapter next examines the possible benefits of not limiting economic integration to the liberalization of trade in goods, emphasizing the importance of removing tariff restrictions on Arab intraregional trade towards a more comprehensive system encompassing labour markets, capital and production sectors in addition to goods and services. It then compares the impact of each option on a set of basic economic indicators.

This chapter provides quantitative estimations of the impact of enhanced Arab economic integration on such important indicators as gross domestic product (GDP), Arab intraregional trade, production capacities, unemployment and poverty. It compares these estimations with those calculated on the basis of the status quo. The modalities for enhancing Arab economic integration discussed here include the completion of the Greater Arab Free Trade Area (GAFTA); the establishment of an Arab customs union; the addition of liberalized trade in services to the current integration agenda; the enhancement of production chains; the reduction of transport costs; and increased flexibility in the movement of Arab workers between Arab countries. Using computable econometric tools to simulate effects, this chapter shows that these behind-the-border changes would strengthen Arab economic integration more than merely lifting customs restrictions at the border. Adopting these steps would spread the benefits of economic integration more equally and take the quest for renaissance much further forward.

Establishing models for the enhancement of Arab economic integration

Enhanced intraregional trade and business relationships will boost investment and develop production capacities, spurring economic and social development. However, simply consolidating Arab economic integration will not, in the short term, transform Arab economies; they will still need to benefit from exports to other regions of the world. Thus, the strategies for stronger intraregional integration discussed here are not intended as alternatives to policies adopted to

strengthen the role of Arab economies in the global economy.

The simulation conducted for this chapter comprises two groups of modalities or strategies. The first group includes the completion of GAFTA, which requires the lifting of all protectionist restrictions imposed on intraregional trade, and the establishment of an Arab customs union. The second group includes the liberalization of trade in services, the introduction of more flexibility in the movement of Arab workers across the region, the development of Arab production chains, and the reduction of trade costs. Different quantitative methods and analytical tools were used in this chapter to analyze the effects of these

**Enhanced
intraregional
trade will boost
investment and
spur economic
and social
development**

modalities. However, the one used most was the computable general equilibrium (CGE) model.

Economic theory suggests three basic quantitative methods to measure and assess the economic effects that may result from restructuring trade policies, namely CGE models, partial equilibrium models, and time series models. The assessments presented in this chapter are based on CGE models because they combine all components of the economy and their interrelations.¹ The CGE models allow for an integrated assessment, meaning the simulation of the interrelationships between various economic markets (products and production elements). They also provide an assessment of regressive effects, or what is known as 'indirect retro-effects', in addition to immediate and direct effects. As comprehensive simulations, they can be used to compare the effects of changing a single economic policy with those of changing a package of policies.²

How much a change in trade policy benefits an economy depends on the characteristics of that economy, the policies applied before the change (taxation and support), the degree of distortions in production sectors, the size and composition of local demand, and the structure and characteristics of foreign trade. Where protectionist tariffs are already low, reducing the level of protection further will not lead to the same results expected from the abolition of high customs tariffs. In such cases, economic theories are not sufficient to assess the effects of restructuring trade policy. Additionally, since an assessment of completing GAFTA and establishing a customs union must cover many countries, the use of a single country CGE model does not meet the purpose. For all these reasons, it was necessary to develop and use a global CGE model to accommodate the largest possible number of Arab

countries and their trading partners. This model is considered the best evaluation tool for the task. Indeed, this chapter breaks new ground as this is the first time a global CGE model has been developed and used to assess the best modalities for Arab economic integration.

Strategies for enhancing Arab economic integration through liberalizing trade in goods

This section examines the first group of enhancement strategies, namely the completion of GAFTA in 2013 and the establishment of an Arab customs union in 2015.

Simulating the possible effects of the completion of GAFTA on each Arab country is doable. However, it is difficult to predict the effects of establishing an Arab customs union on each Arab country without knowing the results of ongoing negotiations within the framework of the League of Arab States. These negotiations relate to the economic principles, standards and legislation on which the customs union is to be based. Any simulation has to make several assumptions about the decisions Arab countries may take. Those decisions, in turn, remain constrained by multilateral trade provisions, namely the obligations of Arab countries within the framework of the World Trade Organization (WTO), in particular Article XXIV of the 1994 General Agreement on Tariffs and Trade (GATT) and the Understanding on the Interpretation of Article XXIV. Decisions will also depend on the outcomes of the ongoing negotiations, within the Doha Development Round, of Article XXIV and the transparency mechanism related to regional preferential trade arrangements. Arab countries would want to ensure that the customs union is established

To simulate the effects of trade integration modalities, a global computable general equilibrium model was developed and used to accommodate the largest possible number of Arab countries and their trading partners

and adapted in accordance with the integrated deal that will result from these negotiations.

The process of establishing an Arab customs union faces additional complications arising from the multiple, complex preferential trade agreements between Arab countries and countries and economic groupings outside the Arab region. These may demand compensation for damages if the Arab customs union adopted new protection levels or detracted from existing preferential treatment guarantees. The establishment of an Arab customs union would likely prompt a collective review of the current preferential trade arrangements of individual Arab countries. That process may be necessary to achieve a solid Arab customs union, and avoid loopholes which could undermine its economic and technical feasibility.

In the light of these myriad legal and technical complexities, simulating the establishment of an Arab customs union and assessing its impact on each of the Arab countries involves a large margin of inaccuracy. Thus, the scenarios discussed here are merely indicative. They are not intended as solid alternatives on which to base the process of Arab trade integration. Rather, they aim to give an idea of the implications of different hypotheses.

The simulation of trade integration behind this chapter explores how the completion of GAFTA and the establishment of an Arab customs union would affect various components of Arab economies. The simulation of GAFTA comprises only one scenario; it will be referred to as the first scenario. The simulation of the Arab customs union comprises three scenarios; they will be referred to as the second, third and fourth scenarios. Both modalities (and all four scenarios) are examined in comparison with a reference scenario, namely the maintenance of the status quo (table 8-1).

Completion of GAFTA

The first scenario will be the completion of GAFTA, which it is assumed will be achieved by the end of 2013. The completion of GAFTA implies the lifting of all remaining customs restrictions on Arab intraregional trade. The simulation of this scenario aims to explore the ensuing effects on Arab economies. The reader may question the justification for examining this modality, given official claims that GAFTA was completed in 2005. However, current data show that some Arab countries still impose major restrictions on trade with other Arab countries.

Establishment of an Arab customs union

This simulation examines the effects of establishing an Arab customs union. Since these effects largely depend on the tariff levels to be adopted by the union, three alternative scenarios are explored.

The second scenario looks at the effects of establishing an Arab customs union in 2015 through the adoption of the unified tariff structure of the Gulf Cooperation Council (GCC) as a basis for the unified Arab tariffs. This hypothesis was adopted for two main reasons: the GCC Customs Union is the only one of its kind in the Arab region, and the GCC unified tariff is the lowest in the Arab region. From a legal perspective, this will facilitate the adoption of unified tariffs by Arab countries already bound by commitments within the framework of WTO. This scenario is explored despite its expected negative financial implications on non-oil countries whose budgets rely heavily on customs revenues.

The impact on Arab economies of adopting the GCC unified tariffs as a basis for the Arab unified tariffs depends largely on the reaction of the States members of WTO and those trade partners bound by

Establishing an Arab customs union faces additional complications arising from the multiple preferential trade agreements between Arab countries, economic groupings and countries outside the Arab region

preferential arrangements with some Arab countries, namely the European Union, the European Free Trade Association (EFTA), the United States of America and Turkey. Despite the low GCC unified tariffs, which do not exceed 5 per cent for most goods, some Arab countries would likely review

their preferential trade agreements with trade partners from outside the region. They would do so because their exports to these countries are currently granted preferential advantages and customs tariffs as low as zero while, under the Arab customs union, they would be expected to apply a 5 per cent unified customs tariff on all exports. In that regard, two hypotheses can be presented regarding the position of foreign countries towards their partners in an Arab customs union.

The first hypothesis suggests that trade partners from outside the Arab region will accept the revision of preferential tariffs applied on their exports to some non-GCC Arab countries, without altering the terms of Arab exports to their markets. In other words, foreign trade partners will unilaterally maintain preferential advantages granted to some, and not all, Arab country members in the customs union. However, this hypothesis was excluded, given the difficulty of applying it and because it represents a violation of the commitments of those partners within WTO.

The second scenario thus proposes another hypothesis which assumes that foreign trade partners will impose the tariffs currently applied to imports from the GCC countries to imports from all other Arab countries, including those with which they have free trade agreements, before the expiration of preferential agreements. Based on this assumption, Tunisian exports to the European Union, for example, would be subjected to the tariffs currently applied by the European Union to imports from the GCC countries, instead of being fully exempted from customs. Conversely, Tunisian exports to many foreign countries would get a boost from the reduction of tariffs to the level imposed on imports from the GCC countries. Also based on this assumption, Tunisian markets would be opened to exports from many countries of the world whose goods had previously

Table 8-1 Strengthening Arab trade integration: modalities, scenarios and hypotheses

Modalities and scenarios	Hypotheses
Reference scenario	Continuation of the status quo: the Arab economies do not adopt any new economic or trade integration measures.
First modality	Completion of GAFTA in 2013.
First scenario	Completion of GAFTA by eliminating all remaining tariff and non-tariff trade barriers on Arab intraregional trade.
Second modality	Establishment of an Arab customs union.
Second scenario	The Arab customs union adopts the GCC unified tariffs, with the assumption that foreign countries would replace the trade tariffs previously applied on non-GCC Arab countries with the tariffs currently applied on trade with GCC countries. This implies that some Arab countries would lose previous trade privileges in some markets (such as the countries of the Agadir Agreement, which have free trade agreements with Turkey and the countries of the European Union and EFTA); several key markets (such as China, India and North America) would become open to exports from non-GCC Arab countries; and the competitiveness of goods imported from the rest of the world would increase in non-GCC Arab markets.
Third scenario	The Arab customs union adopts the lowest tariffs applied by the Arab countries bound by free trade agreements with the countries of the European Union. Those tariffs would be applied on imports from outside the European Union, while maintaining the terms of free trade with the Union. This scenario assumes that the remaining foreign countries would replace the tariffs previously applied on Arab countries with new ones, compatible with the unified Arab tariffs. This implies the loss of some trade privileges (for example, the privileges enjoyed by Jordan and Morocco under their free trade agreements with the United States).
Fourth scenario	This scenario applies the hypotheses of the third scenario, with the reservation that the Arab customs union excludes agricultural goods.

Source: Panel of authors.

been subject to high tariffs. This, in turn, would increase the competitive pressure on non-GCC Arab economies.

The third scenario assumes that members of the Arab customs union will adopt the lowest tariffs applied by the Arab countries in the 'Agadir Cluster',³ in their trade with other world countries to which they are not bound by preferential trade agreements and according to the level of customs protection afforded by the most-favoured-nation principle. In other words, the standard tariffs on goods imported by member countries of the Arab customs union would be the lowest tariffs among those applied by Egypt, Jordan, Morocco and Tunisia to their imports from countries with which they do not have preferential agreements. In theory, the Arab customs union is supposed to maintain the free trade arrangements that some Arab countries have with the European Union. To achieve this scenario, the member countries of the Arab customs union are required to conform the new status to their commitments within WTO, including Article XXIV of GATT 1994 and the Understanding on the Interpretation of Article XXIV. In addition, their preferential agreements with foreign trade partners must be compatible with the unified customs tariffs. As in the second scenario, this scenario assumes that the rest of the world will apply the principle of reciprocity.

The fourth scenario projects the exclusion of agricultural goods from the customs union agreement (while applying the assumptions of the third scenario). It was added to the simulation because of the importance of agriculture in the economies of many Arab countries, the complexity of tariff and non-tariff protection mechanisms, the support given to the agricultural sector in most developed countries, such as the European Union⁴ and the United States, and the failure of multilateral negotiations within WTO aimed at reducing protectionist

trade distortions. This would imply keeping the existing protectionist measures imposed on agricultural trade between the Arab countries and the world, and liberalizing agricultural goods only in Arab intraregional trade.

Despite its apparent ineffectiveness, the fourth scenario was examined to show the negative effect of liberalizing the agricultural sector on some Arab countries. The key benefits of establishing a customs union result from the elimination of all tariff barriers. However, the exclusion of agricultural goods from the Arab customs union entails maintaining agricultural tariff barriers, which would defeat the purpose of establishing such a union. Thus, the objective of this scenario was to underline the importance of finding solutions to protect Arab farmers in countries that may be affected by reducing tariffs on agricultural goods while these same goods are highly protected in developed countries that are the main exporters of agricultural goods to Arab countries. One such solution is for those Arab countries which benefit to compensate those that do not; another is to unify the Arab customs tariffs on agricultural goods in line with the highest rates currently applied. In the latter case, Arab countries would have to take into account their WTO commitments and the repercussions of this arrangement on the imports bill of Arab net importers of food.

Scenarios showing the effects of economic integration strategies

Completion of GAFTA

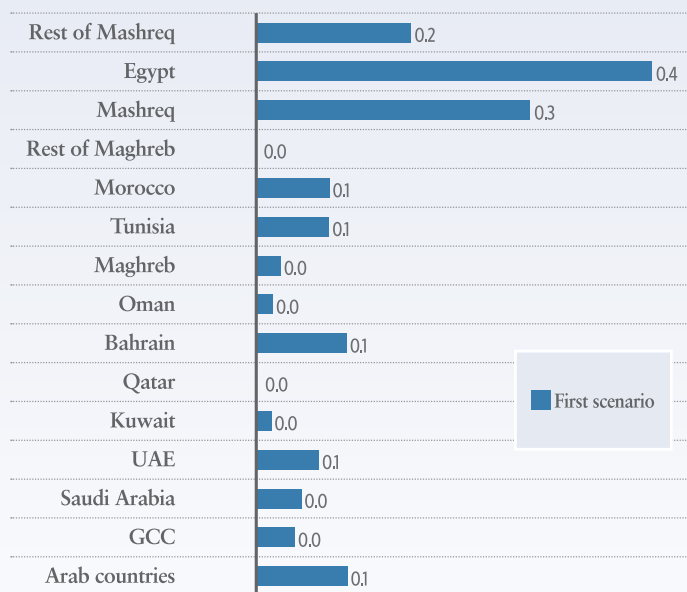
► Expected effects on GDP and well-being

Since Arab intraregional trade is weak and current levels of protectionist tariffs are low, the lifting of customs tariffs on

The exclusion of agricultural goods from the Arab customs union would defeat the purpose of establishing such a union

Since the protectionist tariffs are low, the lifting of customs tariffs on Arab intraregional trade will not materially improve Arab GDPs

Figure 8-1 Effects of completing GAFTA on Arab GDPs (Percentage)



Notes: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.

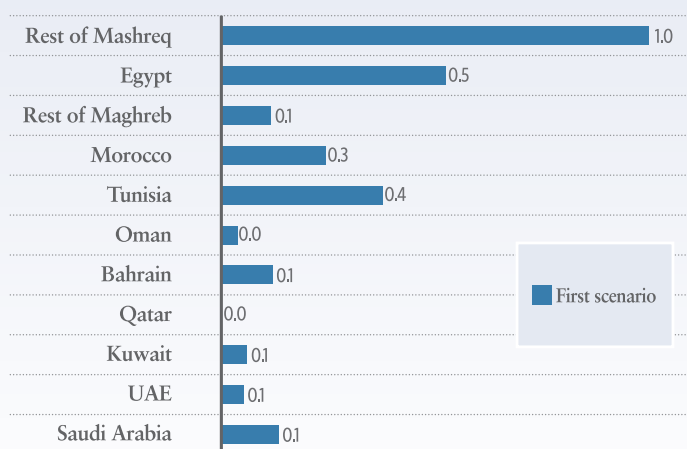
In all figures included in this chapter, Maghreb refers to Algeria, Libya, Morocco and Tunisia; Mashreq refers to Egypt, Iraq, Jordan, Lebanon, the Syrian Arab Republic and Yemen; Rest of Maghreb refers to all Maghreb countries except Morocco and Tunisia; and Rest of Mashreq refers to all countries of the Mashreq except Egypt.

Source: ESCWA simulation using the MIRAGE model.

Arab intraregional trade will not materially improve GDP or overall levels of well-being in Arab countries. Eliminating all tariff barriers at the border would raise the total GDP of all Arab countries by only 0.1 per cent in 2020, compared to the increase expected in the reference scenario (figure 8-1). Egypt would benefit the most, since its GDP would increase by 0.4 per cent. This scenario does not show the possible effects of lifting non-tariff barriers, which underlines that the lifting of remaining customs tariffs has limited effects on the GDP of Arab countries. It can be concluded that no significant increase in GDP or income in Arab countries is to be expected from trade liberalization unless all non-tariff and technical barriers are simultaneously lifted.

The completion of GAFTA would have a greater impact on the well-being of citizens in Arab countries than on GDP (figure 8-2). Numerous factors positively affect well-being, including improved competitiveness, advanced production and lower price indices. These factors would lead to improvements in the condition of households, key to the amelioration of the overall quality of life. However, reducing tariff revenues is expected to result in a small decline in the level of well-being in some countries where tariffs are already low and levels of intraregional trade are poor (figure 8-2).

Figure 8-2 Effects of completing GAFTA on well-being in Arab countries (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.

Source: ESCWA simulation using the MIRAGE model.

► Expected effects on Arab exports and imports

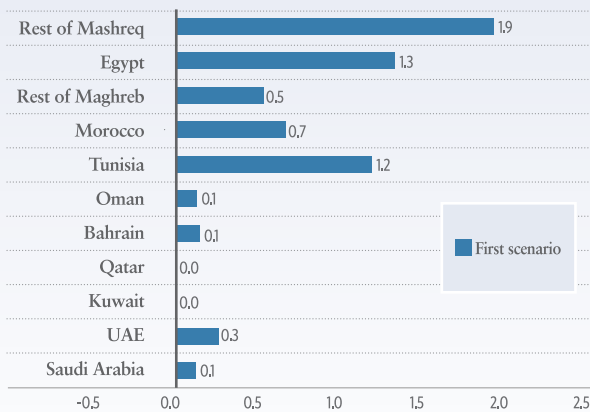
The impact of the GAFTA scenario on Arab exports is shown in figures 8-3 and 8-4. The completion of GAFTA would lead to a slight increase in the value of total Arab exports and a significant increase in Arab intraregional exports, especially in non-GCC countries. Among the GCC countries, the United Arab Emirates would achieve significant gains in exports due to its advanced infrastructure and the absence of logistical obstacles, both

of which support trade. In the region as a whole, the completion of GAFTA is expected to lead to an increase in intraregional trade of 7.8 per cent in 2010 compared to the reference scenario.

Egypt, Morocco and the rest of the Mashreq are expected to benefit the

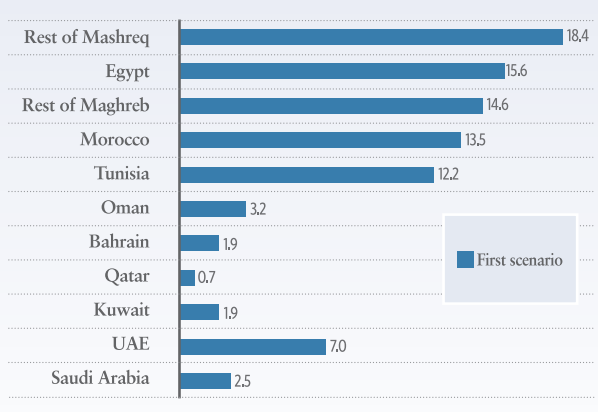
most from the completion of GAFTA. The exports of Egypt to Arab countries are expected to rise by 15.6 per cent in 2020 compared to the level expected according to the reference scenario (figure 8-4). Benefiting from open Arab markets for Egyptian goods, the exports of

Figure 8-3 Effects of completing GAFTA on total Arab exports (Percentage)



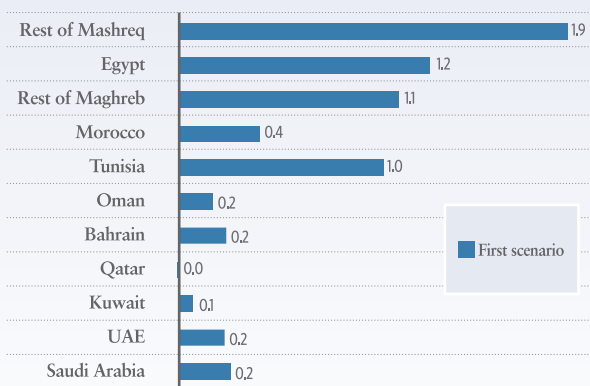
Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Figure 8-4 Effects of completing GAFTA on Arab intraregional exports (Percentage)



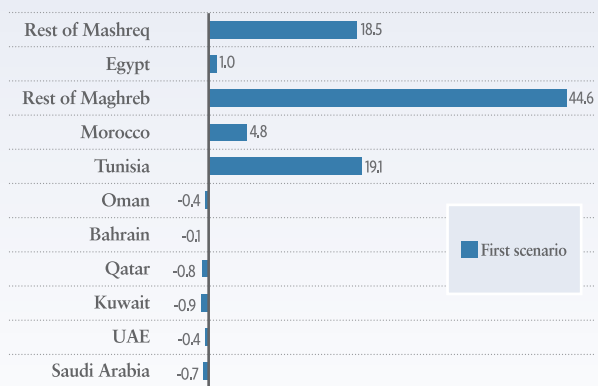
Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Figure 8-5 Effects of completing GAFTA on total Arab imports (Percentage)



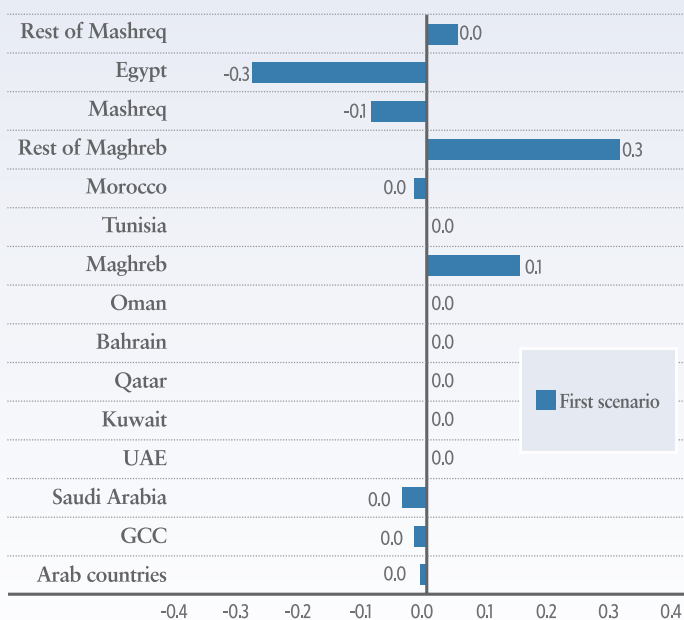
Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Figure 8-6 Effects of completing GAFTA on Arab intraregional imports (Percentage)



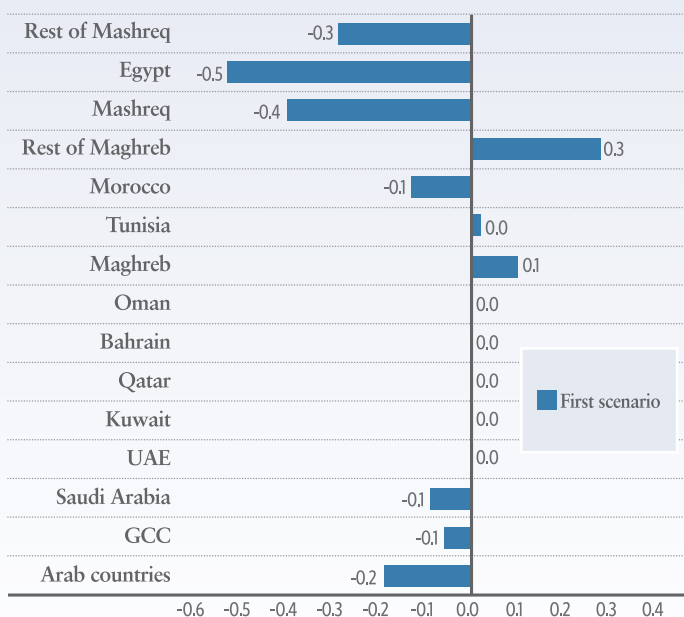
Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Figure 8-7 Effects of completing GAFTA on Arab skilled labour unemployment (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Figure 8-8 Effects of completing GAFTA on Arab unskilled labour unemployment (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Egypt to Algeria, Libya and the rest of the Mashreq are expected to increase fourfold. Intraregional imports are expected to grow by 44.6 per cent in the rest of the Maghreb and 18.5 per cent in the rest of the Mashreq (figure 8-6).

Despite the significant development in Arab intraregional trade, the growth of overall foreign trade in Arab countries would remain limited, not exceeding 0.5 per cent. This is due to the limited size of Arab intraregional trade as a share of the total trade of all Arab countries.

► Expected effects on unemployment rates

The results of the simulation show that when the path chosen to strengthen Arab economic integration boosts Arab GDPs, it also boosts the labour market, especially if the production increase happens in labour-intensive sectors. On the basis of this linkage, it is clear that the effects of completing GAFTA on unemployment would, on average, be limited, albeit with variations between countries. Figure 8-7 shows that the completion of GAFTA would have no effects on unemployment rates among skilled workers in the GCC countries except Saudi Arabia, which would witness a decline of 0.1 per cent by the year 2020 compared to the reference scenario. However, the effects would be positive in other Arab countries, such as Egypt, which would see a decline of almost 0.3 per cent in the unemployment rate of skilled labour by 2020, and for most of the other Mashreq countries, as a result of increased bilateral exports, leading to increased production capacity.

Figure 8-8 shows the expected effects on unemployment among unskilled labour. With the exception of the GCC countries, Algeria and Libya, the Arab countries would see a decline in the unemployment rate of unskilled labour in 2020, ranging from 0.1 to 0.5 per cent, compared to the reference scenario.

The GAFTA simulation results showed no significant changes in the sectoral composition of GDP in most Arab countries, especially those dominated by the oil and gas sector as well as the public sector, while Egypt, Lebanon, the Syrian Arab Republic and Tunisia would witness some minimal changes. These results are to be expected, given the weak levels of the remaining tariffs on Arab intraregional trade, and the lack of assessment of the effects of lifting non-tariff barriers, major obstacles to the development of Arab intraregional trade. The high cost of trade, including transport, shipping and customs controls, is also a factor.

Establishment of an Arab customs union

The Arab countries can be divided into three basic groups in terms of trade policy. The first group consists of the GCC countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, which in 2003 completed the establishment of the GCC Customs Union, with unified customs tariffs not exceeding 5 per cent for most goods. The second group consists of Arab member countries of the Euro-Mediterranean Partnership (EUROMED), which are bound by free-trade agreements with the European Union and by the Agadir Agreement between each other. EUROMED includes Egypt, Jordan, Morocco and Tunisia. The third group is made up of the remaining Arab countries, which have not yet acceded to WTO, the GCC Customs Union or the Agadir Agreement.

The establishment of a customs union can be facilitated by drawing on relevant experiences from the region. Therefore, and in order to analyse the tariff structure that could be adopted by an Arab customs union, two real examples are used to establish two hypothetical options. The first option is the adoption of the GCC

unified tariffs. The second is the adoption of the lowest tariffs applied by Arab countries bound by free trade agreements with Turkey and the European Union and EFTA on imports from outside these countries. It was also assumed that the costs of trade would drop by 2 per cent as a result of easing border transactions for intraregional trade.

► Expected effects on GDP and well-being

Figures 8-9 and 8-10 show the effects of an Arab customs union on the levels of GDP and well-being in Arab countries. Although the results are mostly positive, they differ according to the scenarios and between countries. The adoption of the GCC unified tariffs would result in an additional 0.6 per cent of growth in the total Arab GDP for 2020 compared to the reference scenario; but not all countries of the region would have a share in these gains. While the GCC countries would achieve the highest increase, an additional 0.9 per cent, the countries of the Maghreb would suffer a decrease of 0.4 per cent. Morocco would be the worst affected, with a predicted GDP decline of nearly 3.8 per cent in 2020. These losses in the Maghreb countries in general, and Morocco in particular, could be attributed to the intense competition in their agricultural sector that would result from a rapid and substantial reduction in the protectionist tariffs imposed on agricultural imports. These are currently set at over 100 per cent for some goods compared to levels applied in the GCC countries, which do not exceed 5 per cent on most agricultural goods. For these reasons, and because of the importance of the agricultural sector which contributes 10 to 15 per cent to GDP in many non-GCC Arab countries,⁵ applying the GCC tariffs on agricultural goods would lead to large losses in these countries, not only within the agricultural sector, but also in the

The results of the simulation show that when the path chosen to strengthen Arab economic integration boosts Arab GDPs, it also boosts the labour market

The main beneficiaries of tariff reduction would be Arab consumers

economy as a whole. Morocco is the evident case in point.

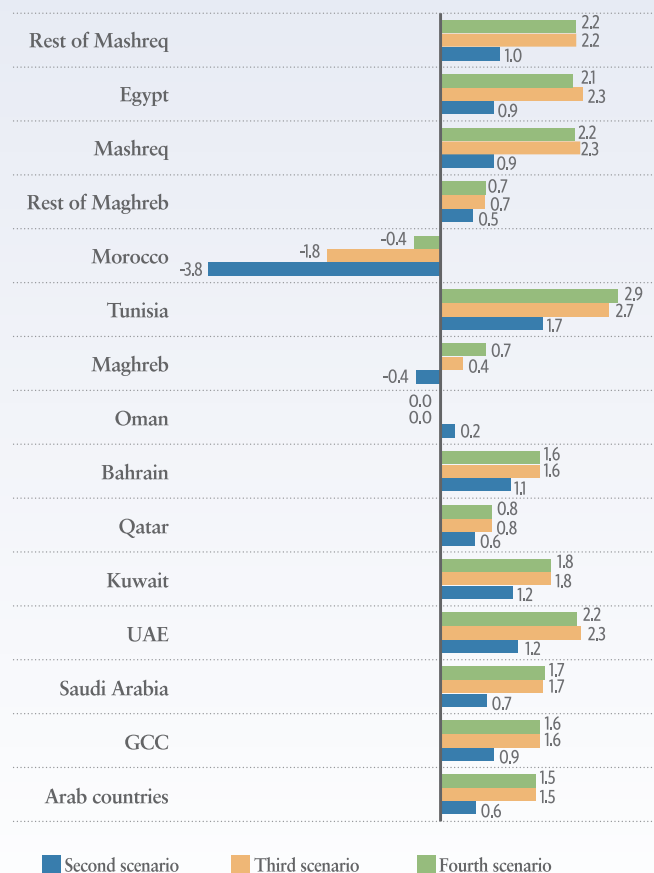
Figure 8-10 shows that an Arab customs union that adopts the GCC unified customs tariffs would have a significant positive effect on the levels of well-being in Arab countries. The main beneficiaries of tariff reduction would thus be Arab consumers.

In contrast to the GCC tariff scenario, the application of the lowest tariffs adopted by Arab countries that have free trade agreements with the European Union would lead to more positive results on the level of GDP for all Arab countries

and groupings, except Morocco. However, the potential losses for Morocco in this scenario are less than half of what was predicted in the GCC tariff scenario. The fourth scenario shows that excluding agricultural goods from an Arab customs union agreement while liberalizing agricultural trade would be useful for many Arab countries, enabling them to continue to protect this strategic sector and maintain current levels of production and income for producers.

The exclusion of agricultural goods from an Arab customs union agreement would have a positive impact on well-being in all the Maghreb countries, but varying effects on the Mashreq and GCC countries. While Kuwait and Saudi Arabia would benefit slightly in terms of well-being, Oman stands to lose the most in case of the adoption of the minimum tariffs applied by the countries of the Agadir Agreement, whether agricultural commodities were included in or excluded from an Arab customs union agreement. Oman would suffer this loss because of the meager contribution of the agricultural sector to its economy, and because the high prices of imported goods would have a larger negative impact on consumers in Oman than in other GCC countries, owing to its significantly lower per capita income.

Figure 8-9 Effects of an Arab customs union on GDP in Arab countries (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.

Source: ESCWA simulation using the MIRAGE model.

► Expected effects on Arab exports and imports

The establishment of an Arab customs union adopting the GCC unified tariffs would result in non-GCC Arab countries opening their markets to goods imported from countries with which they do not have preferential trade agreements. This, in turn, would lead to additional competitive pressure on several Arab production sectors. At the same time, this scenario would lead to the opening of many world markets to exports from Arab countries currently facing high protectionist measures in those markets.

Thus, this scenario would reduce the margin available to Arab exporters to Arab markets, but would increase their scope in many markets of the world.

The application of the GCC unified customs tariffs in Egypt for example, implies the reduction of the tariff imposed by Egypt on goods imported from China and the Philippines from 29 to 5 per cent on fabric materials, and from 31 to 5 per cent on food products.⁶ On the other hand, the tariffs imposed by China and the Philippines on Egyptian goods will also decrease. For these reasons, the implications of this scenario would be positive on the level of total Arab exports, but negative on the level of Arab intraregional trade. At the level of total exports, the biggest beneficiaries will be the countries that have diversified economies, such as Egypt (24.5 per cent), Morocco (32.2 per cent) and Tunisia (20.9 per cent). Most of the other Arab countries would see minimal export growth, while exports would not grow at all in countries whose exports are mostly related to the oil sector (figure 8-11).

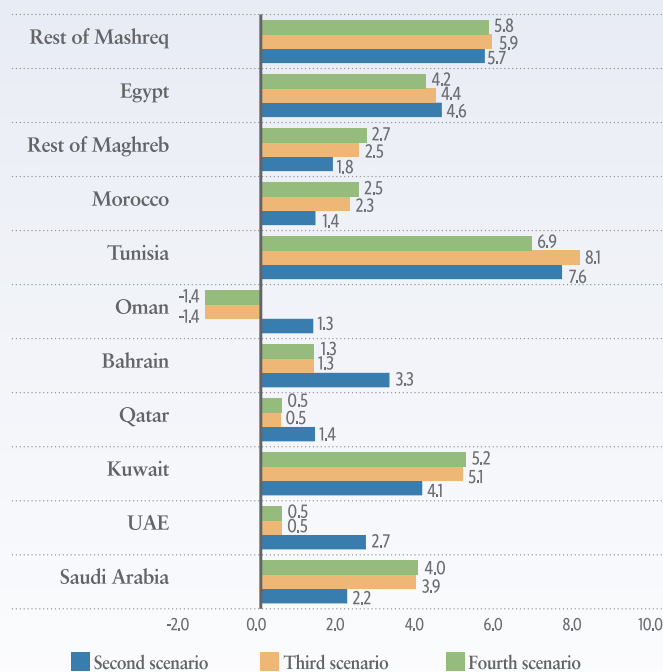
The growth of Arab intraregional exports expected in the customs union scenarios would be lower than expected when applying the GAFTA scenario (figure 8-12). In general, the growth rate of intraregional exports would be less than the growth rate of total exports of Arab countries, with the exception of some Mashreq countries, which will gain competitiveness as a result of the decline in the cost of imported production elements, both intermediate and investment-related. In the customs union scenarios, by the year 2020, Arab intraregional exports would grow by 7.2 per cent compared to the reference scenario.

An Arab customs union that adopts the minimum tariffs applied by the countries of the Agadir Agreement would reduce the impact of opening non-GCC Arab markets

to goods from countries with which they do not have free trade agreements. In this scenario, the growth of Arab exports is expected to reach 11.03 per cent, less than expected in the scenario adopting GCC unified tariffs. The main reason is the limited opening of world markets to the exports of non-GCC Arab countries. Thus, according to the 'Agadir scenario', the exports of all Arab countries and groupings would be less than those in the scenario adopting GCC unified tariffs. In this regard, it is important to note that Turkey and the countries of the European Union and EFTA would benefit the most from opening the Arab markets with which they do not have free trade agreements. This would increase the competitiveness of their products with Arab products in Arab markets. On the other hand, the

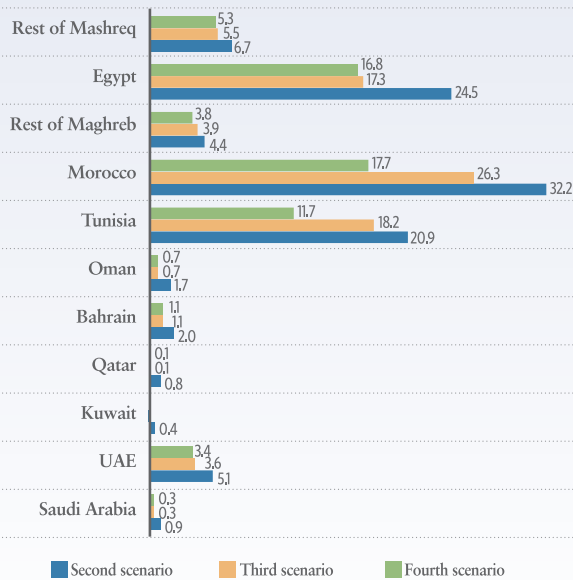
Adopting the Agadir cluster's tariffs would reduce the impact of opening non-GCC Arab markets to goods from other countries

Figure 8-10 Effects of an Arab customs union on well-being in Arab countries (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario. Source: ESCWA simulation using the MIRAGE model.

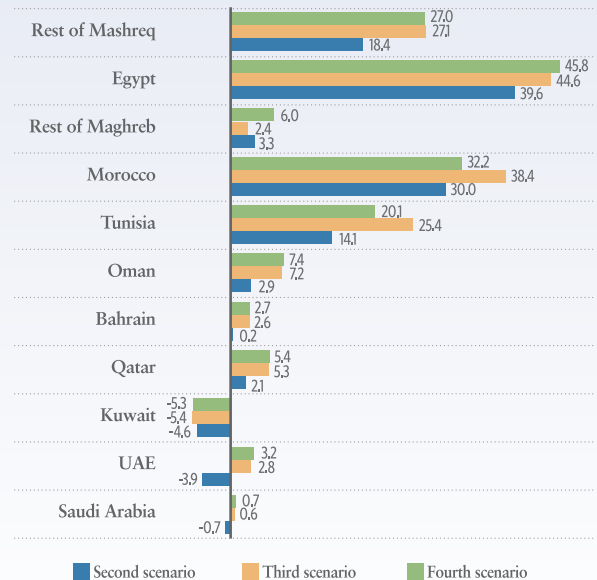
Figure 8-11 Effects of an Arab customs union on total Arab exports (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.

Source: ESCWA simulation using the MIRAGE model.

Figure 8-12 Effects of an Arab customs union on Arab intraregional exports (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.

Source: ESCWA simulation using the MIRAGE model.

The exclusion of agricultural commodities from the Arab customs union would lead to a decline of Arab agricultural export growth

tariffs imposed by GCC countries on imports from outside the Arab region would rise significantly. This implies giving additional commercial preference to Arab exports in GCC markets, which explains the possible growth of Arab intraregional exports, especially for non-GCC countries (figure 8-11).

The exclusion of agricultural commodities from the Arab customs union would lead to a decline of Arab agricultural export growth. Total Arab exports to all countries of the world would decrease, while Arab intraregional exports would register developments that vary by country. The exclusion of agricultural commodities means maintaining the current protectionist mechanisms imposed by the rest of the world on agricultural imports, which accounts for the decline in total Arab exports compared to the previous scenario. Growth of Arab intraregional exports, on the other hand,

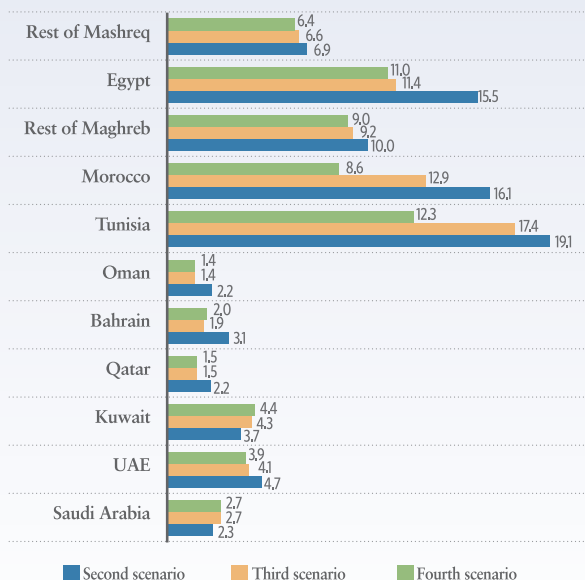
will depend on the level of production capacities, and the scope for taking advantage of preferential treatment in some Arab markets, especially GCC markets.

The results expected for the levels of Arab imports show changes in direction similar to those related to total and intraregional Arab exports (figures 8-13 and 8-14).

► Expected effects on unemployment rates

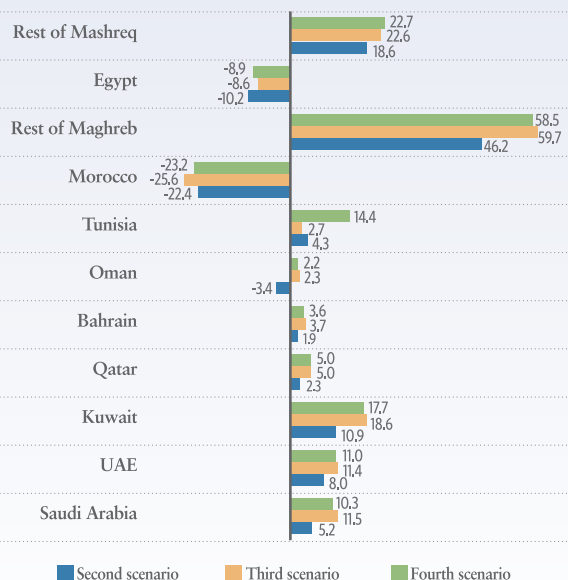
The effects of the Arab customs union scenarios on unemployment are altogether different. The adoption of the GCC unified tariffs would lead to a rapid and substantial opening of non-GCC Arab markets to exports from the rest of the world. It would also lead to an increase in unemployment rates by 1.1 per cent for skilled labour and about 1.5 per cent for unskilled labour (figures 8-15 and 8-16).

Figure 8-13 Effects of an Arab customs union on total Arab imports (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Figure 8-14 Effects of an Arab customs union on Arab intraregional imports (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

In this scenario, unemployment rates will rise in most Arab countries, except GCC countries, where the scenario would not alter previous trade policies.

If the minimum tariffs applied by Arab countries that have free trade agreements with countries of the European Union are applied on Arab intraregional imports, the average unemployment rate of all Arab countries would register a slight drop compared to the reference scenario. Unemployment rates in some countries would rise, but by a lower percentage than in the scenario based on GCC unified tariffs. The average unemployment rate would drop further if agricultural commodities were excluded from the Arab customs union agreement. According to the scenario based on the minimum tariffs applied by Arab countries in free trade agreements with the European Union countries, the unemployment rate of skilled labour in all Arab countries

would drop by 0.4 per cent by 2020, and that of non-skilled labour by 0.8 per cent compared to the reference scenario.

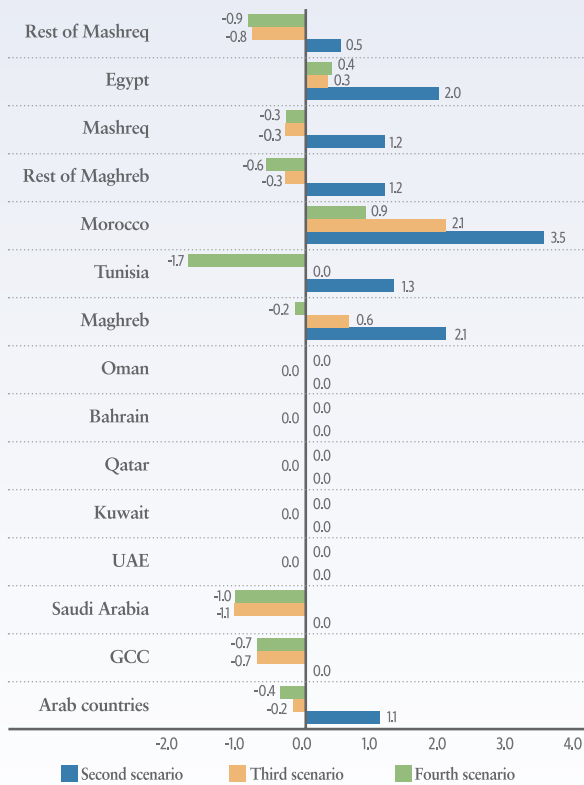
The establishment of an Arab customs union would lead to varying changes in the Arab economies according to their sectoral structure. Countries with the most diversified economies, such as Morocco and Tunisia, would benefit the most from this development.

On the other hand, the dominance of the oil and gas sector on the exports of some Arab countries, in particular GCC countries, and the lack of diversification in their economies make it difficult to increase their trade, especially if no simultaneous measures are taken to liberalize trade in services and the movement of labour and capital, and to develop production capacities and diversify outputs.

The simulation of the customs union scenarios shows that the contribution

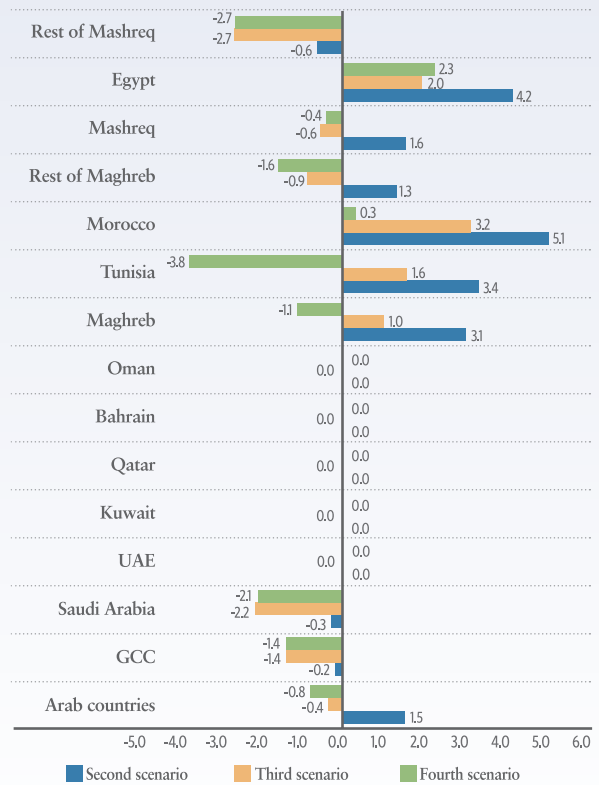
The average unemployment rate of all Arab countries would drop if the lowest tariffs of the Agadir cluster were adopted

Figure 8-15 Effects of an Arab customs union on Arab skilled labour unemployment (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Figure 8-16 Effects of an Arab customs union on Arab unskilled labour unemployment (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Strengthening Arab economic integration will lower the poverty rates in most Arab countries

of the industrial sector (extractive and transformative) to GDP in Egypt would decline by between 0.55 and 0.65 per cent by the year 2020, compared to the reference scenario. However, the contribution of the industrial sector to GDP would rise by 0.4 to 0.8 per cent in Morocco and between 0.4 and 2 per cent in Tunisia.

► Expected effects on poverty rates

Since the application of the scenarios to strengthen Arab economic integration would affect many economic and social indices, namely unemployment rates and the prices of consumer goods, it would

certainly have an impact on poverty levels.⁷ Since data on poverty rates in many Arab countries is unreliable, the evaluation of the effects of the customs union scenarios compared to the completion of GAFTA was kept to six countries: Egypt, Iraq, Jordan, Morocco, Tunisia and Yemen (figure 8-17).

The results showed that the levels of poverty in Egypt would see a decline in 2020 according to all four scenarios compared to the reference scenario. Poverty levels would drop further by 0.81 per cent according to the third scenario, which adopts the minimum tariffs applied by the countries of the Agadir Agreement.

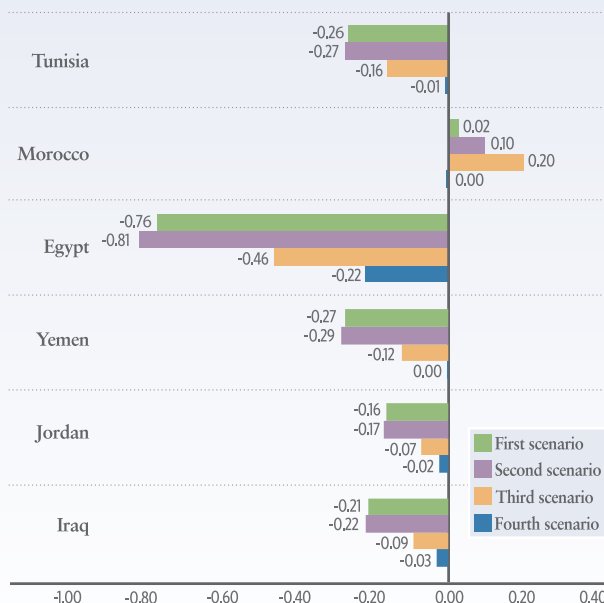
They would also drop according to the other three scenarios by 0.22, 0.46 and 0.76 per cent respectively. Poverty levels in Tunisia would decline according to all four scenarios, and the maximum decline would happen in the third and fourth scenarios, by about 0.27 per cent. The first and second scenarios would have relatively less impact on poverty reduction in Tunisia. In Morocco, the simulation results show stable poverty rates in the first and fourth scenarios and a slight increase in the second and third. Iraq, Jordan and Yemen would see a reduction in poverty according to the four scenarios. The biggest drop would happen in the case of the third scenario by 0.22 per cent in Iraq, 0.17 per cent in Jordan and 0.29 per cent in Yemen.

Overall, among the four proposed scenarios, the third scenario (a customs union based on the minimum tariffs applied by the countries of the Agadir Agreement) is the best in terms of reducing the levels of poverty in all selected countries, except for Morocco, where poverty levels would increase in all scenarios. It is important to note that the impact of all scenarios on poverty varies among Arab countries depending on the different levels of growth elasticity of poverty (GEP).

► **Expected effects on the various sectors**

The simulation of the proposed scenarios explores macroeconomic effects and does not show sectoral analyses. Improvement in some sectors may be offset by regression in others and produce a zero sum. It was therefore necessary to classify each scenario's results by sector. For the purpose of this report, the model includes the agricultural, industrial and services sectors and the simulation explores the three scenarios related to the establishment of a customs union

Figure 8-17 Estimated change in poverty rates in some Arab countries in 2020: four scenarios (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario. Source: ESCWA simulation using the MIRAGE model.

(second, third and fourth scenarios), given that the completion of GAFTA (first scenario) through the lifting of the remaining tariff barriers will not produce significant macroeconomic or sectoral changes. The results are presented in table 4 in annex VI to this report.

► **Second scenario** : adopting the unified GCC customs tariff will produce growth in the agricultural sector in most GCC countries and a sharp decrease in the other Arab countries. Morocco and Tunisia which apply high tariffs will experience the biggest decrease. The industrial production will record a small growth in all Arab countries except Egypt and Morocco which will experience a decrease caused by growing world competition, particularly with China and India with which they do not have preferential agreements. Countries such as Egypt, Morocco and Tunisia will have to apply

Improvement in some sectors may be offset by regression in others and produce a zero sum

The services sector is a key source of employment in the Arab region

The liberalization of trade in services can contribute importantly to the fight against unemployment and poverty

significant reductions to their tariffs on imports from those countries if the unified GCC customs tariff is adopted for the Arab customs union.

› **Third scenario:** adopting the lowest customs tariffs applied by countries of the Agadir Agreement on imports from countries outside the European Union will lead to different results. The agricultural sector in Morocco and Tunisia will experience the biggest decrease while in other countries such as Saudi Arabia it will make some gains. Other Arab countries will experience lower losses compared to scenario 2. The expected agricultural gains of scenario 3 are thus higher than those of scenario 2. On the other hand, the industrial sector in most Arab countries except Egypt will profit from the adoption of the unified Agadir customs tariffs.

› **Fourth scenario:** according to this scenario the agricultural sector is excluded from the Arab customs union, therefore this sector will profit in all Arab countries, particularly Morocco and Tunisia which would be negatively affected in scenarios 2 and 3. However, the agricultural sector in the GCC countries will experience losses.

A more comprehensive economic integration not limited to trade liberalization

Liberalization of trade in services

Trade in services is one of the most important sectors of the economy due to its impact on employment, competitiveness and well-being. The services sector contributes to economic growth by providing the various production sectors with intermediate elements for the

production processes, such as transport, banking and telecommunications services. The services sector is usually more dependent on human resources than the manufacturing and agricultural sectors. Thus, the development of services, particularly those with high value-added for the economy, in many cases requires building educational systems and enhancing the quality of educational outputs.

The services sector contributes significantly to the economies of most Arab countries in terms of share of GDP, exports and employment. The share of the services sector in GDP remains low in Oman and Libya and exceeds 50 per cent in Egypt, Morocco and the Sudan. Jordan and Lebanon are among the countries whose economies rely heavily on the services sector.⁸

Despite the barriers that still constrain trade in services, it has become the backbone of the economies of many Arab countries, which are allowing the entry of Arab and foreign investors and facilitating competition between national and foreign companies operating in certain sectors. Compared with other world regions, the so-called Middle East and North Africa (MENA) region, which includes Iran and Turkey, has seen a boom in commercial services exports in the past two decades.⁹ The services sector is also a key source of employment in the region: it encompasses 84.2 per cent of the workforce in Bahrain, 82.2 per cent in Oman, 45.7 per cent in Qatar, 45.3 per cent in Egypt and 37.2 per cent in Morocco.¹⁰

Some Arab countries, such as Jordan, have made great efforts to liberalize trade in services, while other countries, such as Lebanon, have not taken any concrete steps in this direction, despite the importance of services to their economies. It should be noted that the countries that have not yet acceded to WTO and those with observer status are not bound to

liberalize trade in services under the 1994 General Agreement on Trade in Services (GATS). Arab countries that are members of WTO are committed, pursuant to GATS, to the partial or total liberalization of most types of services.¹¹ These commitments are

provided for under market access (Article XVI) and national treatment (Article XVII).

The latest studies conducted by ESCWA¹² indicate that the liberalization of trade in services can contribute importantly to the fight against

Box 8-1 Benefits of liberalizing air and maritime transport services in Egypt

ESCWA has assessed the economic gains expected from the liberalization of trade in services in Egypt, with a focus on international air and sea transport of goods. The assessment was conducted in three phases: (1) measuring the trade restrictiveness index for these two sectors; (2) measuring the tariff rate equivalent to the trade restrictiveness index; and (3) developing a dynamic general equilibrium model taking into account the imperfect competition and the possible entry and exit of local and foreign sea and air transport companies. The table below highlights the findings resulting from the measurement of the trade restrictiveness index and equivalent tariff rate.

Trade restrictiveness index and equivalent tariff rate of sea and air transport services in Egypt

Trade restrictions using local index (a)	Equivalent tariff rate using local index (b)	Trade restrictions using external index (c)	Equivalent tariff rate using external index (d)
0.425	72.32	0.663	78.327
0.455	64.53	0.425	64.35

Notes: (a) The local index takes into account all the barriers and restrictions faced by local or national companies in order to work in the sector. The closer the trade restrictiveness index is to 1, the higher the restrictions. The index being close to zero implies that trade restrictions are being removed.

(b) The equivalent tariff is calculated based on the trade restrictiveness index for local companies.

(c) The external index is calculated based on all the barriers and restrictions faced by foreign companies in order to enter and operate in the sector.

(d) The equivalent tariff is calculated based on the trade restrictiveness index for foreign companies.

Source: ESCWA calculations.

An assessment of the effects of two scenarios for the liberalization of trade compared to the reference scenario was conducted using the Dynamic Stochastic General Equilibrium (DSGE) model for trade in services. These two scenarios are: (a) total liberalization of trade in goods, not including services, with Arab countries; and (b) total liberalization of trade in goods with sea and air transport services with Arab countries. The results showed that the GDP growth rate of Egypt would not be affected by the completion of GAFTA, compared to the reference scenario, which predicts that the GDP growth rate will increase by 6 per cent between 2012 and 2020.

But in the case of liberalization of trade in services for sea and air transport, average economic growth is expected to rise by 0.6 per cent, reaching 6.6 per cent in 2020. These results highlight the benefits of trade liberalization in the services sector, which contributes to the reduction of production costs, as well as the costs of trade, giving a significant boost to Egyptian exports in global markets. Domestic consumption would grow by an additional 0.5 per cent as a result of the reduction of the cost of imports, the recovery of domestic production, and the decrease in unemployment.

Source: Report team.

Liberalizing trade in services will be an important impetus for promoting Arab intraregional trade, which still faces significant technical barriers

An increase in the movement of workers between Arab countries would lead to a GDP increase in both exporting and importing countries

unemployment and poverty in the Arab region. The restrictions on trade in services imposed by many Arab countries lead to higher prices for services, higher costs of production processes, or both. These restrictions also undermine incentives to improve the efficiency of production processes, and usually affect quality and technical specifications adversely.

A recent study has shown that the Arab region has implemented considerable organizational reforms over the past decade in some services sectors.¹³ The banking, telecommunications and aviation service sectors have undergone comprehensive reforms, most notably lifting or easing restrictions imposed on the contribution of foreign capital to local companies. However, the study also notes that a number of countries continue to put restrictions on trade in services, in accordance with the four Modes specified in GATS within the WTO framework.¹⁴ Indices of restrictions on trade in services vary between countries by sector. Egypt is shown to be the most restrictive of trade in banking services, telecommunications and air transport, while Morocco is the most restrictive of trade in insurance services and maritime transport. Lebanon ranked first in terms of the complexity of trade in banking services according to Mode 4 of GATS, which concerns the movement of natural persons, while Egypt was the country that most complicated the trade of these services according to Mode 3, which relates to commercial presence.

Given the enormous economic benefits of liberalizing trade in services, it is necessary for Arab countries to complete GAFTA by taking that step. Efforts toward that goal have not yet produced results despite many negotiations in that regard in the framework of the League of Arab States, the latest of which took place in Beirut in 2013. The measure, which will improve the quality of services and reduce their cost, will be an important impetus for

promoting Arab intraregional trade, which still faces significant technical barriers, chiefly the quality and high cost of services associated with business transactions. Several newly conducted quantitative studies have shown the positive effects of liberalized trade in services on Arab economies (box 8-1).

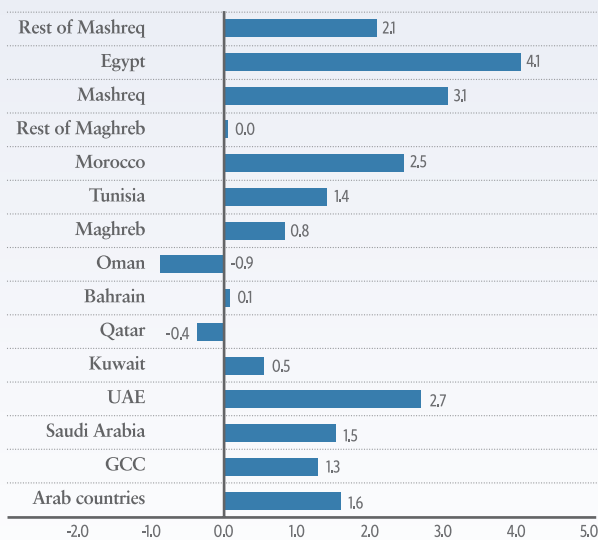
Partial substitution of foreign labour with Arab labour in the GCC countries

Despite relative progress in free trade and investment in the region, the movement of Arab labour between most Arab countries continues to face many restrictions that limit the potential benefits of economic integration. The free movement of investors and business entrepreneurs across Arab countries stimulates trade relations and provides investment opportunities. Similarly, the free movement of Arab workers between Arab countries eases pressure on labour markets in countries that have high unemployment rates, and provides countries that face labour shortages with the workforce they need.

Given that some Arab labour markets have a workforce surplus and others a workforce shortage, a study was conducted to assess the impact of an increase in the movement of workers between Arab countries on various economic variables in both labour-exporting and labour-importing countries, especially the GCC countries. An additional simulation was conducted assuming some flexibility in the entry of Arab workers to GCC countries, with Arab workers replacing 20 per cent of the workforce currently originating outside the Arab region.

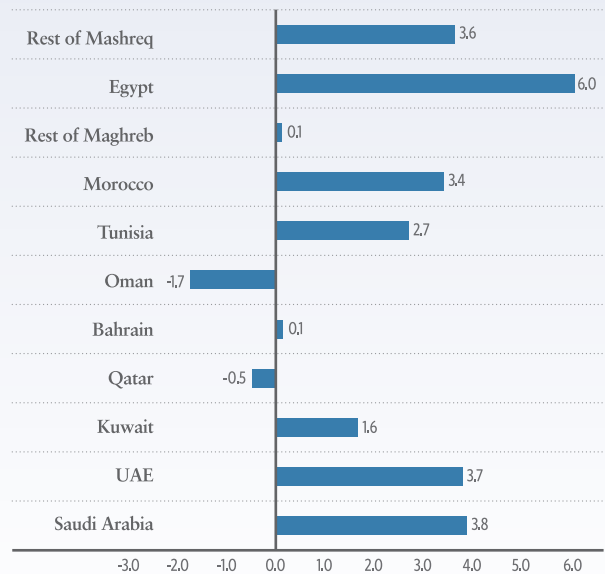
Figure 8-18 shows the results of a preferential flexibility scenario in favour of Arab labour in the GCC countries on GDP in Arab countries and groupings. As a result of this flexibility, the total GDP of all

Figure 8-18 Effects on GDP of completing GAFTA and partially replacing foreign labour with Arab labour in the GCC countries (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Figure 8-19 Effects on well-being of completing GAFTA and partially replacing foreign labour with Arab labour in the GCC countries (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Arab countries would increase by 1.6 per cent in 2020 compared to the reference scenario. However, these GDP gains would be higher in the Mashreq than in the Maghreb countries, because the former provide the GCC countries with more workers than the latter.

This policy would be beneficial to the GCC countries because Arab expatriates spend a higher percentage of their income in the countries of residence than other expatriates. The increase in domestic spending through the consumption of goods and services leads to an increase in demand in the markets and subsequently to an increase in GDP in labour-importing GCC countries. The exceptions are Oman and Qatar, as Arab expatriates in these two countries spend a smaller percentage of their income than other expatriates.

The effects of this scenario on well-being and GDP in Arab countries

are similar. The direct impact on labour-exporting countries is effected through the remittances sent by additional numbers of Arab migrant workers in GCC countries. The gains of labour-importing countries will come from additional spending on domestic goods and services (figure 8-19).

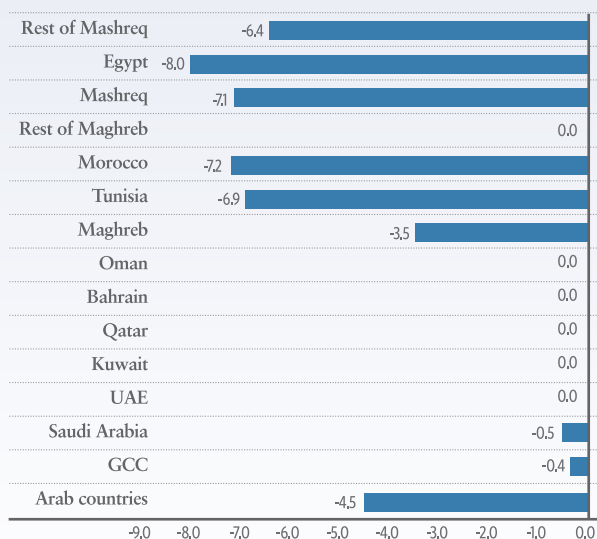
More flexibility in allowing Arab workers to enter GCC countries will directly ease the social pressures faced by labour-exporting countries through the reduction of unemployment rates among skilled and unskilled workers (figures 8-20 and 8-21).

Development of production chains in the Arab agricultural sector

One of the most telling signs of weak economic integration in the

Flexibility in allowing Arab workers to enter GCC countries will ease social pressures in countries exporting labour

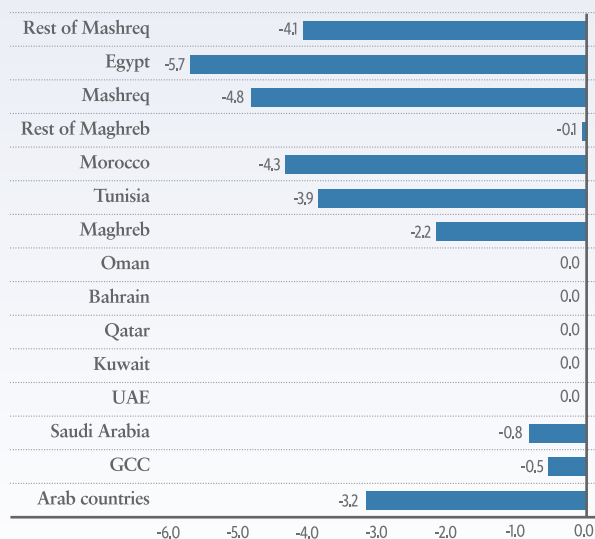
Figure 8-20 Effects on Arab skilled labour unemployment of completing GAFTA and partially replacing foreign labour with Arab labour in the GCC countries (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.

Source: ESCWA simulation using the MIRAGE model.

Figure 8-21 Effects on Arab unskilled labour unemployment of completing GAFTA and partially replacing foreign labour with Arab labour in the GCC countries (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.

Source: ESCWA simulation using the MIRAGE model.

The weakness of Arab production chains has resulted in the continued dominance of extractive and primary economic activities

Arab region is the virtual absence of regional production chains. These chains provide the opportunity to build on the various competitive, financial or natural advantages of the countries of the region in order to develop or refine a particular kind of economic product. The weakness, or even absence, of Arab production chains has resulted in the dispersion of Arab economies, and the continued dominance of extractive and primary economic activities in GDP structure and Arab exports. This, in turn, has resulted in the loss of numerous investment opportunities, depriving Arab economies of key sources of wealth creation and opportunities to strengthen operational capacities. The experiences of regional blocs elsewhere have shown the importance of regional production chains in maximizing the benefits of economic integration, diversifying

economies and increasing the value added in extractive and manufacturing sectors. The achievements of 'Factory Asia', for example, come to mind.

The Arab region is characterized by an abundance of arable land and a large labour force. The agricultural sector, which accounts for nearly 29 per cent of that labour force and contributes about 5.4 per cent to the Arab GDP,¹⁵ is one that suffers most from a virtual absence of value chains. This has reinforced the dominance of unprocessed products in agricultural and food exports, and has wasted important economic opportunities which would have spurred growth and helped to combat unemployment and poverty.

The development of the agricultural sector is important mainly because of its complex and wide ranging connections to other components of the economy, hence

its manifold possible effects. Increased agricultural investment would produce major economic and social returns that contribute to economic diversification and social well-being. The efforts of Arab countries to develop this sector have not produced the desired results, as they individually lack many of the elements that would enable them to optimize and strengthen their production capacities. Some Arab countries struggle with limited financial resources; others have weak industrial capacities or poor infrastructure for the export of some products. In such instances, solutions at the regional level would be more effective than those adopted by individual countries.

As noted, around the world, the development of regional value chains has become important for trade, especially amidst increasing global economic openness and the trend towards liberalizing trade in agricultural goods. Regional value and marketing chains are among the most important mechanisms for developing the agricultural sector and increasing its economic contribution. They can play an important role in the Arab region in the development of such key products as cotton, sugar, olive oil, dates, livestock and wheat.

The importance of developing Arab value and marketing chains for agricultural commodities has increased with the region's population growth and rising standards of living in many countries. This change has increased demand for most food commodities, a trend expected to continue in the future. However, the global rise in commodity prices over the past 10 years has increased pressure on Arab countries, leading them to increase financing for agricultural imports, or for boosting local production. The pressure has led, in turn, to the emergence of new development opportunities for many Arab countries.

However, these opportunities could slip by in the absence of an effective framework for Arab economic integration, through which interdependent agricultural production strategies can be developed to exploit the various openings in the region.

Regional experiences show that Arab regional value and marketing chains for certain agricultural products can be developed through both horizontal and vertical integration. The horizontal integration chain starts with the purchase of production elements and ends with the receipt of the final product. In the vertical integration chain, markets are connected vertically. Goods originating with a certain regional chain are developed through a combined horizontal and vertical integration of markets, while various products cross two or more countries based on comparative advantages. This strategy requires the development of non-traditional exports and the enhancement of the added value for the region. Identifying the goods with comparative advantages requires the coordination of trade and investment policies, as well as policies related to the movement of persons for business purposes. It also requires neighbouring Arab countries to coordinate in the development of strategies to enhance trade and infrastructure in order to expand the common market and ease restrictions on access.¹⁶

The creation of integrated regional value and marketing chains is no longer simply an option. It has become a necessity to preserve and develop the agricultural sector in the Arab region. The development of Arab value and marketing chains requires modernizing agriculture in the Arab region, including strategic commodity value chains in different regional markets. These chains would stretch from acquiring inputs, to the farm itself, and then to the stage of processing

**Developing
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important
because of its
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connections
to other
components of
the economy**

**The creation
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longer simply
an option; it
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a necessity to
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develop the
agricultural
sector**

and manufacturing agricultural products, leading on to storage, distribution and marketing systems. This type of expansion requires building an infrastructure and eliminating current institutional barriers, in order to create a common market for Arab food and agricultural commodities. The completion of GAFTA is a step in that direction.

Coordination of macroeconomic policies

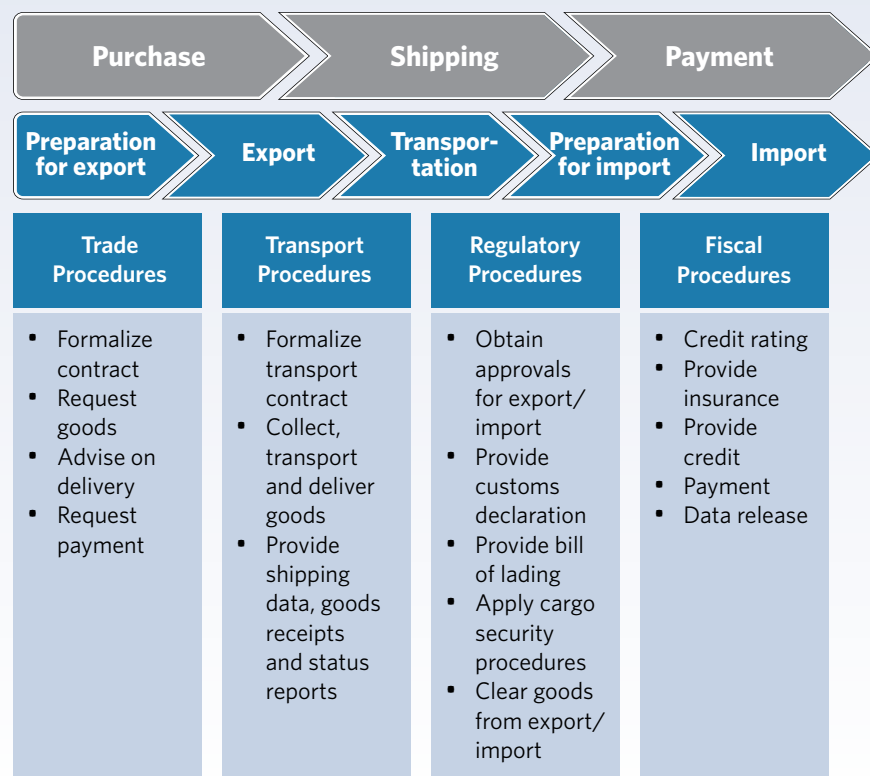
There is a strong and mutually reinforcing relationship between trade and monetary integration. Trade integration creates more favourable conditions for monetary integration, while monetary integration also facilitates the integration of trade. Thus monetary integration and fiscal coordination should be prioritized

in conjunction with trade integration. The main question is: can the Arab countries manage to introduce the changes to economic policies required to achieve effective economic integration which is not limited to the trade of goods, as it is today?

Generally speaking, economic theories do not make convergence a prerequisite for establishing economic or monetary unions. In spite of this, it is necessary to establish a system of convergence and surveillance, which would be integrated into a system of incentives and penalties. This would push member countries to exercise fiscal and monetary discipline, and eliminate distortions, including unfair competition over investments through the reduction of taxes on corporate profits or the distortion of currency exchange rates in order to enhance the external competitiveness of goods.

There is a strong and mutually reinforcing relationship between trade and monetary integration

Figure 8-22 International trade transactions



Source: Based on ESCAP and others, 2008.

Facilitation of trade and logistics

Although trade liberalization can boost job creation and raise incomes significantly, the high cost of business operations could prevent those benefits from being realized. The higher the transaction cost, the higher the cost of imports, and the lower the competitiveness of the country's exports. In many countries, there are between 30 and 60 bodies involved in commercial transactions through licenses or permits, or revenue collection. Many are concerned with clearing transactions relating to certain products, such as meat or paint. Figure 8-22 shows that these measures start with the purchase of goods, through the payment of fees associated with foreign trade, to shipping operations.

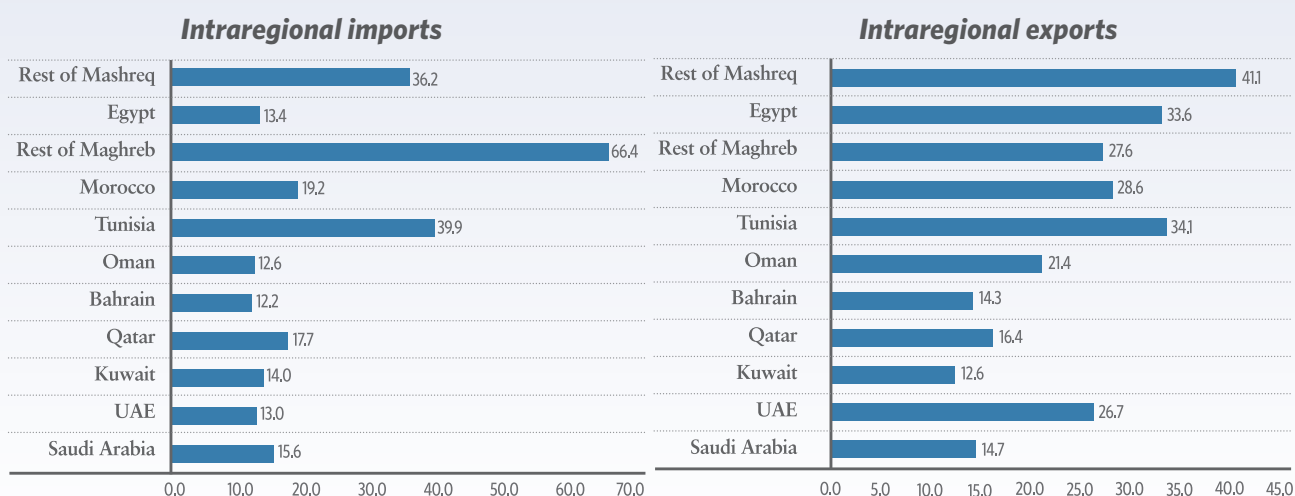
Several quantitative studies have underlined the importance of reducing trade costs and facilitating trade processes to maximize the benefits of free trade agreements or economic integration. Reducing the time required to finalize

foreign trade transactions by one day would lead to a 4 per cent increase in world trade, which is similar to the effects of reducing international customs by 1.5 per cent.¹⁷ A recent study of African trade indicated that reducing by half the time required for goods to leave ports by speeding up customs operations could lead to an increase of 4 per cent in African exports by 2022, compared to the scenario establishing the African Free Trade Zone (AFTZ) with no improvement in business logistics.¹⁸

Estimates based on the MIRAGE model show that reducing international transport costs on Arab intraregional trade by 5 per cent per annum during the period 2013-2020 will result in the growth of intraregional trade by 23 per cent by 2020 compared to the reference scenario (figure 8-23). This rise in intraregional trade will have a direct impact on national GDP, which will rise by 0.5 per cent, higher than the potential effects of completing GAFTA. This percentage is more than double in countries like Bahrain, Egypt and the rest

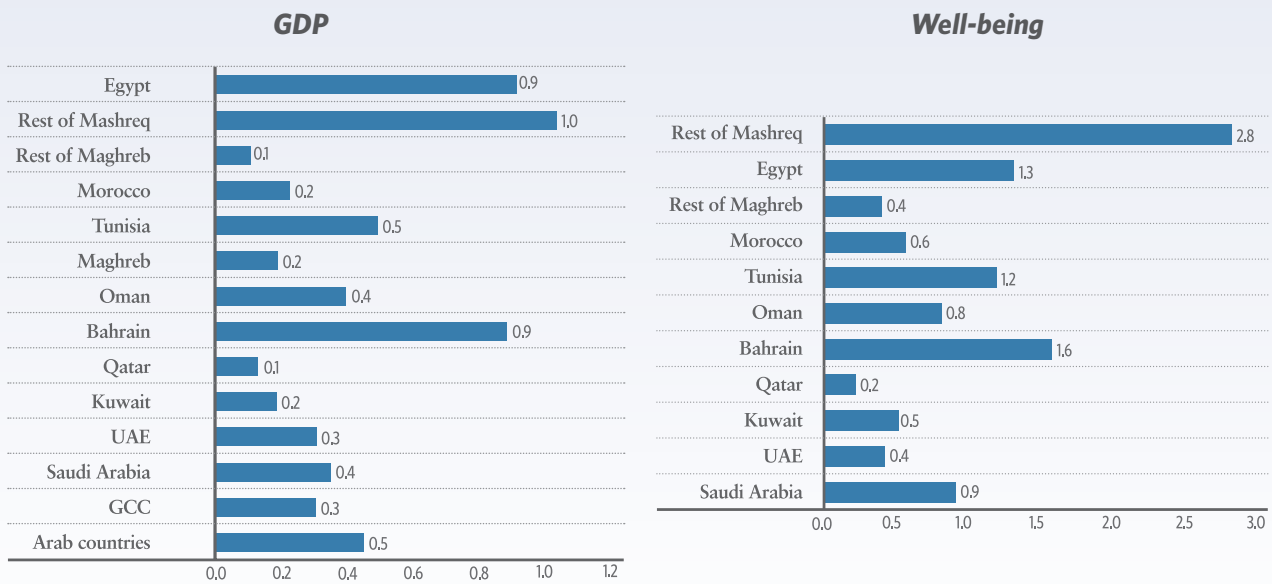
Estimates show that reducing transport costs on intraregional trade by 5 per cent per annum will result in a 23 per cent growth in trade by 2020

Figure 8-23 Effects on Arab intraregional trade of reducing international transport costs by 5 per cent a year between 2013 and 2020 (Percentage)



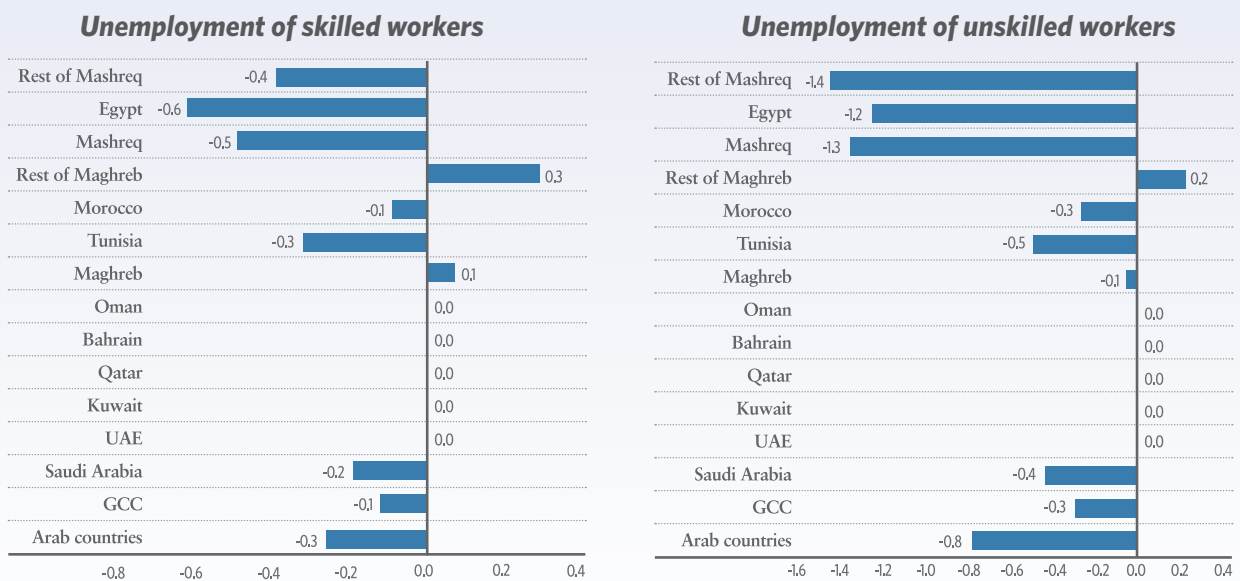
Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario. Source: ESCWA simulation using the MIRAGE model.

Figure 8-24 Effects on GDP and well-being of reducing international transport costs by 5 per cent a year between 2013 and 2020 (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario. Source: ESCWA simulation using the MIRAGE model.

Figure 8-25 Effects on unemployment of reducing international transport costs by 5 per cent a year between 2013 and 2020 (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario. Source: ESCWA simulation using the MIRAGE model.

of the Mashreq and Maghreb countries. Arab consumers will also benefit from the reduced costs of intraregional trade. As a result, the level of well-being would rise by 1.6 per cent in Bahrain, 1.1 per cent in Tunisia and 1.3 per cent in Egypt (figure 8-24). Unemployment in Arab countries will drop by 0.8 per cent for unskilled labour and 0.3 per cent for skilled labour by 2020 (figure 8-25). Although these rates are not high, they may help to gradually reduce the high levels of unemployment in some countries.

Logistics services related to international transport, insurance and customs permits are still complicated in many Arab countries, with the exception of the United Arab Emirates,

which ranks 17th among 155 countries in a performance index on logistics services.¹⁹ The Arab countries need to implement a series of reforms to boost logistics services in order to promote intraregional and foreign trade. These reforms should target three main areas: (a) opening road networks and railways between the Arab countries and the rest of the world, to facilitate the flow of goods at the lowest cost, in less time and with higher efficiency; (b) establishing regional shipping lines for direct transportation between the Arab ports, without the costly transit through ports outside the region; and (c) unifying, modernizing and reforming customs procedures to simplify the process of customs clearance.

Logistics services related to international transport, insurance and customs permits are still complicated in many Arab countries

Box 8-2 Benefits of the single-window system: the Tunisian experience

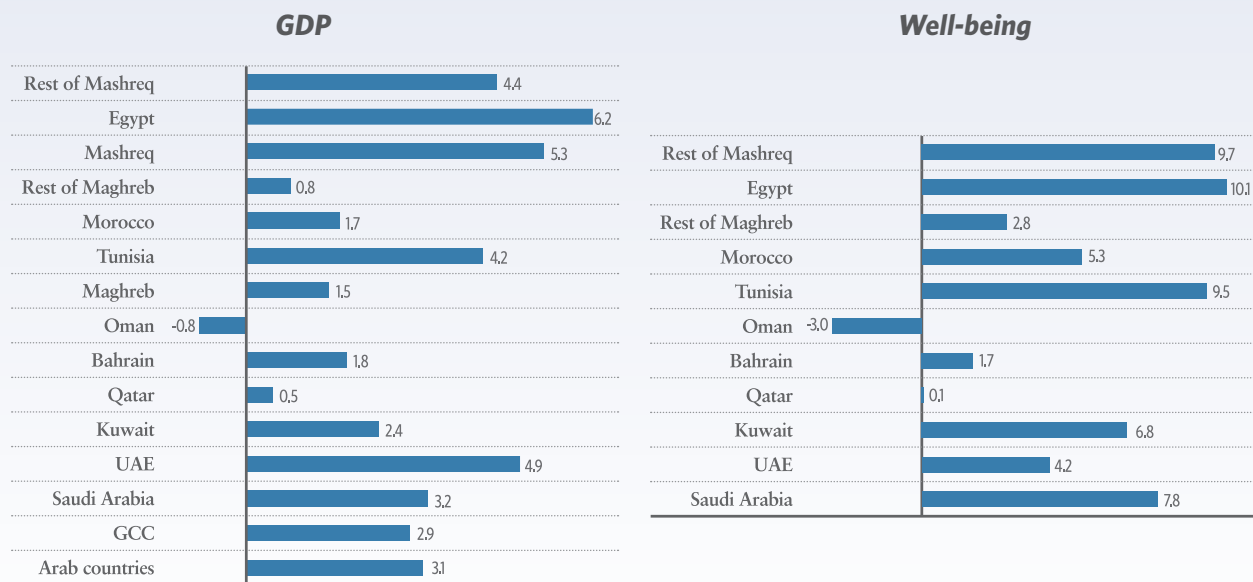
In the late 1990s, cargo spent an average of eight — and often up to 18 — days in Tunisian ports owing to customs, port and technical control procedures, compared to a few hours in Singapore, and four days in Argentina and Brazil. Further complicating matters, external trade procedures in Tunisia required that transactions and documents be processed by multiple entities: the Ministry of Commerce, banks, the port authority and the customs administration, in addition to customs brokers, shipping agents and freight forwarders. The exchange of documents had to be made in person, meaning that hard copies of documents had to be delivered and in some cases picked up again after several days for further processing. Import transactions required 19 steps, and export transactions 15 steps. These exhausting processes severely impeded the ability of Tunisian companies to respond to short-notice orders, undermining their competitiveness.

Following the implementation of the single-window system in 2000, these processes now require only two-and-a-half days. Reducing by half the time needed to complete the clearance of shipped goods, the single-window system increased the port's capacity without requiring new investment. This reduction also strengthened the competitiveness of local trade, allowing the delivery of goods and materials to the market, and the delivery of local inputs to producers and exporters, in half the time. Electronic data processing played a key role.

The single-window system in Tunisia links suppliers, exporters and transport service providers with commercial banks, the central bank, ports, customs and ministries. It has simplified and accelerated transactions related to foreign trade and international transport and raised the rate of electronic processing of customs permits from 1 per cent in 2004 to 44 per cent in 2005 and 60 per cent in 2009. The single-window system also cut the time required to process data and necessary permits from about 20 days to only a few hours.

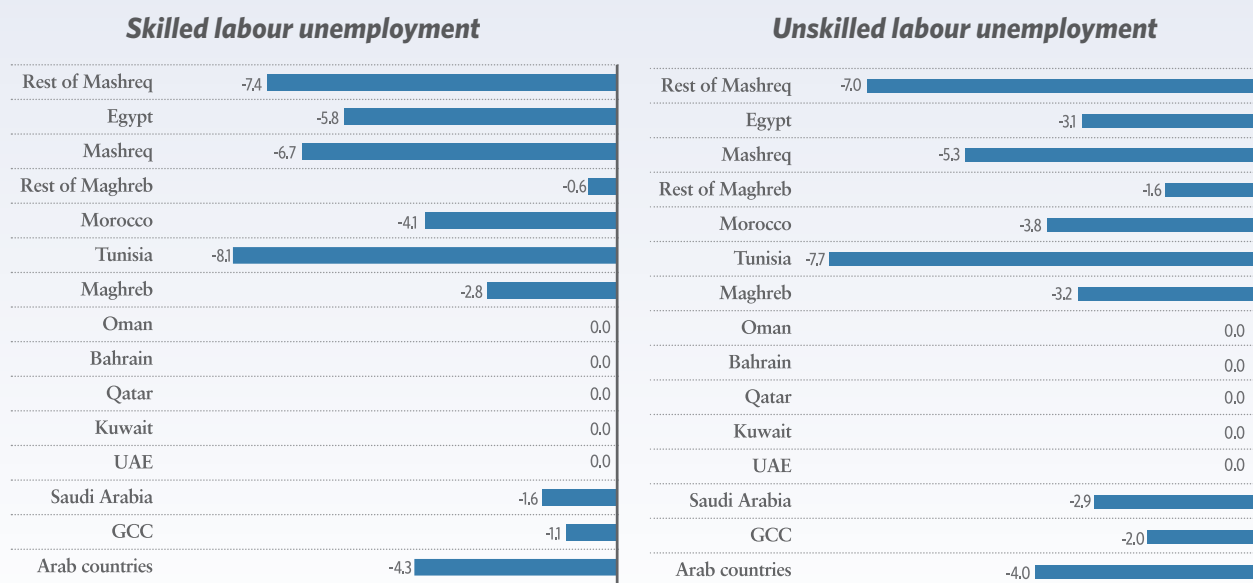
Source: Data provided by Tunisia.

Figure 8-26 Effects on GDP and well-being of a reform package to strengthen Arab economic integration (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Figure 8-27 Effects on unemployment of a reform package to strengthen Arab economic integration (Percentage)



Note: The results reflect the relative variation between the levels projected for 2020 by the reference scenario and the proposed scenario.
Source: ESCWA simulation using the MIRAGE model.

Full Arab economic integration requires more than a customs union

This chapter explored different scenarios to support Arab economic integration. The results show that the completion of GAFTA will deliver some gains for all member countries, but the amounts are generally low and vary significantly. The benefits of an Arab customs union also differ, especially for non-GCC Arab countries, depending on the tariff structure adopted. Overall, the results of every scenario simulated by ESCWA indicate that none of them would benefit all Arab countries. Therefore, to reap equitable benefits from a customs union, mechanisms would be required to redistribute customs income among countries; and a special fund would be necessary to compensate those countries benefitting the least from the union, and to assist the economic and social sectors put at risk by changes introduced through the project.

More important are the results showing that the benefits of trade liberalization will remain limited unless restrictive barriers and burdens are lifted, including permit issuance and related administrative procedures, high transport costs and others. These barriers prevent Arab goods from competing with those imported from non-Arab countries; what would be the benefit of lifting a custom tariff when transporting a container between Arab countries costs far more than shipping it to North America?

* * *

The simulation conducted in this chapter estimated the benefits expected to result from Arab economic integration under different scenarios. It showed that establishing an Arab customs union, the goal set by the Arab countries for the year 2015, will not yield decisive benefits for all Arab countries because of their complex trade commitments and the technical restrictions they impose on trade in goods and services, in addition to those imposed by WTO.

The evidence shows that Arab economic integration would be incomplete without the lifting of non-tariff barriers, the liberalization of trade in services and the movement of capital and labour among the countries of the region. Therefore, an additional scenario was simulated to explore the impact of an integrated package of economic and trade policies on economic growth and the well-being of Arab peoples. The scenario consisted of the following economic policies: (a) completing GAFTA; (b) establishing an Arab customs union that adopts the lowest tariffs applied by those Arab countries possessing free trade agreements with the European Union; (c) reducing the cost of international transport for Arab trade by 5 per cent annually between 2013 and 2020; and (d) replacing 20 per cent of future non-Arab migrant workers in the Arab region with Arab workers.

In this scenario, total Arab GDP would grow by the equivalent of a further 3.1 per cent by 2020, compared to the reference scenario (figure 8-26). With the exception of Oman, all Arab countries would achieve significant gains: 2.9 per cent for the GCC countries, 1.5 per cent for the countries of the Maghreb and 5.3 per cent for the countries of the Mashreq. All Arab countries, including some GCC countries, would experience a significant decline in unemployment rates (figure 8-27). Once again, this highlights the importance of establishing an Arab customs union through comprehensive integrated policies.

Arab economic integration would be devoid of its benefits without the lifting of non-tariff barriers, the liberalization of trade in services and the movement of capital and labour

Reducing transport costs and ensuring the free movement of Arab workers would lead to GDP growth of 3.1 per cent by 2020

Trade is not an end in itself but one of several means by which Arab countries can build a civilization greater than the sum of its individual parts

The conclusion drawn is that economic integration cannot be achieved through trade liberalization alone; an integrated package of economic processes is needed to reach higher levels of Arab integration.

The analysis in this chapter is the first serious econometric assessment of the impact of Arab integration to be presented since the Arab countries began seeking regional integration seven decades ago. However, by its nature, this quantitative analysis cannot capture the non-material dimensions of human well-being, such as freedom and justice, pride and dignity. Neither can it predict the full implications of Arab integration strategies on the well-being of Arabs from the perspective of a renaissance, which requires the integration and consolidation of knowledge acquisition and production, as well as the various elements of human security.

In other words, what can be counted is not all that counts: and the effort to reach the highest level of Arab integration, namely a free Arab citizenship area, will continue to rest on both hard and soft arguments; on material and moral considerations; and on the recognition that trade is not an end in itself but one of several means by which Arab countries can come together to build a civilization greater than the sum of its individual parts. Freedom, justice and dignity for all — ideals shared across the Arab world — would be the true measures of that civilization's wealth.

Chapter 9

Arab Integration and Renaissance:
A Strategic Vision

**O my nation! It is natural that you tremble at times;
it is also natural that you awaken**

Tameem Barghouthi

Arab Integration and Renaissance: A Strategic Vision

The previous chapter showed that the Arab countries can reap important benefits by taking gradual and successive steps towards comprehensive economic integration. Other chapters explored realities and hopes, failures and possibilities in the long search for Arab unity. This concluding chapter is a reflection on the close relationship between comprehensive integration and the well-being of the Arab people. It offers a strategic plan for reviving the material and moral foundations of the region through integration. A series of realistic, simple and important steps are set out leading towards this more ambitious goal. The chapter concludes by outlining strategic actions that would lead to the establishment of a free Arab citizenship area characterized by prosperity, social justice and human dignity.

Guiding Principles

For several centuries, the Arab region has been the scene of regression and chronic abuses of freedom, justice and human dignity. In the course of that history, it has lost its ability to surmount obstacles that have appeared in its path, causing it to decline. Factors contributing to this decline include inter-Arab divisions, the failure of national development and the knowledge gap.

The way out of this entropy is to aim for a renaissance in which all people can enjoy freedom, justice and human dignity irrespective of sex, race or belief, and where the Arabs once more earn their rightful place in the world. But this has to be a way *forward*. It does not imply a return to a glorious past, or a revival of Arabism as a question of race or ethnic origin. Renaissance is the release of continuous creativity over time to reshape the human face of Muslim Arab civilization, inspired by both its own values and the major achievements of contemporary human civilization. To achieve renaissance, the

Arab world must break free from its decadent spiral and realize the following five conditions:

▶ **Independent will:** this starts with an independent and non-subordinated political system that represents the people and their interests. Such a system was among the most prominent demands of the Arab civil revolts which put personal and political freedoms first.

▶ **Creative cognizance:** this implies recognizing and creating the conditions to achieve independence. It requires elites who understand the needs of the people they represent. Those elites should work to develop knowledge-based and innovative productive capabilities in their societies. Knowledge and critical thinking are the components of a civilization which enable it to be self-determining, proactive and prosperous.

▶ **Real power:** this derives from independent political will. It means

**To achieve
renaissance,
the Arab world
must realize
five conditions:
independent
will, creative
cognizance,
real power,
continuous
renewal and
autonomy**

The diversity of the Arab countries is not an obstacle to comprehensive integration since this endeavour begins with harnessing diversity and its ultimate goal is to guarantee equality on the basis of Arab citizenship

the power to make free decisions and influence the course of events.

► **Continuous renewal:** people are able to fulfil themselves when they have sufficient means for a decent life and participate in the decisions that affect them. Such human fulfillment sustains and renews a civilization at its source — its own people. To that end, civil society must be welcomed into all decisions for the development of the region's material dimensions, such as the economy and culture, and for promoting the health of its superstructures, such as governance and education.

► **Autonomy:** when people unite behind a mission, they can achieve together what individually they could not countenance. They become a more effective force in their own lives, in their countries, in the region and in history. The Arab civilization should nurture independent, conscious and vibrant citizens, capable of developing continuously and exercising free choice in an independent State for all Arab people.

Strategic vision

This section proposes strategic actions for an Arab renaissance to be realized through comprehensive integration. Those actions can be studied by the relevant authorities in the Arab region for implementation, follow-up and adjustment. For the integration and renaissance project to be real, the authorities must believe in it.

As with any serious renaissance project, such strategic actions require long-term measures involving all parts of society. The sequence of measures that yields the best outcome may vary depending on the part of the Arab world.

The diversity of the Arab countries is not an obstacle to comprehensive

integration since this endeavour begins with harnessing diversity. Its ultimate goal is to guarantee equality on the basis of Arab citizenship in all parts of the Arab world. The experience of the European Union offers important insights into how to overcome intraregional differences. An example is the rehabilitation programme for new members and candidates for membership. Associated institutions overseeing legal, political and democratic affairs, have also been instrumental in achieving the aims of the European Union and in consolidating its integration.

This report has highlighted the main challenges to sustainable human development in the Arab world. The gravest of those challenges are: external threats and internal violations, the knowledge acquisition and production gap, weak production structures, inefficient economies, environmental degradation, tensions within Arab culture and risks to the Arabic language. The report argues that inefficient cooperation between joint Arab institutions has aggravated these challenges and postponed Arab integration.

A renaissance stemming from Arab integration would achieve three 'freedom goals':

► **Ensuring the freedom and dignity of all people in the region:** this requires liberating the Arab world from occupation and foreign interference, and establishing good governance based on justice, democracy, equal citizenship and human rights. Transitional Governments should refrain from the acts of retaliation that are common in post-revolution periods.

► **Establishing a strong and diversified Arab production structure:** this requires freeing Arab production from its current weak, inefficient and uncompetitive pattern by diversifying industrial structures into more flexible, more knowledge-based and

more value-adding enterprises, capable of meeting the material needs of the Arab people by generating employment, income and better living standards. Economic growth will be less open to reversals if it is coupled with better protection of the environment and ecosystems in the region.

► **Reviving a creative culture:** this would mean liberating Arab culture from self-inflicted shackles and conflicts to allow its full advancement by drawing inspiration from the best achievements of Arab civilization and those of other civilizations. It will also require enhancing the Arabic language, protecting diversity and boosting knowledge acquisition and production to make knowledge a driver of progress. Cultural advancement is not possible without restoring independent reason to the interpretation of scripture.

Plan of action

The three goals of the strategic vision, and the plan of action presented here for achieving them, may seem overly ambitious in light of the current regional situation. However, the Arab world deserves such a large-scale project, especially as successful examples of full integration in other regional groupings have proven its feasibility. The steps outlined below will be far easier to take if Arab countries approach them as a unified region. Integration is a medium, if not long-term, endeavour to be approached in stages, which is normal for any renaissance project. Each stage towards that goal will help to advance more ambitious policies, gradually building up confidence in the larger design and paving the way for its full realization. But none of this is possible without political will; it is hoped that Arab leaders at the 2014 Arab summit will

make a serious commitment to the steps outlined in this chapter, a commitment they intend to sustain.

Unifying the Arab space

Arab citizens encounter great difficulties when moving between Arab countries, a problem that exacerbates divisions among them. To facilitate the movement of, and interaction between, Arab peoples, it is proposed that Arab countries take the following measures:

► All Arab States should grant Arab visitors the same treatment accorded under the most-favoured-nation status. When requesting visas for other Arab countries, Arab citizens should receive the same preferential treatment granted to citizens from non-Arab countries.

► A system should be established to issue electronically-readable passports, similar to the Dubai Airport eGate system, so that all Arabs can pass through borders with ease when no visa is required.

► Religious holidays, including the onset of the fasting month of Ramadan, school holidays and weekends should be unified, as should the implementation of daylight saving time.

► Arab airlines should ensure that there is at least one daily direct flight between any two given Arab capital cities. This will link the Arab Mashreq to the Arab Maghreb and end the current inconvenience of traveling through Europe to move between certain Arab capitals.

Prohibiting trade with Israeli settlements

Israel's ongoing building of settlements in Palestinian territory is a major obstacle to the creation of an independent

To facilitate the movement of, and interaction between, Arab peoples, it is necessary that Arab countries issue visas to all Arab citizens and grant them the same preferential treatment granted to citizens from non-Arab countries

To protect the rights of Palestinians in the Occupied Territories, the Arab countries must reject all Israeli imports that are produced in the settlements; and pursue the issuance by the International Court of Justice of a decision asking Israel to cease issuing Israeli certificates of origin for products originated in settlements

Palestinian State. Arab countries are making efforts to liberate Palestine and other Arab territories occupied by Israel. They have been joined by partners outside the region. For instance, some international organizations have enforced measures to deter settlement building in Occupied Palestinian Territories.

In 2010, the European Court of Justice issued a judgment requiring the European Commission to distinguish between products from Israeli settlements and those exported by Israel,¹ in order to prevent the former from receiving the preferential treatment granted to Israeli exports under the 1995 EC-Israel Association Agreement. The aim of the judgment is to ensure that no contractual arrangements are established which affect the rights of Palestinians in the territories Israel has occupied since 1967.² In mid-2013, the European Union took a tougher stance on settlements when it decided that entities located in one were ineligible for grants, scholarships, awards or other financial assistance.

Following on from the European example, it is recommended that Arab States decide unanimously on the following measures:

▶ To prohibit imports from Israeli settlements in the Occupied Palestinian Territories and the Golan Heights.

▶ To reject all Israeli imports that are not accompanied by an official certificate of origin proving that it was not produced in a settlement, and to ban cultural, scientific, artistic or financial cooperation with any entity located within a settlement.

▶ To commission the Arab Peace Initiative Follow-up Committee to work with the African Union, the Organization of Islamic Cooperation and other groups that support peace to issue a joint decision,

guided by that of the European Union, to prohibit interaction or trade with Israeli settlements in the Occupied Palestinian Territories and the Golan Heights.

▶ In line with the Advisory Opinion of the International Court of Justice of 4 July 2004 concerning the Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory, the League of Arab States should pursue an equivalent and supplementary decision asking Israel to cease issuing Israeli certificates of origin for settlement-originated products. The decision should also call on international parties with commercial ties to Israel to respect the legal status of the Occupied Palestinian Territories and treat settlements as illegal.

Building the infrastructure for Arab integration

The movement of goods between Arab countries is hampered by technical impediments, poor infrastructure and high transportation costs. These obstacles reduce the benefits of trade.

To facilitate travel and the efficient flow of goods at the lowest possible costs, it is recommended that Arab States implement the following:

▶ Complete roads and rail network plans between Arab countries and beyond. The Arab Fund for Economic and Social Development should be commissioned to bring the project to fruition within five years. Countries lacking the financial means to build the parts crossing their territory should be supported with grants.

▶ Create regional maritime routes that provide direct links between Arab seaports. This would remove the need to use ports outside the region and significantly reduce the cost of maritime transport.

- ▶ Establish a link between the Arab countries in Asia and those in Africa by building the long-delayed bridge from Sinai in Egypt to Ra's Ash Shaykh Humayd in the Province of Tabuk in the north of Saudi Arabia.
- ▶ Unify, modernize and reform customs procedures to streamline clearances by introducing an electronic customs clearance system. In order to facilitate the flow of goods, those procedures would be initiated prior to the arrival of cargo shipments.

Institutions for Arab integration

To implement Arab integration in the political, economic, cultural and educational spheres, a supportive and creative institutional structure is needed.

This requires the existence of a legal system that guarantees full citizenship rights to citizens of every Arab country. A priori, subregional agreements guaranteeing some citizenship rights within particular groups of Arab countries would pave the way for a free Arab citizenship area in the future. However, these agreements must not divert attention from efforts to pursue the ultimate goal.

Such subregional agreements include the Four Freedoms Agreement, covering movement, residence, work and possessions between Egypt and the Sudan, and the Unified Economic Agreement between Gulf Cooperation Council (GCC) member States. The Unified Economic Agreement is the most notable agreement granting rights to the citizens of all GCC member States, constituting a first step towards economic integration. The agreement regulates property rights for citizens of all member States.

A revival of the Five Freedoms Agreement of the Arab Maghreb Union, as called for by Tunisian President Moncef Marzouki in February 2012, should also be encouraged, particularly as it includes the right to participate in local political activities.

The road to a free Arab citizenship area is likely to be a long one, with several stages. It is therefore suggested that Arab States first implement existing agreements guaranteeing freedom of movement for Arab citizens throughout the region. This would entail abolishing visas for all Arab citizens. If that proves unfeasible, Arab citizens should at least receive the same treatment granted to citizens of countries enjoying most-favoured-nation status, which is the best possible status under existing legislation.

The next section proposes a number of further measures that will help to achieve Arab comprehensive integration.

A league of Arab peoples

Establishing regional good governance in the Arab world requires moving from the current pattern of cooperation between Governments to a regional democratic governance structure which unites people. That structure could be a 'league of Arab peoples', which would draw its members together towards strong cultural, and perhaps even political, unity.

The best model for such a structure is the European Community, which is not only an economic union but has also forged common political and defence policies. The European Community is an efficient regional organization that makes binding decisions for member States. It also provides citizens and civil society with the opportunity to participate in decision-making and performance monitoring.

Emulating the European experience does not mean that the Arabs do not have their own model for integration. While the

To link the Arab countries in Asia with those in Africa and facilitate travel and the efficient flow of goods, the bridge from Sinai in Egypt to the north of Saudi Arabia must be implemented

Establishing regional good governance requires the evolution of the League of Arab States into a league of Arab peoples under the oversight of an elected parliament of the Arab region; until then, its structure should be reformed, its secretaries general given more authority and their selection process revised

European Community's accomplishment has been to unite different nationalities, the Arab model has some clear advantages because it would consist of integrating entities with a common culture, language and history.

The evolution of the League of Arab States into a league of Arab peoples would require the executive powers of the League of Arab States to be transferred to a parliament of the Arab region. That parliament would be established through democratic elections and feature representatives of political parties from all Arab countries, just as is the case with the European Parliament. The parliament would be responsible for passing legislation on Arab integration and for supervising the authorities managing that integration.

The parliament should be complemented by an Arab court of justice or court of human rights, which would safeguard human rights in the Arab world. It should not be simply an intergovernmental conflict resolution mechanism, as is currently the case, but the highest court of a unified Arab region. As such, it would protect the laws governing regional integration and also hear complaints from Arab citizens against their respective Governments.

These new institutions could then work towards the establishment of a free Arab citizenship area. The executive work of Arab integration should be overseen by a commission comprising separate secretariats that are each responsible for a different aspect of the process.

Reforming existing institutions

Until a league of Arab peoples is founded, the League of Arab States should be reformed to better fulfill its mandate. This would require a revision of its organizational structure, voting procedures, means of funding and

the selection process for appointing secretaries general. The latter position should be expanded to match that of the president of the European Commission. A new rule should prohibit secretaries general of the same nationality from being appointed successively. Specialized organizations of the League should also be reformed to make them more efficient and accountable.

All joint Arab action institutions should be reformed, their mandate and terms of reference clearly defined and their capabilities enhanced to ensure better performance in the areas of governance and economy, and culture and education; performance should be particularly enhanced in education reform and development, scientific research and technological development, and knowledge interchange with other cultures.

An Arab integration fund

To support the Arab integration project, it is recommended that a fund dedicated to the project be established. All Arab countries must contribute, according to their means. The fund should finance Arab integration and research projects that help strengthen national security throughout the region. Such projects include:

- ▶ Building Arab capacities in scientific research and technological development, and establishing regional research and development centres to establish knowledge economies in Arab countries and benefit from the skills of migrant Arabs.
- ▶ Developing Arab transport infrastructure to facilitate the movement of people and goods.
- ▶ Establishing long-term mechanisms to respond to disasters and support victims, particularly refugees and internally displaced persons.

- ▶ Protecting the environment, mindful of the impact that environmental degradation will have on future generations.
- ▶ Creating virtual universities and satellite television channels for education to forge a common area for knowledge, art and culture.
- ▶ Establishing an Arab employment organization, or reforming existing ones, to balance labour demand and supply in the region and promote productivity.
- ▶ Supporting organizations that promote Arab culture and the Arabic language and encourage scientific and cultural exchange with all other cultures, especially those from which the Arab world can draw important lessons.
- ▶ Establishing an Arab commission for education reform and development that would oversee periodic comparative quality assessments of all educational institutions and ensure that Arabic is taught in all education levels. All Arab educational establishments would be legally required to conduct comprehensive assessments of their courses and to publicly disseminate their results. Assessment results would help guide initiatives to improve education quality.

Building a free Arab citizenship area

Political integration to ensure freedom and dignity for all Arab citizens

Arab political integration would support the economic and cultural resilience needed to achieve sustainable development and free the Arab world from subordination. Political cooperation must focus on three

areas in particular: good democratic governance, an end to foreign occupation or interference, and Arab diplomatic cooperation on the international level in order to preserve Arab interests.

▶ **Good democratic governance at the country level**

Arab renaissance cannot be achieved without institutional and legal infrastructure to ensure good democratic governance. Such infrastructure would guarantee the equal enjoyment of freedom, justice and human dignity for all Arab citizens.

The right to equal citizenship is enshrined in numerous international human rights conventions which guarantee the rights of every member of society, children, women, young people, the elderly and the disabled.

Building strong institutional and legal infrastructures requires social reform in two stages. First, accountable democratic governance structures that protect human rights should be established. Second, the stasis induced in the region through coercion, autocracy and political manipulation must be replaced with positive stability. When people-driven development efforts come together in regional institutions, they will contribute to stability, renaissance and integration throughout the region. Mutual solidarity must thus be fostered between Arab countries in order to end stagnation and allow the exchange of knowledge, experience and creative ideas.

▶ **Liberation from occupation and foreign influence**

The occupation of Palestine and parts of Syria and Lebanon is not, as some believe, an issue that concerns only those countries. Continued occupation not only threatens the freedom and well-being of all Arab people; it also violates international law and threatens world peace, contravening

To promote knowledge acquisition and improve education quality, it is recommended to establish an Arab commission for education reform and development that would oversee periodic assessments of all educational institutions and publicly disseminate their results

Through political integration, the Arab region could end Israel's occupation according to international resolutions

the international community's obligation to "safeguard future generations from the disasters of war" as stated in the Charter of the United Nations.³

Such international legal instruments as the Universal Declaration of Human Rights⁴ and the Charter of the United Nations prohibit the use of force by countries to occupy foreign territory, and protect the right to resist foreign occupation under the right to self-determination.

However, thanks mainly to the United States' veto, the United Nations Security Council has so far failed to oblige Israel to respect international law and implement the various resolutions demanding an end to occupation and the right of return for Palestinian refugees. Enforcing those resolutions has thus become a Palestinian and Arab responsibility. Through political

integration, the Arab region could acquire the leverage to accomplish what Arab countries individually have failed to achieve in more than sixty years: an end to Israel's occupation. Any solution must meet three conditions:

- Israel must implement the international resolutions demanding its withdrawal from all occupied territories and the right of return for Palestinian refugees.
- The terms of a political settlement should not contradict the rights set forth in human rights instruments and the Charter of the United Nations regarding non-discrimination on the basis of sex, language or religion.⁵ In other words, no discrimination against Christians and Muslims in Israel or against Jews in Arab countries can be permitted.
- Any political settlement must be final if a return to conflict is to be avoided. That will only be accomplished when justice is achieved and historical facts and wrongdoings are acknowledged. A political solution may now be closer than ever, thanks in part to some courageous Israeli historians who have gone against their Government's official version of history by clarifying the historical events that led to the creation of Israel, including the ethnic cleansing of Palestine (box 9-1). An official acknowledgement of this record would clear the air once for all, creating the conditions for a real dialogue on a just solution for ending the Israeli occupation.

The struggle against occupation and foreign influence are linked. Self-determination is impossible so long as Arab decisions are tied to foreign powers. Those powers will continue to interfere in the region so long as occupation remains. Through political integration, the Arabs can liberate occupied Arab territories and prevent further occupations in the future.

Box 9-1 Ilan Pappé: The ethnic cleansing of Palestine is a crime against humanity

"Once Plan D (D for Dalet in Hebrew) was finalized, it took six months to complete the mission. When it was over, more than half of Palestine's native population, over 750 000 people, had been uprooted, 531 villages had been destroyed, and 11 urban neighborhoods had been emptied of their inhabitants. The plan decided upon on 10 March 1948, and above all its systematic implementation in the following months, was a clear case of what is now known as an ethnic cleansing operation.

Ethnic cleansing today is designated by international law as a crime against humanity; and those who perpetrate it are subject to adjudication. ...And yet, when it comes to the dispossession by Israel of the Palestinians in 1948, there is a deep chasm between the reality and the representation. There is no doubt that the ethnic cleansing of 1948, the most formative event in the modern history of the land of Palestine, has been almost entirely eradicated from the collective global memory and erased from the world's conscience."

Source: Pappé, 2006, pp. 32-34.

It will send a clear message that they can, and will, act as an independent regional bloc to secure their land and interests. That, in turn, would mark the first milestone towards self-driven Arab integration.

► **Meaningful Arab cooperation in international forums**

One of the advantages of Arab political integration is that it will enable Arab countries to unite behind their interests in international forums, particularly the United Nations. This will be a departure from when autocratic regimes ignored the interests of their people in order to satisfy influential international powers. Arab coordination should not be limited to unifying positions on such crucial issues as Palestine and ending foreign hegemony. It must include the whole range of issues addressed by the international community, such as the environment, the status of women, development and trade, thereby ensuring that international decisions contribute to development in the Arab world.

The Arab region has long been hostage to geopolitics. It is adversely affected by a biased international order, and has had to contend with repeated foreign occupations, invasions, blockades and sanctions, all of which are unjustly addressed by the international system. Political coordination will allow Arab countries to contribute to international governance reform, including United Nations Security Council reform, that will make the global community better able to promote peace, security, justice and well-being, and other objectives that directly affect the Arabs.

Effective Arab economic integration to achieve human development

Effective economic integration would enable Arab countries to overcome development challenges, achieve human

well-being and compete with major economic blocs. Arab States have made some progress in trade liberalization but several obstacles remain. This report calls for new measures to be implemented alongside trade liberalization, including the establishment of diverse and continuously developing production systems, institutional support structures, a skilled Arab labour market, and environmental protection.

► **Completing existing trade integration projects**

Arab economic integration must start by strengthening existing integration mechanisms. This would entail removing 'behind-the-border' obstacles that hinder the flow of goods between Arab countries, such as high transport costs.⁶ It also requires liberalizing trade in services, establishing an Arab customs union and a common Arab market, and creating such coordinated monetary policies as unified exchange rates.

Chapter 8 concluded that it is almost impossible to establish an Arab customs union beneficial to all Arab countries. Therefore, and drawing on similar experiences in other regional groups such as the European Union, compensation mechanisms must be explored for countries which might initially be less well-off under such a union. One such mechanism could be the establishment of a special fund to help those countries develop their infrastructures and competitive capacities.

Chapter 8 also underlined that the establishment of a customs union would not be sufficient to strengthen competitive capacities, develop sophisticated export and production capabilities, increase economic growth rates, or reduce unemployment and poverty. More effective strategies are needed to achieve Arab economic integration. Decision makers can go beyond the current goal

One of the key advantages of Arab political integration is that it will enable Arab countries to unite behind their interests in international forums and contribute to international governance reform

Arab economic integration must start by completing and strengthening existing integration mechanisms

At the strategic level, the Arab countries should establish an Arab economic union that would ensure the free movement of Arab workers and capitals

Arab integration needs improved infrastructure, including road and rail networks, modern electricity connections and communications networks

of trade liberalization by establishing an Arab economic union. Such a union would ensure a mobile Arab workforce, reduce obstacles to Arab investment and facilitate the coordination of macroeconomic and sectoral policies.

► **Infrastructure supporting economic integration**

Several obstacles hinder the movement of goods between Arab countries: simply lifting customs duties at the border is not enough to spur intraregional trade. Arab integration urgently needs improved road and rail networks and transport companies that offer fast, efficient transport at a reasonable cost. It also needs expanded modern electricity connections and communications networks to facilitate the free flow of people, goods and ideas throughout the region.

It is equally important to build up the region's human capital, especially in knowledge exchange. Links between Arab countries should be reinforced via high-speed wireless communications and by setting the same flat rate for regional and local calls. Digital telecommunication networks in the region should be continuously modernized and kept affordable for all citizens. These latter steps are vital if knowledge acquisition networks are to be established, particularly in higher education, research and technological development.

An important piece of regional infrastructure would be a bridge to link Sinai in Egypt to Ra's Ash Shaykh Humayd, in the Province of Tabuk in Saudi Arabia. This vital project was opposed by former Egyptian President Hosni Mubarak and never built.

► **Multiple premises, approaches and timetables on the road to Arab economic integration**

Given the diversity of the Arab region, it may be wise to follow a strategy for economic integration with multiple

premises, approaches and timetables, and to facilitate the horizontal and vertical convergence of all initiatives.

The Maghreb and GCC countries have already opened up their economies to the non-Arab world. The former are directly open to the economies of the European Union, and the latter to the global economy. However, with the exception of the Agreement establishing the Greater Arab Free Trade Area (GAFTA), there are no real regional arrangements.

Experience of other economic integration strategies⁷ suggests that sectoral integration offers a realistic starting point, given that it represents a common denominator between the Arab economic groups. Sectoral integration could be possible in some basic, intermediate and durable goods industries in order to rationalize production and benefit from market size and economies of scale.⁸

► **A robust production structure from the perspective of Arab integration**

Sectoral integration could be initiated through stronger joint investment in the production sectors, particularly agriculture, knowledge and high-tech industries, as well as in employment generation. Areas of production that support national security, such as agricultural productivity or the military industry, should also be emphasized.

Food and water security call for robust investment in the agricultural sector to finance the use of enhanced seeds and modern irrigation systems, as well as land reclamation schemes. Such investment requires significant capital which may not be available in the countries with climates suitable for agriculture, but which could be provided through regional large-scale investment. Arab production integration must also be promoted by creating production value chains and standardizing specifications for tradable goods and services.

At the same time, production efficiency must be improved throughout the region in order to develop a diversified production structure capable of meeting most of the region's needs and competing at the international level.

Building up production structures calls for a dynamic democratic government that can mobilize public-private partnerships, and promote economic efficiency, social justice, and an active civil society. This will entail serious reform of governance and the civil service, particularly at the local level. It will also require regulatory frameworks for managing markets without stifling them, and for curtailing monopolies.

The region's capacity to combat unemployment and poverty will increase with investment in human capital and the introduction of major institutional reforms. These should therefore be viewed not as narrow economic measures, but as an integral component of a programme for the prosperity of Arab peoples.

► **Towards an integrated Arab labour market**

This section sets out measures to establish an integrated Arab labour market that would help to alleviate unemployment and poverty in the Arab world. Binding legal instruments and coordinated, efficient institutions are required to overcome the causes of failure in the current market.

The most relevant instruments concern the protection of the rights of migrant workers. Until agreements regulating a free Arab citizenship area can be implemented, such instruments should be used to organize labour migration between Arab countries.

Ultimately, the free Arab citizenship area agreements will, at the very least, guarantee the same rights and privileges found in international legal instruments. To that end, the Arab Labour Organization would be expanded to include a body to

oversee and ensure compliance with those agreements. If the proposed Arab court of justice or human rights were established, it would arbitrate labour disputes, particularly those involving the rights of migrant workers.

It is also recommended that an Arab employment institution be established, or that current institutions be developed, to coordinate labour supply and demand in the Arab region. Two specific tasks are suggested for that institution: first, to prepare analytical studies concerning the Arab labour market and its development; and second, to act as an employment and recruitment agency, with a roster of candidates and job opportunities from across the Arab world. In fact, a similar institution was previously established in Tangier, Morocco by the Arab Labour Organization, but it failed to take off for lack of joint Arab action.

The establishment of an Arab institute to enhance productivity is also suggested. Its mandate would be to devise and develop productivity measurement standards. The institute would feature a training department to help build up similar national bodies.

► **Environmental protection in fairness to future generations**

Managing the regional commons between Arab countries is vital to achieving water, food, and energy security, and requires close cooperation. Coordination over these major environmental questions would also turn the Arab countries to a political bloc capable of formulating a unified Arab position in international negotiations on sustainable development issues. Such a bloc would bring to the table the specificities of the region regarding water scarcity, food shortages and the time-bound nature of its energy wealth.

At the League of Arab States, the Council of Arab Ministers Responsible for the Environment (CAMRE) issued the

Binding legal instruments must be adopted to protect the rights of migrant workers, in line with the standards and rights guaranteed by international instruments

Revitalizing intellectual and spiritual life will create the conditions for independent political will and support the achievement of a strong economy

Arab Ministerial Declaration on Climate Change in 2007, which included decisions on the protection of the environment in the Arab region. However, the declaration was toothless: no implementation mechanisms were developed, nor were any relevant organizations mandated to implement decisions. This serves to illustrate what has to be avoided in future.

Environmental protection is highly dependent on scientific research and technological development, which can assist the Arab region in addressing water scarcity. Most notably, clean technologies such as solar energy can be developed for use in seawater desalination; drought and salt-tolerant crops can be identified and disseminated; and effective irrigation and soil enrichment systems can be developed. More research should also be conducted on ways to enhance the efficient use of energy and to produce and promote renewable

energy as an economic alternative to fossil fuels. Sun and wind, two key sources of renewable energy, are abundantly available in the Arab region, which is well situated to develop appropriate technologies for their exploitation.

But applied environmental research and development is costly, requires advanced scientists and technologists and has to connect with extension services and other field networks across the region. It is therefore best undertaken through trans-border staffing, activities and funding. The wastage of common water resources is also best addressed through regional projects for optimizing water use and efficiency. Transboundary resource management projects, by their nature, can only be initiated with effective Arab cooperation. They might include, inter alia, the achievement of regional food security through large-scale agricultural projects that serve all Arab countries.

Box 9-2 Masdar City, Abu Dhabi: an eco-friendly model

In 2007, the Government of Abu Dhabi launched Masdar City, a carbon-neutral city as an integrated model for a green society free of carbon dioxide emissions. This model offers living and working environments in eco-friendly buildings equipped with systems for water desalination, water recycling, solar energy and biofuel cooling. The city also uses other systems powered by renewable energy.

Installations in Masdar City include:

- A 10 MW solar photovoltaic plant, opened in 2009, the largest of its kind in the Middle East.
- The Masdar Institute for Science and Technology, an independent institute specialized in academic research on energy and sustainable technologies, which opened in 2009.

The remaining stages of this model city will be completed by 2025.

Source: <http://www.masdar.ae>.

Arab cultural and educational integration

Revitalising the intellectual, moral and spiritual life of the Arab world will create the conditions for an independent political will and will support the achievement of a strong economy. Such a renewal can be secured through Arab cooperation in education and culture, the wellsprings of creativity and ethics. Education prepares people to fulfil their human needs, acquire values and develop productive capabilities, while culture fosters the freedom that releases creativity and the discipline and motivation required for any productive activity.

► Establishing a knowledge society

Cultural and educational cooperation offers Arab countries the opportunity to create knowledge societies. In that respect, the Arab world has only two choices: knowledge or stagnation.

Maintaining the current pattern and pace of Arab knowledge acquisition, when the rest of the world has taken off on successive currents of dynamic, interconnected and ceaselessly evolving knowledge, would be like boarding an aircraft without engines: one could only remain on the ground and watch others depart, with no means to catch up. In present-day conditions, this choice would hold back Arab human development, undermine the region's independence and marginalize Arabs in the world.

Arab countries must decide to make knowledge the main driver of progress, to create a social environment that recognizes and rewards knowledge acquisition and to guarantee freedom of expression, academic freedom and unfettered access to information. They should cooperate to establish jointly-funded institutions for scientific research and technological development. Knowledge has no country and moves across borders all the time; by its nature, its development is a civilizational project for the whole region.

Establishing a knowledge society in the Arab world demands a speedy transition to knowledge production, which, in turn, requires prioritizing knowledge in Arab social and economic policy. This effort starts with serious reform of Arab education systems to ensure comprehensive coverage, high quality, the eradication of illiteracy, and the teaching of analytical and critical thinking skills that lead to innovation and creativity.

An education reform programme must be developed to ensure that primary education is compulsory and fully sponsored by the State. It must span at least 10 years. Access to secondary education must be expanded and a flexible system for lifelong adult education must be introduced, emphasizing technical skills, vocational training and computer literacy. In higher education, incentives

should be given to draw student applicants into engineering, scientific and technical subjects in order to begin reprofiling a predominantly arts-based intake.

In parallel, education quality lower down the system must be improved. Quality assurance programmes are required to assess students and teachers in order to stimulate modern teaching methods and student excellence and creativity.

The challenge of knowledge development cuts across all the Arab countries, and should be faced by them together to accelerate change, mutual learning and mutual benefits, and to lower costs. Moreover, with Arabic the common language of the region, it would be a straightforward matter for countries to cooperate in promoting its use in education and the production system.

► **Historical swap: knowledge replaces oil**

The Arab world has fallen back in recent decades because of its overdependence on transient money, a widespread rent-seeking pattern that ignores the real drivers of development. Money will only benefit the human renaissance project if it is invested in knowledge acquisition.

Knowledge is a renewable resource that will never be depleted. It heralds progress and leads to continuously improving production capacity. Because global knowledge is highly interconnected and embedded in rapid technological developments, no Arab country can build such capacity on its own; that dynamism can only be achieved through joint Arab efforts.

Oil revenues in Arab oil-producing countries are currently enormous but they come from a non-renewable source. Their future depends on, inter alia, international demand, drilling and extraction, and progress in the development of alternative energy sources. Information on available

Through cooperation, the Arab countries can make knowledge the main driver of progress

No Arab country can build a great capacity for knowledge production on its own; that dynamism can only be achieved through joint Arab efforts

**Swapping oil
for knowledge
is a way
to ensure
prosperity
in the Arab
world**

reserves shows that fossil fuels in Arab countries are depleting and that crude oil may only last another one or two generations. Furthermore, recent research indicates that new fossil fuel sources are expected to be found mainly in North and South America, which will marginalize Arab oil on the global market.⁹

In this light, swapping oil for knowledge seems to be a forward-looking way to ensure continuing prosperity in the Arab world.

Revenues of the oil and gas sector in oil-exporting Arab countries, including

the GCC countries, were estimated at US\$683 billion in 2011.¹⁰ Allocating a small percentage of those revenues to the proposed Arab integration fund would make a large difference: it would boost the creation of productive knowledge societies across the Arab world; help revive the Arabic language and Arab culture; and protect the environment, thereby ensuring sustainable human development and responsible planning for future generations. As little as one per cent of annual oil revenues could provide the fund with about US\$6 billion.

The proposed Arab integration fund could contribute to building Arab capacities in science and technology. It could help to accelerate renewable energy development, particularly the use of solar and wind energy in water desalination. Other significant intercountry projects could include the production of computer programs in Arabic¹¹ and the increase of Arabic content on the Internet. The impact of information technology in Arab countries will remain limited if it does not begin to incorporate Arabic, which offers the most authentic and popular foundation for an Arab knowledge society.

► **Reviving the Arabic language**

Language is what defines human communication. It facilitates symbolic exchange between people from the same generation and between successive generations. Despite the importance of language in human culture, the Arabic language has not been given sufficient attention by Arab institutions. The language is thus still plagued with problems that must be addressed if it is to regain its vigour.

Arabic is the official language of 22 Arab countries, and no attempt to develop it will succeed without full cooperation between them. Such cooperation should involve Governments, civil society organizations, academic institutions and

Box 9-3 Human development initiatives in the Gulf region and Arabian Peninsula

In recent years, some Arab countries have played a significant role in spreading education throughout the Gulf countries and opening up their educational institutions to students from other Arab countries. This interaction has resulted in strong relationships between Gulf leaders and their counterparts and teachers from other Arab countries, which has in turn strengthened the sense of Arab nationalism.

During the financial boom, the Gulf countries provided financial and material support, including free or low-price oil, to less fortunate Arab countries.

In recent years, some rich Arab countries have undertaken initiatives to improve their knowledge systems. Among those initiatives is King Abdulaziz University, which ranks among the 400 leading universities in the world. Another promising initiative is and King Abdullah University of Science and Technology, both of which are located to be established in Saudi Arabia.

In the Emirate of Sharjah, United Arab Emirates, there have been several initiatives to promote Arab culture. Among those initiatives is the Sharjah Award for Arab Creativity, which aims to encourage Arab youth talent in literature. Sharjah has also organized an annual Book International Fair for the past 32 years, which showcases Arab books and hosts intellectual, literary and creative activities.

Source: Report team; and <http://www.sdci.gov.ae/awards4.html>.

research and development centres. A clear policy must be formulated to produce and disseminate Arabic digital content in all subjects. The Internet needs to become a useful source of information in Arabic, as it is in other languages.

Other proposals to consider include the creation of an Arabic language register¹² comprising Arabic terms across all fields of contemporary and historical knowledge. Similar registers for the English language have enhanced the power, flexibility and relevance of that language, adding to its users' knowledge. The Arabic register would be built digitally for easy reference and form a lexicon for the Arabic language rich in historical experience and insight. It would also enable Arabic to keep up with contemporary science and technology, and allow Arabic-speaking people to participate in modern developments on an equal footing with those who speak other world languages. Creativity in one's own native language is, after all, one of the hallmarks of renaissance.

► **Jurisprudence (*fiqh*) and historical change¹³**

There will be no renaissance in the Arab world without intellectual reform. Such reform is essential to help Arabs overcome a state of dependency that stifled innovation and creative thinking. Renovating the Arab intellectual and cultural structure will help the Arab world free itself not only from the conflict between rejection and imitation of other civilizations, but also from regression stemming from its own past.

› **Islam as an agent of constant reform**

Islam would lose its revolutionary spirit if it ceased to promote reform constantly. Through constructive criticism, Muslims can change confessional and institutional traditions that have brought about the corruption and stagnation of religious thought. They can work with tenets derived

from the revelation, as well as from rational interpretation, to remove misconceptions that have led to passivity and inertia. Such constant reform requires active consideration of the real meaning of words and human actions and an understanding of the revolutionary spirit of Islam. Islam is fully capable of relating its core religious values to historical change, in contrast to the view that sees any modern approach as a process of decline leading ever further away from the golden past and, necessarily, towards decadence. The realization of those core values depends on active struggle (*jihad*), not on ideologues of passing importance that consider themselves to be infallible. It also comes from diligent and independent reasoning (*ijtihad*), and not from hidebound clerics with the same delusion of infallibility.

The evolution of Islamic jurisprudence (*fiqh*) has given rise to a modern theory that views Islamic law (*shari'a*) as the spirit of morality and legislation, rather than a rigid legal code. That view should help lead Islamic culture out of its current crisis. In light of that view, the interpretation of Koranic precepts would be guided by the spirit of ethics and the ethics of law. Examples from scripture would convey morals, not rulings. That perspective can be applied to all legislation because it is based upon the absolute purposes and principles that guide reasoning. Islam would meanwhile be the sole spiritual authority and religious scholars simply technical consultants akin to experts in other fields.

The intellectual reform must involve doctrinal and institutional reform. Theology must not be used to justify a rigid interpretation of the faith, and Islamic jurisprudence (*usool al-fiqh*) must not remain an inept defence

There will be no renaissance in the Arab world without intellectual reform, which is essential to help Arabs regain their historical role

Islamic law (*shari'a*) must be viewed as the spirit of morality and legislation, rather than a rigid legal code

A universal bridge can be built to encompass human experiences that have overtaken the moral growth of traditional theology

of calcified rulings; both theology and jurisprudence must constitute a philosophy that values liberty and gives people freedom to seek truth and beauty. Educational and political systems must be liberal and universal, and social and economic systems must be fair and ethical preventing tyranny and oppression. *Ijtihad* and *jihad* must also be subject to constant reform.

Ijtihad should not be confined to *fiqh* in the narrow sense of extracting rulings from the text, nor should it be limited to the two traditional types, namely, the 'greater *ijtihad*' or diligence with regard to religious morals, and the 'lesser *ijtihad*' or reasoning. Similarly, *jihad* must not be restricted to 'greater *jihad*' or the inner spiritual struggle for moral behavior, and 'lesser *jihad*' or the outer physical struggle in the name of Allah. Both *ijtihad* and *jihad* require the incorporation of new knowledge in the humanities and in the natural sciences, which must be consulted. In addition, *ijtihad* must incorporate enlightened reasoning and *jihad* the concept of free will.

When performing *ijtihad* and *jihad* in this broadened sense, the problematic relationship between the past and the present can be overcome, and a universal bridge can be built to encompass human experiences based on interaction rather than imitation.

► **An agenda for jurisprudence**

The goal must be to encourage a form of jurisprudence that promotes renaissance through freedom, justice, democratic governance, knowledge acquisition and the advancement of women.

The greatness of Islam is that its principles allow for interpretation to ensure their relevance through historical change. Interpreters, however, are only human and may reflect their own values or inclinations in their rulings.

The importance of enlightened jurisprudence has grown for two reasons. Firstly, religion is an essential component of the Arab cultural fabric. Secondly, political Islamic movements have been successful in a number of countries that have been swept by popular uprisings, raising concerns within some communities that political Islam could abort personal, civil and political rights.

Arab countries face two choices. The first is the divine, sacred, immutable and infallible that is represented by the absolute objectives of a tolerant *shari'a*,¹⁴ encompassing reason, justice, fraternity, equality, love and compassion. The second is the human and variable, which can be altered by human inclinations and purposes; it is represented by the *fiqh* rulings drawn by humans from their interpretation of the *shari'a*. Some interpreters are enlightened and issue rulings that encourage human progress; others are narrow-minded and choose harsh edicts that promote backwardness.

The identity that rising Islamic movements in some Arab countries are trying to force onto society falls somewhere between these two choices. It is to be hoped that they lean towards the first, because the alternative will draw their countries into a regressive spiral of suffering. That fate would not be new: it has previously been experienced by countries under non-democratic, authoritarian and reactionary theocracies that governed in the name of Islam.

► **An end to the tension between modernity and tradition**

In the Arab world, the conflict between religious and secular authoritarianism has led to cultural tension between traditionalists and modernizers. The

secularists overreached themselves, promoting a soul-less materialism incompatible with human development which redounded on itself by turning the Arab people back towards the traditional. For their part, religious fundamentalists scorned progress, adopting intolerant and inflexible dogmas that drove many from the faith.¹⁵

The conflict intensified following the popular uprisings, which have re-started the building of democratic institutions and, more specifically, new constitutions. The conflict has distracted attention from the key task of regeneration. Modernizers view Muslims as incapable of modernization unless they disengage from everything that represents their independent cultural selves, namely, Islam and Arabism. Traditionalists are meanwhile openly hostile to those who do not share their beliefs. Each faction makes every effort to exclude the other.

The resolution of this quarrel begins with recognizing its origins in failed development. Modernists and traditionalists both offer the Arab people models of society that, though very different, promise a way out of their difficulties. The former urge the borrowed achievements of Western civilization as the way forward; the latter insist on the centuries-old achievements, beliefs and practices of Islam as the only basis. Each has risen on the other's opposition, but neither has delivered on its promises, as the painful backlog of deprivation, injustice, conflict and poverty in the region attests.

Comprehensive integration, and the renaissance that will accompany it, will ultimately make this quarrel irrelevant. When the Arab peoples can stand up as equals in a unified political space, fulfilled, proud of their religion, culture and language, productively employed, secure in their rights and free from manipulation by forces outside or within the region, they will be immune to recruitment by

either side. The ideological divide will simply fade, eclipsed by the development successes that neither side could achieve. Meanwhile, for moderate Arabs, adherence to the positive principles of rational debate, scientific enquiry and true religion in which reason and scripture are mutually compatible, may be the best middle ground to hold.

► **Media in support of comprehensive integration and human awakening**

The media is the most important instrument for successfully implementing Arab integration. Today, it is virtually impossible for a project to succeed unless the media promotes it from the outset. In tracking events through news, analysis and commentary, the media sometimes plays a more important role than the actual event or topic it is covering. The original function of the media has therefore become secondary; it is now a tool for action rather than for mere reporting. Through modern technology, the media can encourage integration and unification policies, crossing national borders instantly and removing the obstacles they pose.

Pan-Arab satellite television has created a common expanded Arab space. It has brought together Arab youth seeking modern art, better information and new ideas and it has built up their solidarity with events of great emotional importance to Arabs, such as the wars affecting the Arab region or the recent wave of civil protests.

Satellite television can host virtual universities, beam education across the region and provide a common platform for debate. This should become its mission in the pursuit of comprehensive integration.

► **A culture that celebrates diversity and overcomes sedition**

Sectarian, religious and ethnic feuds have become more common in Arab countries, leading to slaughter and civil war. Such fanaticism can be traced

Comprehensive integration will ultimately make the conflict between modernists and traditionalists irrelevant; rational debate and scientific enquiry in which reason and scripture are mutually compatible, may be the best middle ground to hold

Box 9-4 In sedition, secure men will be misled

(In sedition) “Steadfast hearts will waver, secure men will be misled, desires will shatter and splinter, and minds will grow confused. Whoever proceeds towards this evil will be ruined and whoever strives for it will be annihilated. In sedition, wisdom recedes, and darkness casts its spell. The wise will run away from it while the wicked will foster it. In it, kinship will be forsaken and Islam will be abandoned. He who declaims it will be swallowed by it, and he who flees it will remain caught in its grip.”

Source: Imam Ali Bin Abi Taleb (600-661), *Nabjul Balagha* (The Peak of Eloquence). English version is adapted from the Ahlul Bayt Digital Islamic Library Project. <http://www.al-islam.org>.

**Overcoming
communal
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require political
reform based
on human
rights and
the principle
of equal
citizenship,
alongside
cultural reform
to foster unity**

back to the colonial period, during which ‘divide and rule’ tactics actively promoted cultural disintegration. It grew more intense under post-independence autocratic regimes, which similarly pitted different groups against one another to preserve their own rule, blacklisting their political opponents as traitors and foreign agents. In many Arab countries, suspicion of the other side’s loyalty has become commonplace.

Foreign occupations have consolidated subnational identities at the expense of national identity. Since its foundation, Israel has tried to sow the seeds of sedition among Palestinians by treating Christians, Muslims, Druze and Bedouins in different

ways. The American-led occupation of Iraq introduced quotas in Government for the first time, splitting the Iraqi people into Shias, Sunnis, Kurds or other subidentities. Iraq has now become a seedbed of sectarian conflicts that extend beyond Sunnis and Shias to include factionalism within those sects. Similarly, the ongoing conflict over identity in the Syrian Arab Republic portends grave repercussions.

Sectarian conflicts have caused massive loss of life and squandered opportunities for human development. They are also major obstacles to Arab human renaissance. Overcoming communal division will require political reform based on human rights and the principle of equal citizenship, and cultural reform to foster unity, celebrate diversity and acknowledge the rights of minorities. “For if the citizens of this nation cease being Arabs, they will not become Swiss or English but Christians and Muslims, Sunnis and Shias, tribes of the south and tribes of the north. If politicized, these allegiances will not only stand in the way of democracy, but also be a hurdle to the establishment of a modern society and will lead in one of two directions, namely unity imposed through oppression; or disintegration and separation into smaller religious countries incapable of adopting the concept of a modern State or of catching up with the modern world.”¹⁶

* * *

Arab countries have missed great opportunities for integration which could have contributed to building a prosperous region where rights, freedom and human dignity are guaranteed to all Arab citizens. With every missed opportunity, the Arab countries have sunk deeper into regression and become more vulnerable to violations. As countries of the region stumbled, the development gap between them and other developing countries that were once at the same level widened.

Turning this purposeless drift and its legacy of failure around can only be achieved through a renaissance; a transformation embracing all aspects of society and based on an enlightened revival of Arab culture and values, and on good

democratic governance which guarantees all citizens a decent life, material and moral well-being and human dignity. As this report has argued, Arab comprehensive integration offers this ambitious yet achievable vista. It can draw on a common heritage and geographical situation more promising than that which any other contemporary regional bloc started with. Such integration would unify the Arab space, creating one area where all Arab citizens enjoy full citizenship rights in a true nation of free will, creative knowledge, real power, continuous renewal and autonomy. Nothing less will answer the awakened call of the Arab people, heard in every Arab country as the recent wave of civil rebellions swept through the region.

The Arab world is entering new territory, which requires a new map for the future. The Arab civil revolts ended a long era of absolute power in the region, showing rulers and subjects that entrenched autocrats can be made to answer to their people, and can be forced out if they do not. The Arab public, especially its younger cohort, has flexed its muscles and discovered the power of active civil resistance in the face of oppression. Its calls for social justice fired the imagination of the Arab public and the outside world. There can be no going back from this awakening. Rather, it presents a historic opportunity to introduce new moral, legal, economic and institutional foundations that will realize a renaissance energized by the shared capabilities, resources and goals of the Arab countries.

Arab integration is not itself a new idea. It has been repeatedly proposed, aborted and abandoned by Arab leaders. But what is new is that, for the first time, the Arab people have stepped ahead of their leaders, demanding economic security, open governance and freedoms on a scale that no single Arab country will be able by itself to provide. That historic change and popular base provide an unprecedented impetus for integration and a powerful assurance that, this time, it will be sustained and completed.

"Write down, I am an Arab!" begins the celebrated poem of resistance "Bitaqat hawiyya" (Identity Card) by the Palestinian poet Mahmoud Darwish, written in 1963 to affirm an Arab identity denied by Israel and the West. His affirmation speaks for Arabs everywhere, and the movement for Arab integration could start, and also end, with that defining anthem.

The Arab awakening presents a historic opportunity to introduce new moral, legal and economic foundations that will realize a renaissance energized by the shared capabilities, resources and goals of the Arab countries

Endnotes

Chapter 1

Arab Integration: Concept, Pathways and Prospects

1. English translation is taken from Sabih International. <http://.quran.com>.
2. This section is adapted from “Social organization and civilization in the writings of Ibn Khaldun” (Arabic), article by Naji Bin al-Hajj al-Taher, in Al-Rashad magazine. <http://www.alrashad.org/issues/04/04-Tahir.htm>.
3. English translation of quotations from *Al-Muqaddimah* is taken from the translation of Franz Rosenthal, Princeton University Press, 1967.
4. UNDP, 1990.
5. World Bank, 1999.
6. ILO, 1999.
7. Some highly advanced research and technological development sectors require institutions and financing far beyond the capacities of one country, developed or not. These sectors include nuclear physics, space and energy. A number of developed countries have joined hands to establish specialized centres, including the European Center for Nuclear Research (CERN) in Geneva, one of the largest nanophysics centres in the world, and the International Space Station (ISS). These are models that could be followed by Arab countries in order to embark on joint research projects that are beyond the capacity of individual States.
8. Deutsch and others, 1969.
9. Adapted from De Lombaerde and Van Langenhove, 2007.
10. Laurence, 1996.
11. WTO, Preferential trade agreements database. <http://ptadb.wto.org/?lang=1>.
12. Blomström and Kokko, 1997.
13. Balassa, 1961.
14. Annex V to this report.
15. Yifu Lin, 2012.
16. Al-Imam, 2004 (Arabic).
17. Mahmoud Abdel-Fadil, background paper for this report.
18. A knowledge economy is an economy that uses knowledge to produce human welfare. The term was coined by Peter Drucker in the title of chapter 12 of his book, *The Age of Discontinuity* (1969). Drucker attributes it to economist Fritz Machlup and to the concept of ‘scientific management’ developed by Frederick Taylor. The knowledge economy is considered to be an evolution of earlier concepts about the information society. Transition to the knowledge economy requires adapting to the global economy, where knowledge and creativity are equal to, if not more important than, other economic elements contributing to human welfare.
19. See for example Rooney and others, 2012.
20. The Schengen Area is a group of 26 European countries that have abolished passport and immigration controls at their common borders. The Schengen Agreement that created the Area was signed in 1985, in the city of that name in Luxembourg.
21. This section draws on the article by Abou Yaareb Marzouki, entitled “Logic of the current transformation in Arab history”, in Marzouki, 2012 (Arabic).
22. Amine, 2010, p. 51 (Arabic).
23. UNDP, 2010.
24. [agreements/?WCM_Page.ResetAll=TRUE](http://www.wcoomd.org/agreements/?WCM_Page.ResetAll=TRUE).
2. Text of the Economic Unity Agreement is provided in annex II to this report.
3. This clause is included at the end of the text of the Agreement provided in annex II.
4. The 1981 Inter-Arab Trade Facilitation and Development Agreement was at that time ratified by 17 States, namely: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, the Sudan, the Syrian Arab Republic, Tunisia, the United Arab Emirates and Yemen. Algeria joined the Agreement in 2009, thereby increasing its membership to 18 Arab States while the Comoros, Djibouti, Mauritania and Somalia have not yet ratified it.
5. The Harmonized Commodity Description and Coding System (HS) is an internationally standardized system of names and numbers for classifying traded products. It was developed by the World Customs Organization (WCO) in 1978 and then amended in 2002. According to HS, 1168 agricultural commodities and 6391 non-agricultural (industrial) products traded internationally are classified in six-digit categories grouped in 98 chapters. The System covers 176 countries and customs unions.
6. International Trade Centre, [F o r t h c o m i n g .](http://www.iti-centre.org)
7. Programme of action of the Arab Economic and Social Development Summit in Kuwait 2009 (included in annex IV-A to this report); and Declaration of the Arab Economic and Social Development Summit in Sharm El-Sheikh (Egypt) 2011 (included in annex IV-B).
8. GCC Common Market. <http://www.gcc-sg.org/index13ac.html?action=Sec-Show&ID=36>.

Chapter 2

Arab Economic Integration

1. Texts of agreements mentioned in this chapter are available from http://www.lasportal.org/wps/wcm/connect/LAS/las/las_ar_aln/arab_legal_network_

9. ESCWA calculations on the basis of the International Trade Database BACI of the French Research Centre in International Economics. www.cepii.fr.
 10. ESCWA calculations on the basis of BACI Database.
 11. See for example the draft Cooperation Agreement between the European Economic Community and the Syrian Arab Republic. http://eeas.europa.eu/delegations/syria/eu_syria/political_relations/agreements/index_en.htm.
 12. ESCWA calculations on the basis of BACI Database.
 13. World Bank, 2011a.
 14. World Bank, Bilateral migration database. <http://data.worldbank.org/data-catalog/global-bilateral-migration-database>.
 15. Statistical tables 6 and 7.
 16. Ibid.
 17. Base capital indicators should be used cautiously. Given the considerable differences in population size and poverty rates between the Arab region on the one hand, and the regions of Asia and the Pacific and Latin America and the Caribbean on the other, it is difficult to draw comparisons. If population size and poverty rates were taken into consideration, Arab Development Funds would rank in the penultimate position before the African Development Bank in terms of financial resources or after the Asian Development Bank and the Inter-American Development Bank. Figures were collected from the relevant organizations.
 18. Annex IV to this report.
 19. AFESD, 2011.
 20. AIECGC. <http://www.dhaman.org>.
 21. BADEA, 2012; and African Development Bank, 2012.
 22. Inter-American Development Bank, 2011.
 23. TheCityUK, 2012.
 24. ESCWA, 2009.
 25. World Bank, 2012d.
 26. AIECGC, 2011 (Arabic).
 27. More details in annex V to this report.
 28. United States Federal Register, 1996.
 29. ITC Trade Map. <http://www.trademap.org/>.
 30. Ibid.
 31. ESCWA calculations on the basis of COMTRADE data.
 32. Statistical table 4.
 33. Ibid.
 34. Statistical table 5.
 35. Ibid.
 36. Arab Monetary Fund, 2012.
 37. Statistical table 11.
- ### Chapter 3
- #### Arab Political and Sectoral Integration
1. Howard, 1963.
 2. Porath, 1986, pp. 230-233.
 3. Martini, 1962, pp. 126-127.
 4. Nicosia, 1985, pp. 191-201.
 5. Buzan and Waever, 2003, p. 216.
 6. Khoury, 1988, p. 350 (Arabic).
 7. Monroe, 1981, p. 91.
 8. Jordan Shipping Association (no date). www.shipping.com.jo/files/Study%20from%20MOT.docx.
 9. This figure does not correspond to the area of the Arab countries estimated by the United Nations at 13.3 million km² after the secession of South Sudan. <http://data.un.org/CountryProfile.aspx?cr>.
 10. ESCWA, background paper for this report.
 11. The Council for Arab Economic Unity prepared a report on "Establishing a Joint Electronic Arab Market" in 2005.
 12. ESCWA, 2011.
 13. Arab Monetary Fund, 2009.
 14. Arab Organization for Agricultural Development, 2011, p. 8.
 15. Arab Monetary Fund, 2009.
 16. Al-Sharq al-Awsat, 2010 (Arabic).
 17. FAO statistical database. <http://faostat.fao.org/>.
- ### Chapter 4
- #### Arab Integration: The Causes of Failure
1. Khayat, 2010, p. 121 (Arabic). Original document: FO 78/390, no. 134, 11 August 1840.
 2. The term Westphalian sovereignty refers to the Peace of Westphalia signed in 1648 in which the major European countries at the time agreed to respect the principle of territorial integrity. It describes a system of sovereign nation-States that recognize their respective borders. Relations between those States are maintained through official diplomatic channels, and each State refrains from interfering in the domestic affairs of others.
 3. Masri, 1975, pp. 33-57 (Arabic).
 4. Snyder, 1962, pp. 376-378.
 5. Rendel, 1933.
 6. Izzeddeen, 2000, pp. 154-159 (Arabic).
 7. Al-Solh, 2004, pp. 263-272.
 8. Ibid.
 9. Baghdad Pact which was established in 1955 comprised Iran, Iraq, Pakistan, Turkey and the United Kingdom of Great Britain and was supported by the United States.
 10. United States Department of State, 1992.
 11. Falk, 1990.
 12. Buzan and Weaver, 2003, p. 31.
 13. Kissinger, 2001, pp. 9-17.
 14. Raghid al-Solh, background paper for this report.
 15. Lawrence, 2006, pp. 1-26.
 16. Sharp, 2010, p. 1.

17. Al-Solh, 2002, pp. 1-34 (Arabic).
18. FTA Watch, 2006.
19. Eban, 1983, p. 227; and Raghid al-Solh, background paper for this report.
20. For more details, see Ahmad, 2010 (Arabic).
21. Euro-Arab Center for Studies, 2010 (Arabic).
22. Annex IV-A to this report.
23. Annex IV-B.
24. Annex IV-C.
25. Annex VI.
26. ESCWA calculations on the basis of COMTRADE database as shown in statistical table 8.
27. Ibid.
28. Arab Monetary Fund, 2011.
29. Ibid.
30. Statistical tables 9 and 10.
31. Statistical table 1.
32. World Bank, 2012d.
33. The Logistics Performance Index is calculated on a scale of five points referring to the following criteria: (1) customs procedures (efficient transit procedures and ease of transactions); (2) quality of transport and trade infrastructure; (3) cost of logistics used in the transport of goods; (4) efficiency of local logistics industry; and (5) follow-up of international transfers of goods and duration determined for the goods to reach the point of destination.
34. A total monetary and financial integration by adopting a GCC common currency was to be achieved in 2010. However, many political, institutional and economic factors have delayed the adoption of such currency. A new date to achieve that goal has been recently considered.

Chapter 5 Arab Cultural Integration

1. Haifa Zangana, background paper for this report.
2. Anderson, 1991. A study on the

emergence of printed media in the eighteenth and nineteenth centuries, and their role in creating a public space that unifies communities and individuals geographically scattered.

3. Darraj, 2008 (Arabic).
4. Osseiran, 1968 (Arabic).
5. Habib Nasri, *The esthetics of the idea in a documentary*, Al-Jazeera Documentary Channel, 15 July 2013.
6. Riyad Naasan Agha, background paper for this report.
7. This is an expression from the Koran which was translated as “bondwomen you owned”. It refers to female slaves.
8. This is also an expression from the Koran which was translated as “pure beings of Paradise”. It refers to the *hourri* or *huriyah*.
9. Saadallah Agha al-Qalaa, background paper for this report.

Chapter 6 Arab Popular Integration in the Political and Civil Space

1. Malek Saghiri, background paper for this report; and Hazmi, 2010 (Arabic).
2. Khamlish, 2005, pp. 49-52 (Arabic).
3. For a detailed description of this period, see Hourani, 1991, chap. 25.
4. ESCWA, 2005, p. 33.
5. The 17 May Agreement was a peace treaty between Lebanon and Israel signed in 1983, at the conclusion of negotiations between the Lebanese and Israeli Governments, backed by the United States. The Agreement was a direct result of the Israeli invasion of Lebanon and the besiege of its capital Beirut in 1982. However, faced with fierce local and external opposition, it was repudiated a year later on 5 March 1984 by the Lebanese Government and Parliament. That cancellation of a peace treaty with Israel remains a unique event in the Arab region.
6. Ziad Abdel Samad, background paper for this report.

7. Longuenesse, 2012, pp. 33-80.
8. The suppression of trade unions did not prevent popular protests, which sometimes degenerated into violence. Most Arab countries were swept by labour, peasant and popular demands for rights. They witnessed widespread popular outbursts, especially during economic and social crises, or times of political change. Removing some food subsidies triggered bread and hunger riots in more than one country. These include the 1977 Hunger Revolution and 1986 Conscription Riot in Egypt; the 1972 student riots and 1978 labour uprising in Tunisia; the 1981 Berber spring in Greater Kabylia and the 1988 youth riots in Algeria; the bread riot in Casablanca in 1981 and then in the North of Morocco in 1984; and the 1995 Al-Karak rebellion in Jordan. (Source: Le monde diplomatique, 2011).
9. El-Baz, 1997, pp. 34-36 (Arabic).
10. Malek Saghiri, background paper for this report.
11. The rhizome concept is borrowed from the botanical term which refers to a subterranean stem of a plant that is usually found underground, often sending out roots and shoots from its nodes.
12. Mohammed Mersal, background paper for this report.
13. The quote appeared in numerous blogs in North America and Europe in early 2011.
14. They include the Forum for Freedom and Arab Unity, set up on 4 March 2011, which attracted 11,235 Facebook users, and the Dream of Arab Unity page, set up on 10 February 2011, which gathered 1,800 likes.

Chapter 7 A Legacy of Fragmentation and Development Failures

1. Maddy-Weitzmann, 2010.
2. Fitzpatrick, 2011.
3. Farr, 1999.

4. ESCWA calculations on the basis of UNHCR, 2011; and data from UNRWA at <http://www.unrwa.org/etemplate.php?id=253>.
5. UNHCR, 2011.
6. Interagency Information Portal, Regional response to Syrian refugees. <http://data.unhcr.org/syrianrefugees/regional.php>.
7. Awad and El-Madany, 2011.
8. Kar and Cartwright-Smith, 2008.
9. Ibid.
10. This refers to all the rights guaranteed by the Universal Declaration of Human Rights for all people, simply because they are human beings. These are indivisible and inalienable rights for all people without discrimination, including social, economic and cultural rights, as well as civil and political rights. The main economic and social rights are: the right to health, in the comprehensive positive sense meaning the enjoyment of the highest attainable standard of physical and mental health, which includes the right to an adequate supply of safe nutrition, good health care and a healthy environment; the right to acquire knowledge and get access to information for life through education, training, and free media; the right to good fulfilling employment that provide adequate earning to meet the needs of a decent standard of living; the right to decent housing that guarantees health and dignity; and the right to social security, which guarantees a decent living in cases of disability and aging.
11. Arab Monetary Fund, 2012; and World Bank WDI database, available from <http://data.worldbank.org/data-catalog/world-development-indicators>.
12. Ibid.; and statistical table 13.
13. Statistical tables 6 and 7.
14. Cerna, 2010.
15. Arab Monetary Fund, 2012.
16. United Nations and League of Arab States, 2013, p. 10.
17. United Nations Development Programme, Regional Office for Arab States, 2009.
18. Ali, 2003.
19. UNDP, 2011, pp. 10, 26.
20. Arab Monetary Fund, 2012.
21. Arab Forum for Environment and Development, 2009.
22. United Nations Development Programme, Regional Office for Arab States, 2009.
23. AFED, 2009.
24. FAO defined food security as the process of securing food to all members of society in adequate quantity and quality to sustainably meet their needs in order to live a healthy and active life.
25. Dassonville and d'Ostiani, 2006.
26. Jordan's Water Shortage. http://www.kinghussein.gov.jo/geo_env4.html.
27. Dassonville and d'Ostiani, 2006; and AFED, 2010, chapter 1, p. 4.
28. Michel and Pandya, eds., 2009.
29. MEED Insight, 2010; and Economist Intelligence Unit, 2010.
30. AFED, 2009.
31. Ibid.
32. World Bank, WDI database. <http://data.worldbank.org/data-catalog/world-development-indicators>.
33. Arab Union of Electricity, 2011.
34. Association of Muslim Scholars in Iraq, 2012 (Arabic); and Human Rights Now, 2013.
35. Marzouki, 2009 (Arabic).
36. Zaki, 2013 (Arabic).
37. English translation of the Koran verses is taken from Sabih International. <http://quran.com>.
38. United Nations and League of Arab States, 2013.
39. UNESCO, 2011.
40. Shanghai Ranking Consultancy. <http://www.shanghairanking.com>.
41. The Times Higher Education Ranking. <http://www.timeshighereducation.co.uk/world-university-rankings/2012-13/world-ranking>.
42. Statistical table 13.
43. Ibid.
44. Ibid.
45. Ibid.
46. Fergany, 1999 (Arabic).
47. Al-Qasimi, 2007 (Arabic).
48. Crystal, 2000.
49. A quotation from Ahmad Mostafa Abulkheyr in his study entitled *The Image of Arabic within the Arab Nation* (Arabic). In an article by Salem Gibran entitled *Let Us Rejoice: the Arabic Language Is Not Endangered?*, *Al-Hiwar al-Motamaddin*, issue no. 1766, 16 December 2006. <http://www.ahewar.org/debat/show.art.asp?aid=83548>.
50. Hassan Sharif, background paper for this report.
51. Al-Qasimi, 2006 (Arabic).

Chapter 8

Arab Economic Integration: Reaping Benefits for All

1. Annex VI to this report.
2. To use the CGE models, the components of the model must first be developed, and then its determinants measured on the basis of a yearly database consisting of a matrix of social accounts. Once the process of model measurement is completed, it can be used to simulate certain changes in economic policy and the effects of change compared to the base year. The simulation of alternative scenarios provides complete and detailed results on sector imports, exports and output, as well as salaries, employment, investment returns, the evolution of income, GDP and taxation. Annex VI provides an explanation of partial equilibrium models, gravity models, and the Modeling International Relationships in Applied General Equilibrium, or MIRAGE.
3. Egypt, Jordan, Morocco and Tunisia.
4. According to Burfisher, 2001, the Common Agricultural Policy of the European Union could be responsible for 38 per cent of the distortions in the world prices of agricultural commodities,

compared with 12 per cent for Japan and the Republic of Korea, and 16 per cent for the United States. Recent studies on the Arab region (Chemingui and others, 2011; Bchir and others, 2007) have shown that policies supporting farmers and agricultural exports in developed countries, particularly countries of the European Union and the United States, have led to a decline in the prices of many agricultural products, especially grain, meat and dairy products, at the producer level in Arab countries, where the agricultural sector still plays an important role in the economy. This has led to lower production and income for farmers. Therefore, the liberalization of trade in agricultural products under the current protectionist policies in developed countries will lead to additional economic and social losses in many Arab countries.

5. Arab Monetary Fund, 2012.
6. Based on MacMap database. www.macmap.org.
7. Annex VI presents the methodology adopted in estimating the level of poverty based on per capita GDP (one of the model outputs) during the simulation period.
8. Statistical table 18.
9. Statistical table 15.
10. Statistical table 19.
11. Trade in services is defined in GATS as the supply of services according to four modes. Mode 1 — Cross border trade: from the territory of one State Member of WTO into the territory of any other Member; Mode 2 — Consumption

abroad: in the territory of one Member to the service consumer of any other Member; Mode 3 — Commercial presence: by a service supplier of one Member, through commercial presence, in the territory of any other Member; and Mode 4 — Presence of natural persons: by a service supplier of one Member, through the presence of natural persons of a Member in the territory of any other Member.

12. Forthcoming.
13. Marouani and Munro, 2009.
14. Statistical table 17.
15. AFED, 2011.
16. Porter, 2008.
17. Moisé and others, 2011.
18. Mivel, 2013.
19. World Bank, Middle East and North Africa. <http://www.worldbank.org/en/region/mena>.

Chapter 9

Arab Integration and Renaissance: A Strategic Vision

1. The text of the judgment is available from <http://curia.europa.eu/juris/document/document.jsf?text=&docid=72406&pageIndex=0&doclang=EN&mode=1st&dir=&occ=first&part=1&cid=7478137>.
2. According to the International Court of Justice, the Occupied Palestinian Territories include the West Bank and Gaza Strip, as well as East Jerusalem and its surroundings.

3. United Nations, 1945.
4. United Nations, 1948.
5. United Nations, 1945, article 1-3.
6. Chapters 2 and 4 of this report.
7. Annex V to this report.
8. Mahmoud Abdel-Fadil, background paper for this report.
9. Jaffe, 2011.
10. Arab Monetary Fund, 2012.
11. This includes original computer programs with Arabic script and interface, programs translated into Arabic, and Latin interface programs with outputs translated into Arabic. Programs in Arabic with Latin interfaces can be accepted as a temporary measure to bridge the gap in specialized scientific applications until the full Arabization of computer programming is completed.
12. Adnan Eidan, in a conference on “Alternatives for the Future of the Arabs”, at the Center for Arab Unity Studies, Beirut, February 2007.
13. This section draws on Marzouki, 2009 (Arabic).
14. They are five major objectives, namely the protection of religion, soul, reason, progeny and property. They are similar to key elements of the Human Rights Charter and have ancillary ramifications such as freedom and human dignity .
15. Marzouki, 2011, p. 7 (Arabic).
16. Bishara, 2010, p. 231 (Arabic).

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Annexes

Annex I

Treaty of Joint Defense and Economic Cooperation Between the Arab States, 1950

In view of the desire to consolidate relations between the States of the League of Arab States; to maintain their independence and their mutual heritage; in accordance with the desire of their peoples, to cooperate for the realization of mutual defense and the maintenance of security and peace according to the principles of both the Pact of the League of Arab States and the Charter of the United Nations, together with the aims of the said Pacts; and to consolidate stability and security and provide means of welfare and development in the countries.

The delegates of the Governments of the Hashemite Kingdom of Jordan, the Syrian Republic, the Kingdom of Iraq, the Kingdom of Saudi Arabia, the Lebanese Republic, the Kingdom of Egypt and the Motawakilite Kingdom of Yemen, having been duly accredited and fully authorized by their respective Governments, approve the following.

▶ Article 1

The Contracting States, in an effort to maintain and stabilize peace and security, hereby confirm their desire to settle their international disputes by peaceful means, whether such disputes concern relations among themselves or with other Powers.

▶ Article 2

The Contracting States consider any [act of] armed aggression made against any one or more of them or their armed forces, to be directed against them all. Therefore, in accordance with the right of

self-defense, individually and collectively, they undertake to go without delay to the aid of the State or States against which such an act of aggression is made, and immediately to take, individually and collectively, all steps available, including the use of armed force, to repel the aggression and restore security and peace. In conformity with Article 6 of the Pact of the League of Arab States and Article 51 of the Charter of the United Nations, the Council of the League of Arab States and the United Nations Security Council shall be immediately notified of such act of aggression and the action and measures taken in that regard.

▶ Article 3

At the invitation of any one of the signatories of this Treaty, the Contracting States shall hold consultations whenever there are reasonable grounds for the belief that the territorial integrity, independence or security of any one of them is threatened. In the event of the threat of war or the existence of an international emergency, the Contracting States shall immediately proceed to unify their plans and preventive and defensive measures, as the situation may demand.

▶ Article 4

The Contracting States, desiring to implement fully the above obligations and effectively carry them out, shall cooperate in consolidating and coordinating their armed forces, and shall participate according to their resources and needs in preparing individual and collective means of defense to repulse the armed aggression.

▶ **Article 5**

A Permanent Military Commission composed of representatives of the General Command of the armies of Contracting States shall be formed to draw up plans of joint defense and their implementation. The terms of reference of the Permanent Military Commission which are set forth in an Annex attached to this Treaty include the drafting of necessary reports on the method of cooperation and participation mentioned in Article 4. The Permanent Military Commission shall submit to the Joint Defense Council, provided for hereunder in Article 6, reports on its work.

▶ **Article 6**

A Joint Defense Council under the supervision of the Council of the League of Arab States shall be formed to deal with all matters concerning the implementation of the provisions of Articles 2, 3, 4, and 5 of this Treaty. It shall be assisted in the performance of its task by the Permanent Military Commission referred to in Article 5. The Joint Defense Council shall consist of Foreign Ministers and Defense Ministers of Contracting States or their representatives. Decisions taken by a two-thirds majority shall be binding on all Contracting States.

▶ **Article 7**

The Contracting States, in order to fulfill the aims of this Treaty, bring about security and prosperity in the Arab countries and raise their standard of living, shall cooperate in the development of their economies and the exploitation of their natural resources; facilitate the exchange of their respective agricultural and industrial products; and generally organize and coordinate their economic activities and conclude the necessary agreements to realize such aims.

▶ **Article 8**

An Economic Council consisting of the Economic Affairs Ministers, or their

representatives if necessary, shall be formed by the Contracting States to submit recommendations for the realization of all such aims as are set forth in Article 7. The Council may, in the performance of its duties, seek the cooperation of the Committee for Financial and Economic Affairs referred to in Article 4 of the Pact of the League of Arab States.

▶ **Article 9**

The Annex to this Treaty shall be considered an integral and indivisible part thereof.

▶ **Article 10**

The Contracting States undertake to conclude no international agreements which may be contradictory to the provisions of this Treaty, nor to act, in their international relations, in a way which may be contrary to the aims of this Treaty.

▶ **Article 11**

No provision of this Treaty shall in any way affect, or is intended to affect, any of the rights or obligations devolving upon the Contracting States from the Charter of the United Nations or the responsibilities borne by the United Nations Security Council for the maintenance of international peace and security.

▶ **Article 12**

After a lapse of ten years from the date of the ratification of this Treaty, any one of the Contracting States may withdraw from it, providing 12 months' notice is previously given to the General Secretariat of the League of Arab States. The General Secretariat shall inform the other Contracting States of such notice.

▶ **Article 13**

This Treaty shall be ratified by Contracting States according to their respective constitutional procedures. The Treaty shall come into force for the

ratifying States 15 days after receipt by the General Secretariat of the instruments of ratification from at least four States.

This Treaty is drafted in Arabic in Cairo on April 13, 1950. One signed copy shall be deposited with the General Secretariat of the League of Arab States; equally authentic copies shall be transmitted to each of the Contracting States.

Military Annex

► **1.** The Permanent Military Commission provided for in Article 5 of the Treaty of Joint Defense and Economic Cooperation Between the States of the Arab League, shall undertake the following:

a. In cooperation with the Joint Defense Council, to prepare plans to deal with all anticipated dangers or armed aggression that may be launched against one or more of the Contracting States or their armed forces, such plans to be based on the principles determined by the Joint Defense Council;

b. To submit proposals for the organization of forces of the Contracting States, stipulating the minimum force for each in accordance with military exigencies and the potentialities of each State;

c. To submit proposals for increasing effectiveness of the forces of Contracting States in so far as their equipment, organization, and training are concerned; so that they may keep pace with modern military methods and development; and for the unification and coordination of all such forces;

d. To submit proposals for the exploitation of natural, agricultural, industrial, and other resources of all Contracting States in favor of the inter-Arab military effort and joint defense;

e. To organize the exchange of training missions between Contracting

States, and prepare plans for and participate in joint military exercises and maneuvers and evaluate their results, with a view to make recommendations for the improvement of methods of cooperation of their forces in the field and achieve their optimum efficiency;

f. To prepare the necessary data and statistics on the resources and military capacity of the Contracting States and the potential role of their forces in joint military action;

g. To examine the facilities and contributions that each Contracting State might be asked to provide to the armies of other Contracting States operating on its territory during a state of war, in conformity with the provisions of this Treaty.

► **2.** The Permanent Military Commission may form interim or permanent subcommittees from among its own members to examine any of the matters falling within its jurisdiction. It may also seek the advice of experts as may be deemed necessary.

► **3.** The Permanent Military Commission shall submit detailed reports on the results of its activities and studies to the Joint Defense Council provided for in Article 6 of this Treaty, as well as an annual report on its work and studies during the year

► **4.** The Permanent Military Commission shall establish its headquarters in Cairo but may hold meetings in any other place. The Commission shall elect its chairman from among its members for two years with a possibility to be reelected. Candidates for the chairmanship shall hold at least the rank of a high commanding officer. Each member of the Commission must have as his original nationality that of the Contracting State he represents.

► **5.** In the event of war, the supreme command of the joint forces shall be entrusted to the Contracting State possessing the largest military force taking actual part in field operations, unless the Commander-in-Chief is selected otherwise by consensus. The Commander-in-Chief shall be assisted in directing military operations by a joint general command.

Protocol 1 to the Treaty of Joint Defense and Economic Cooperation

A consultative military committee will be established comprising the army chiefs of staff of Contracting States to supervise the Permanent Military Commission provided for in article 5 of the Treaty

and to guide it in all its competencies stipulated in article 1 of the Military Annex.

The Permanent Military Commission presents reports and proposals to the consultative military committee for adoption before submitting them to the Joint Defense Council provided for in Article 6 of the Treaty.

The consultative military committee presents its reports and proposals on all its functions to the Joint Defense Council for consideration and approval.

This Protocol shall uphold for signatory States the same power and influence as those upheld by the Treaty and its Military Annex, in particular with relation to the implementation of the provisions of Articles 5 and 6 of the Treaty and Article 3 of its Military Annex.

Annex II

Economic Unity Agreement among Arab States, 1957

The Governments of the Hashemite Kingdom of Jordan, the Republic of Tunisia, the Republic of Sudan, the Republic of Iraq, the Kingdom of Saudi Arabia, the Syrian Arab Republic, the United Arab Republic, the Lebanese Republic, the United Libyan Kingdom, the Motawakilite Kingdom of Yemen, the Kingdom of Morocco and the State of Kuwait.

Desiring to organize and consolidate economic relations among the States of the Arab League on bases that are consistent with the natural and historical links among them; and to provide the best conditions for flourishing their economies, developing their resources and ensuring the prosperity of their countries.

Have agreed on the establishment of a complete economic unity among themselves, and on the achievement of such unity in a gradual way and as fast as possible such that the transfer of their countries from the status quo to the future status is accomplished without rendering any damage to their basic interests, in accordance with the following provisions.

Chapter I Objectives and Methods

► Article 1

A Complete economic unity shall be established among the States of the Arab League. It shall guarantee for these States and their nationals in particular the following freedoms and rights on equal footing:

1. Freedom of personal and capital mobility.
2. Freedom of exchange of national and foreign goods and products.
3. Freedom of residence, work, employment and exercise of economic activities.
4. Freedom of transport, transit and use of transport, ports and civil airports.
5. Rights of possession, bequeath and inheritance.

► Article 2

For attaining the unity mentioned in Article 1, the parties to this Agreement (the Parties) shall endeavor to accomplish the following:

1. Merging their countries into a single customs area subject to a unified administration, and unification of customs' tariffs, legislation and regulations that are applied in each of them.
2. Unification of import-export policies and regulations.
3. Unification of transport and transit regulations.
4. Concluding jointly trade and payment agreements with other countries.
5. Coordination of policies related to agriculture, industry, and internal trade; and unification of economic legislation in a manner that would guarantee equivalent conditions for all nationals of the Parties working in agriculture, industry, and other professions.
6. Coordination of labor and social security legislation.
 - a. Coordination of legislation concerning government and municipal taxes and duties and all taxes pertaining

to agriculture, industry, trade, real estate, and capital investments in a manner ensuring equivalent opportunities;

b. Avoidance of double taxation of nationals of the Parties.

- 7.** Coordination of monetary and fiscal policies and regulations in preparation for the unification of currencies of the Parties.
- 8.** Unification of statistical methods of classification and tabulations.
- 9.** Adoption of any other measures that are necessary for the achievement of the goals specified in Articles 1 and 2.

It is, however, possible to make some exceptions to the principle of unification in special cases and countries subject to the approval of the Council as mentioned in Article 3 of this Agreement.

Chapter II Administration

► Article 3

An organization to be called the Council of Arab Economic Unity shall be established. Its functions and terms of reference shall be specified in accordance with the provisions of this Agreement.

► Article 4

- 1.** The Council shall be composed of one full-time representative or more for each of the Parties.
- 2.** The permanent headquarters of the Council shall be located in Cairo but it may convene in any other place it shall specify.
- 3.** The presidency of the Council shall be assigned alternately to each of the Parties for a period of one year.
- 4.** The Council shall adopt its resolutions by a majority of two-thirds of the votes of the Parties and each State shall have one vote.

► Article 5

- 1.** The Council shall be assisted in carrying out its responsibilities by economic and administrative committees that work under its supervision on permanent or temporary basis. The functions of these committees shall be defined by the Council.
- 2.** Initially the following permanent committees shall be established:
 - a.** The Customs Committee, for technical and administrative customs affairs;
 - b.** The Monetary and Financial Committee, for monetary and banking matters, taxes, duties and other financial affairs;
 - c.** The Economic Committee, for agriculture, industry, trade, transport, communications, labor and social insurance affairs.

The Council may set up other committees whenever necessary.
- 3.** Each of the Parties shall appoint its representatives to the above-mentioned permanent committees, and each party shall have one vote.

► Article 6

- 1.** A permanent Technical Advisory Bureau for the Council shall be established. It shall comprise technicians and experts appointed by the Council, and shall function under its supervision.
- 2.** The permanent Technical Advisory Bureau shall undertake the study and consideration of the matters that are referred to it by either the Council or any of its committees. The Bureau shall submit studies and proposals that ensure harmony and coordination in matters within the Council's jurisdiction.
- 3.** The Council shall establish a Central Bureau of Statistics, to collect statistics, analyze them, and publish them when deemed necessary.

▶ **Article 7**

1. The Council and its affiliated bodies shall constitute one entity that enjoys financial and administrative autonomy, and it shall have a special budget.
2. The Council shall draft its own regulations and the regulations of its affiliated bodies.

▶ **Article 8**

In the course of a period not exceeding one month from the date of entry of this Agreement into force, the Parties shall nominate their representatives to the Council and the committees specified in Article 5, paragraph 2 of this Agreement. The Council shall exercise its functions and form its affiliated bodies immediately after it is formed.

▶ **Article 9**

The Council shall exercise, in general, all the functions and powers that are specified in this Agreement and its annexes or that are deemed necessary for ensuring its implementation. The Council shall particularly exercise the following:

1. Administration:
 - a. To work towards the implementation of the provisions of this Agreement and its annexes and all the regulations and decisions issued in implementation of the Agreement or its annexes;
 - b. To supervise the administration of its committees and affiliated bodies;
 - c. To appoint Council staff members and experts in accordance with the provisions of this Agreement.
1. Organization and Legislation:
 - a. To formulate regulations, legislations, and tariffs which aim to create a unified Arab customs area and introduce the necessary amendments when needed;
 - b. To coordinate foreign trade policies with a view to ensuring coordination of the region's economy

with the world economy and the attainment of the objectives of economic unity provided for in this Agreement. The conclusion of trade and payments agreements with other countries shall be subject to the approval of the Council;

- c. To coordinate economic development and to formulate programmes for the implementation of joint Arab development projects;
- d. To coordinate policies related to agriculture, industry, and internal trade.
- e. To coordinate financial and monetary policies with the aim of achieving monetary unity;
- f. To formulate unified regulations for transport and transit in the States Parties and coordinate the relevant policies;
- g. To draft common legislations on labour and social security, and amendments thereto;
- h. To coordinate legislations for taxes and duties;
- i. To formulate other legislations pertaining to matters stipulated in this Agreement and its annexes and deemed necessary for its realization and implementation;
- j. To prepare and approve a budget for the Council and its affiliated bodies.

▶ **Article 10**

Expenditures of the Council and its affiliated bodies shall be covered by appropriations from joint revenues. For the period preceding the realization of such revenues the Governments shall cover these expenditures according to percentages to be fixed by the Council.

▶ **Article 11**

The Council's joint revenues shall be apportioned among the Governments of the States Parties by mutual agreement on the basis of a study to be conducted by the Council prior to the implementation of the customs unity.

▶ **Article 12**

The Council shall exercise these powers and all other powers consigned to it according to this Agreement and its annexes through resolutions that are passed by it. Member States shall execute these resolutions in accordance with their constitutional procedures.

▶ **Article 13**

The Governments of the States Parties shall pledge not to promulgate any laws, regulations or administrative decisions contradictory to this Agreement or its annexes.

Chapter III Transitional Provisions

▶ **Article 14**

1. The implementation of this Agreement shall be carried out in stages and in the shortest possible time.
2. The Council, upon its formation, shall draw up an action plan for the stages of implementation and shall specify the legislative, administrative and technical procedures for each stage, taking into consideration the annex concerning the necessary steps for the achievement of Arab economic unity, which is attached to this Agreement and which constitutes an integral part thereof.
3. The Council, upon exercising its functions as stipulated in this Agreement, shall take into consideration special circumstances in some of the States Parties without prejudice to the objectives of the Arab economic unity.
4. The Council, together with the States Parties, shall carry out the procedures that are specified in paragraph 2 of this article according to the provisions of this Agreement.

▶ **Article 15**

Any two or more of the States Parties may conclude economic agreements that aim to realize broader unity than that provided for under this Agreement.

Chapter IV Ratification, Accession and Withdrawal

▶ **Article 16**

This Agreement shall be ratified by States signatory thereto in conformity with their respective constitutional regulations as soon as possible. The instruments of ratification shall be deposited with the General Secretariat of the League of Arab States which shall in turn prepare a report thereon and transmit it to the other States Parties.

▶ **Article 17**

The States members of the League of Arab States non-signatory to this Agreement may accede thereto by a declaration sent by them to the Secretary General of the League of Arab States who shall give a notice thereof to the other States signatory to the Agreement.

▶ **Article 18**

Arab States non-members of the League of Arab States may accede to this Agreement subject to the approval of the States Parties by sending a statement in that respect to the Secretary General of the League of Arab States who shall transmit it to the States Parties for approval.

▶ **Article 19**

Any of the States Parties may withdraw from this Agreement five years after the expiry of the transitional period. The withdrawal shall come into effect one year from the date of submitting a withdrawal notification to the General Secretariat of the League of Arab States.

► **Article 20**

This Agreement shall enter into force three months after the deposit of the ratification instruments by three of the States signatories and shall be operative in each of the other States one month after the deposit of their respective instrument of ratification or accession.

In witness thereof the accredited representatives mentioned below have signed this Agreement on behalf and in the name of their Governments.

Special Annex Concerning Bilateral Economic Agreements with Non-contracting Parties

Reference to paragraph (4) of Article (2) and to paragraph (2b) of Article (9) (In the Fields of Organization and Legislation) of the Economic Unity Agreement Among States of the Arab League, the contracting parties have agreed that the provisions of this Agreement shall not prejudice the right of any contracting party to this Agreement to conclude individually bilateral economic agreements for special political or defense purposes with a non-contracting party, providing that the objectives of this Agreement are not obstructed.

Special Annex Concerning the Necessary Steps for the Achievement of Arab Economic Unity

In accordance with paragraph (1) of Article (14) of the Economic Unity Agreement which provides for the implementation of this agreement in successive stages and in the shortest possible time, the contracting parties have agreed on the following:

► **One:** The Council of Arab Economic Unity which is mentioned in Article (3) of the Agreement shall be established within the period specified in Article (8) of that Agreement.

► **Two:** This Council shall undertake, during a preliminary period not exceeding five years, a study of the steps that are necessary for the coordination of economic, political and social policies and for the achievement of the following objectives:

1. Freedom of personal mobility, work, employment, residence, possession, bequeath and inheritance;
2. The complete freedom of transport of goods in transit without any restriction or condition on or prejudice against the transport vehicle because of its kind or nationality;
3. Facilitation of exchange of Arab goods and products;
4. Freedom of exercising economic activities with the consideration that no damage is done to the interests of some contracting countries at this stage;
5. Freedom of use of civil ports and airports that would guarantee greater activity and utilization of these ports and airports.

At the end of this stage, the Council may recommend to the governments of the contracting parties, if necessary, an extension of this stage for a period not exceeding another five years.

► **Three:** The Council shall study the steps that are necessary for the achievement of all economic unity objectives according to the stages it shall specify and shall transmit its proposals in this respect to the governments of the contracting parties for approval in accordance with the constitutional procedures prevailing in each of them.

► **Four:** Any two or more of the contracting parties may agree to terminate the preliminary stage or any other stage and move directly to complete economic unity.

Annex III

Charter of Arab Cultural Unity, 1964

Responding to the feeling of natural unity among the people of the Arab Nation and believing that cultural and intellectual unity is the main basis upon which Arab Unity is built, and that safeguarding the Arab heritage, its transmission to successive generations and its constant renewal are the guarantee for the Arab Nation's solidarity and its ability to pursue a leading and creative role in human civilization and universal peace based on the principles of justice, liberty and equality;

Pursuant to the Charter of the League of Arab States, and complementing the results achieved through the Cultural Treaty which was concluded between the Arab States in 1954;

Taking pride in the new members who joined the League of Arab States after their liberation from imperialism;

Looking forward to the recovery of unlawfully acquired Arab sacred lands, thus accomplishing their liberalization;

Based on the decision of the Summit of Arab Kings and Heads of States to unify objectives and ranks in many areas of the life of the Arab Nation;

Given that the strong impact of cooperation in the fields of education, culture and science and their influence on individuals, the Arab society and Arab nationalism at the international level;

Given that cooperation guarantees the right of Arab people to education, freedom, dignity and welfare and enables them to take part in the service of their community;

Given that cooperation leads to the development and progress of the Arab

society based on such solid principles as its spiritual values, and on modern science and its applications;

Given that cooperation strengthens the Arab position in the international arena, enhances the Arabs ability to stand against such vicious international powers as imperialism and Zionism and to contribute to global peace, and enables them to replay their historical role in the advancement of human civilization;

The Arab States agree on the following Charter of Arab Cultural Unity.

► Article 1

The aim of education shall be:

To raise an Arab generation that is aware, enlightened, believing in God, faithful to the Arab homeland, believing in itself and its nation, conscious of its national and human mission, holding to the principles of justice, goodness and beauty, guided by human ideals in individual and collective behavior;

A generation which enables all individuals to develop their personality in every aspect, to possess the will to engage in common struggle and the means to act strongly and positively armed with science and morality, with the purpose of contributing to the development of Arab society, enhancing its progress, and strengthening the position of the glorious Arab Nation and ensuring its right to liberty, security and decent life;

Member States shall design a philosophy for Arab education which reinforces this goal, and shall define clear objectives for each level of educational and each field of work and implementation,

with the purpose of fulfilling the aspirations of the Arab Nation in the education of its youth.

► **Article 2**

Member States shall fully cooperate in the fields of education, culture and science, and reinforce their foundation on the basis of collaboration and integration. They shall particularly coordinate and develop their educational systems, exchange experiences, information, and outputs of scientific and technical research; exchange professors, teachers and experts; admit students into schools, institutes and universities; offer technical assistance and participate in the establishment of research centers and institutes; hold conferences and periodic training seminars; facilitate the circulation of Arabic publications; coordinate various kinds of sports and arts activities; and strengthen cooperation among governmental and non-governmental organizations and councils concerned with these matters.

► **Article 3**

Member States agree to develop the cultural organs of the League of Arab States (Cultural Department, Institute of Arabic Manuscripts and Institute of Higher Arabic Studies) into one comprehensive organization within the framework of the League of Arab States to be called "The Arab League Educational, Cultural and Scientific Organization" in accordance with a constitution approved by the League's Council on the recommendations of the Second Conference of Arab Ministers of Education. This Organization shall be charged with coordinating the efforts of member States aiming to implement this Charter in accordance with their constitutions.

► **Article 4**

Member States shall reach similar education standards by way of

coordinating their educational systems, especially by standardizing the grading systems, curricula, plans, school books, examination levels, admission regulations, equivalence of certificates, teacher training methods, and the administration of educational institutes.

► **Article 5**

Member States agree to coordinate their university and higher education, research centers and universities, in such a manner as to facilitate exchange of experiences in this field. They shall standardize or provide equivalence for scientific degrees, and encourage scientific research. A higher council for the coordination of university education in the Arab world shall be formed in cooperation with Arab universities and authorities responsible for higher education, with a view to enforcing this coordination in all aspects. The Arab League Educational, Cultural and Scientific Organization shall establish an association of Arab universities, and encourage universities to join it.

► **Article 6**

Member States shall cooperate to develop their educational systems by making primary education, at the least, compulsory, eradicate illiteracy, facilitate and diversify secondary education, enable talented students to get higher education, and give attention to technical education. All this shall be carried out in accordance with a general plan for social and economic development in the Arab countries.

► **Article 7**

Member States agree to assist each other in the establishment of educational institutes and cultural centers, in particular specialized. They shall give attention to the publication of periodic magazines in the various scientific areas.

▶ **Article 8**

Member States shall ensure that new generations adhere to religious principles.

▶ **Article 9**

Member States agree to promote girls education in accordance with religious principles, Arab values and modern scientific progress, taking into consideration the woman's mission of being a mother and a good citizen with rights and obligations adequate to her responsibilities in society.

▶ **Article 10**

Member States agree to make the Arabic language the medium of instruction, studies and research at all educational levels, or at least at the primary and secondary levels. At the same time, member States shall improve access for students to modern literary, scientific and technical culture and help them to master the linguistic means to absorb this culture.

▶ **Article 11**

Member States shall educate their people on the social, economic, cultural and political conditions of all Arab countries, through text books, television, radio, theatre, journalism and other means and by building museums for Arab civilization and culture supplied with necessary resources, holding periodic art and literature exhibitions, and organizing public and school festivals in the Arab countries.

▶ **Article 12**

Member States agree on the preparation of a "master-book" which shall be used as main reference in authoring school books on the history, civilization, geography, language and literature of Arab countries and on features of the Arab society.

▶ **Article 13**

Member States, believing that teachers are key players in implementing education policy and realizing national development and social reform, stress the importance of spiritual, cultural, technical and scientific formation of Arab teachers by instilling in them religious principles, genuine Arab values and knowledge of Arab culture, providing them with the most modern education theories and teaching methods and a solid scientific training in their areas of specialization.

▶ **Article 14**

Member States shall assist, according to their respective circumstances and systems, in the establishment of national teachers associations in charge of advancing the teaching profession and enhancing the capacity of Arab teachers. These associations are to be assembled in the Arab Teachers' Union.

▶ **Article 15**

Arab States shall cooperate to revive the Arab intellectual and cultural heritage, safeguard it, disseminate it, make it accessible by various means to those who seek it, and have its masterpieces translated into living languages. They shall also present information on the Islamic culture of the Arab region and on contemporary Arab thought and Arab issues; disseminate the Arabic language and Arabic calligraphy and facilitate their teaching in foreign countries in general and Islamic countries in particular.

▶ **Article 16**

Member States shall intensify and coordinate the efforts towards the translation of ancient and contemporary foreign master books; encourage intellectual outputs in the Arab countries by various means, including scientific and literary research institutes, writing

competitions, and awards granted to Arab talents in science, literature and art.

▶ **Article 17**

Member States agree to work on harmonizing scientific and cultural terms, and provide support to the process of translation into Arabic with a view to enriching the Arabic language while preserving its characteristics. This shall be done in cooperation with the Permanent Bureau of Arabization in Rabat which is affiliated to the Arab League Educational, Scientific and Cultural Organization, so that this Bureau may fulfill its mission in the best possible way, and also in cooperation with other similar organizations that might be set up in the future.

▶ **Article 18**

Member States shall establish a council of academies comprising representatives of Arab Academies, the Permanent Bureau of Arabization and experts entrusted with the mission of standardizing, coordinating and publishing scientific terms.

▶ **Article 19**

Member States agree to strengthen the relations between their respective public libraries, science and history museums, and art galleries through the exchange of books, indexes, archeological pieces that exist in multiple copies and the exchange of technicians and archaeological excavation missions. They also agree to cooperate in the field of archaeological excavations, maintain them, make them known, give information on them, and properly exploit them for educational, cultural and scientific purposes.

▶ **Article 20**

Member States shall cooperate in the exchange of cultural experiences related to music, theatre, cinema, folklore, journalism and various aspects of mass media. They shall endure the registration of those arts, preserve

them, coordinate the efforts of workers in these fields, and exchange their experience.

▶ **Article 21**

Member States shall enact legislation to protect literary, scientific and artistic intellectual property.

▶ **Article 22**

Member States agree to issue a publication depository law and establish national publication registration centers. Each State shall send to the registration center of the Arab League Educational, Cultural and Scientific Organization adequate information on each publication by filling a standard form to be prepared by the center, which will then issue periodical bibliographical lists including all publications of member States.

▶ **Article 23**

Member States agree to exchange professors, teachers and experts amongst their learning institutes according to general and individual conditions to be agreed upon. The term of service of government employed teachers, professors or experts, who are on an exchange programme, shall be similar to that in their country with the same right to promotion and retirement. Member States shall also facilitate the movement of non-government employees to enter into individual contracts with other governments or organizations in need of their services, on the condition that those contracts are concluded through the relevant authority and in accordance with applicable regulations.

▶ **Article 24**

Member States agree to exchange students and pupils in schools and educational institutes and facilitate, within their possibilities, their admission into suitable levels and classes, in accordance with established regulations.

Until the unification of the fundamentals referred to in Article 4 of this Charter is realized, member States shall endeavor, while observing their general education systems, to provide equivalence for certificates given at all levels of study or harmonize certificates, by concluding mutual agreements. Each State shall also offer the facilities needed by other member States to provide housing for their students

▶ **Article 25**

Member States shall cooperate to meet their mutual cultural requirements and exchange technical assistance.

▶ **Article 26**

Member States shall encourage and facilitate travel for cultural, scouting and sports purposes in the Arab countries, in regions to which access is permitted by the government and in accordance with their possibilities.

▶ **Article 27**

Member States shall take appropriate measures to bring closer their legislative trends in education and culture, with a view to harmonizing them as much as possible, and introduce comparative legal studies of Arab countries in school and university curricula.

▶ **Article 28**

Member States shall coordinate their efforts to achieve international cultural

cooperation, especially with UNESCO, exchange experience, organize contacts, and establish cultural institutes in friendly countries.

▶ **Article 29**

This Charter shall be ratified as soon as possible by the States signatory to it, according to their constitutional procedures. Instruments of ratification shall be deposited with the General Secretariat of the League of Arab States, which will prepare a report on the deposit of each ratification instrument and notify other contracting States in that respect.

▶ **Article 30**

Arab countries that are not members of the League of Arab States may accede to this Charter by sending a notice to the Secretary General of the League of Arab States, who shall inform the other contracting States.

▶ **Article 31**

This Charter becomes effective a month after the deposit of the instruments of ratification by three member States.

▶ **Article 32**

Any State bound by this Charter may withdraw from it by sending a notice in that respect to the Secretary General of the League of Arab States. The notice shall enter into effect one year after the date of its submission.

Annex IV

Outcomes of the Arab summits on Economic and Social Development

A. Programme of action adopted by the First Arab Economic and Social Development Summit (Kuwait, 2009)

The Programme of action of the Arab Economic and Social Development Summit that was held in Kuwait in 2009 includes measures to be taken by Arab countries for the implementation of the Kuwait Declaration. It constitutes a roadmap for the achievement of the goals and objectives set by Arab leaders during the Summit to achieve economic prosperity, social progress and sustainable development in all Arab countries. The private sector plays a key role in the implementation of this programme of action, and the Economic and Social Council of the League of Arab States is responsible for its follow-up.

► **The global financial crisis**

- › Providing continued support to financial and banking institutions in Arab countries, in order to ensure the stability of their financial sectors;
- › Increasing regulatory oversight of the financial and banking sectors and coordination among the concerned bodies; improving the laws and regulations governing financial and banking institutions; and consolidating cooperation and coordination between the financial sectors;
- › Enhancing the role of Arab financial institutions in the harmonization of financial policies in Arab countries.

► **Agricultural development and food security**

- › Promoting investments in projects related to the production of food commodities, notably cereals, and related projects, primarily in Arab countries that have comparative and competitive advantages in agricultural production;
- › Developing agricultural and food policies in Arab countries and ensuring their harmonization in order to promote agricultural development and Arab economic integration;
- › Enhancing bioengineering and agricultural research and providing the necessary resources for the production of species with substantial crop yields; and strengthening cooperation between research institutions in Arab countries and increasing their interaction with global research institutions.

► **Building human capacity**

- › Building highly productive and internationally competitive Arab societies, in which women are empowered, which use science and modern technologies, and which are capable of ensuring the well-being of citizens;
- › Enhancing the managerial and professional skills of public and civil sector employees, building the capacities of Arab countries in strategic planning, and ensuring that businesses are locally, regionally and internationally competitive;
- › Optimizing the use of state-of-the-art methods for the management of businesses in Arab countries.

▶ **Industrial Development**

- › Taking the necessary measures for the creation of a favourable climate that attracts Arab investments and boosts industrial development;
- › Encouraging the private sector to increase its involvement in joint industrial projects and benefit from the diverse comparative advantages of the Arab countries;
- › Conducting training and rehabilitation programmes in order to enhance the administrative and technical skills of workers in the industrial sector.

▶ **Energy**

- › Completing the Arab electricity connection projects;
- › Expanding the natural gas networks;
- › Promoting the use of available energy sources, including renewable energy and nuclear energy for peaceful purposes;
- › Improving efficiency in the production and consumption of energy;
- › Promoting the use of solar energy and supporting research for its development;
- › Setting up a legislative framework for the establishment of a pan-Arab electric power market.

▶ **Transport**

- › Developing plans for linking Arab countries to major routes and railways, on the basis of technical studies;
- › Building the infrastructures of transport networks linking roads and railways, and harmonizing their specifications;
- › Implementing the Agreement on the Liberalization of Air Transport between the Arab States, in addition to programmes for the establishment of a pan-Arab space;
- › Developing Arab transport facilities, including ports and airports, to improve their competitiveness;
- › Setting up financing mechanisms based on a commercial approach, with the

participation of the private sector and Arab and regional financing institutions and funds for the financing of transport connectivity projects.

▶ **Water Security**

- › Developing and conserving traditional and non-traditional sources of water; ensuring water recycling, through the purification of waste water, for supplemental irrigation; and implementing storage and dam construction projects in order to enhance efficiency in meeting the needs for water supply;
- › Conducting research to ensure the cost-effectiveness of sea water desalination;
- › Rationalizing the multiple uses of water and ensuring its efficient distribution;
- › Promoting advanced irrigation techniques and providing soft loans to farmers as incentives to use such techniques;
- › Providing technical assistance to Arab countries to implement water development and management projects.

▶ **Trade**

- › Accelerating the achievement of Arab integration in the field of production, and increasing the competitiveness of Arab commodities in Arab and international markets;
- › Removing tariff and non-tariff barriers on the movement of goods between Arab countries;
- › Increasing the effectiveness of Arab intraregional trade;
- › Harmonizing the specifications of Arab commodities, in conformity with international standards;
- › Concluding ongoing negotiations on the liberalization of trade in services, and urging all countries to actively participate in these negotiations, through the following:
 1. Developing short-term plans for the establishment of GAFTA (2009-2010);

2. Removing obstacles hindering the implementation of these plans;
3. Building the capacities of the least developed Arab countries;
4. Ensuring follow-up on the establishment of GAFTA;
5. Completing the institutional infrastructure of GAFTA.

► **The Arab Customs Union**

The establishment of an Arab Customs Union during the period 2010-2015 requires the implementation of the following programmes:

- › Preparatory programmes for the establishment of the Union;
- › Basic programmes for the establishment of the Union;
- › Programmes for the establishment of the institutions and working mechanisms of the Union;
- › Programmes in support of the establishment of the Union.

► **Investment**

- › Enabling a favourable climate conducive to investments;
- › Ensuring compliance with the Unified Agreement for the Investment of Arab Capital in Arab Countries;
- › Promoting private investment in the agricultural and industrial fields, and in the infrastructure;
- › Enhancing the role of the Arab Investment Court.

► **Financing and financial institutions**

- › Enabling a favourable climate for investment;
- › Developing payment and settlement systems, achieving their harmonization and facilitating their gradual integration;
- › Ensuring the settlement of intraregional payments under regional mechanisms, in order to facilitate intraregional payment clearance, and restrict the resort to international institutions for the settlement of net differences only. This

would pave the way for the settlement of intraregional trade transactions in local currencies;

- › Increasing the efficiency of financing mechanisms adopted by the private sector, and encouraging it to develop additional mechanisms for the financing of its projects.

► **Information and Communications Technology**

- › Implementing the Arab General Strategy for Information and Communication Technology;
- › Promoting the communications sector and ensuring its self-development, and enhancing the technical and electronic capabilities of Arab countries;
- › Promoting knowledge-based economy and the information society, and providing support to Arab research centres;
- › Using the outputs of the information and communications sector for the benefit of a comprehensive development of the Arab region as a whole;
- › Establishing research and development incubators at Arab universities, academic institutions and research centres, in order to encourage researchers, scientists and intellectuals to invest their ideas in concrete projects;
- › Enabling small and medium enterprises to benefit from technological advances.

► **Education and Scientific Research**

- › Ensuring that education is a top priority for Arab countries;
- › Executing the Plan for the Development of Education in the Arab Countries adopted at the Damascus Summit in 2008 and its implementation mechanisms;
- › Redoubling efforts to eradicate illiteracy in the Arab world;
- › Linking education outputs to the requirements for sustainable development and the needs of labour markets;

- › Ensuring coordination between Arab countries in order to facilitate the accreditation and recognition of academic qualifications;
 - › Mainstreaming knowledge and modern technologies;
 - › Building knowledge-based societies, and developing internationally competitive human resources;
 - › Taking the measures needed to stop the brain drain.
 - › Emphasizing the need to preserve the status of the Arabic language.
- ▶ **Health**
- › Improving the coverage of basic health care services, especially health insurance;
 - › Extending the scope of health care services to cover urban, rural and desert areas, by using geographic information systems;
 - › Ensuring coordination and integration between Arab pharmaceutical companies, in to the framework of a clear strategy for pharmaceutical manufacturing in Arab countries, as this is a matter of national security;
 - › Simplifying the procedures for the registration and mutual accreditation of pharmaceutical products in Arab countries.
- ▶ **Unemployment**
- › Establishing a database on unemployment in Arab countries;
 - › Implementing programmes for the rehabilitation and training of the unemployed, in accordance with the needs of the labour market, and with the participation of the private sector;
 - › Providing adequate funding sources for small and medium enterprises;
 - › Promoting the participation of business organizations and chambers of industry in the implementation of rehabilitation and training programmes;
 - › Reactivating the implementation of
- the agreements signed between Arab countries in the field of employment;
- › Assigning the implementation of an integrated programme for the promotion of employment and reduction of unemployment to the Arab Labour Organization.
- ▶ **Intellectual property**
- › Taking the necessary measures on the national level, to protect the intellectual property rights of inventors and innovators;
 - › Providing necessary funding and technical support to inventors, to encourage them to come up with more inventions, produce them and market them;
 - › Addressing intellectual property rights, and using them as tool for the economic progress and development of Arab countries;
 - › Developing national legislation in accordance with international obligations;
 - › Establishing the necessary mechanisms to enhance coordination and cooperation between Arab countries in the fight against counterfeiting and illegal exploitation; and promoting the exchange of legislation, experiences, and judicial practice in order to protect the rights of Arab inventors and innovators.
- ▶ **Migration**
- › Regulating the migration of Arab workers;
 - › Protecting the rights of Arab migrant workers in non-Arab countries;
 - › Using the benefits of migration in development and Arab regional integration;
 - › Enhancing the role of skilled migrant workers national and regional development;
 - › Emphasizing the principle of shared responsibility between labour-exporting and labour-receiving countries, in order to protect the migrants, absorb the returnees and fight illegal migration;

- › Conducting Arab collective negotiations with foreign parties on the protection of the rights of migrants, and coordinating Arab positions in their support.
- ▶ **Youth issues**
- › Empowering Arab youth, ensuring their effective participation in the various areas of development, and encouraging youth entrepreneurship;
 - › Developing the capacities of young people in an integrated manner, and ensuring that their physical and moral health are given full attention, particularly raising their awareness of the dangers of drugs and narcotics;
 - › Building a database for monitoring the social and economic conditions of Arab youth.
- ▶ **Housing**
- › Building State-funded suitable low-cost housing;
 - › Ensuring proper urban planning in newly established cities;
 - › Encouraging cooperative action in the construction of adequate housing;
 - › Limiting the spread of slums;
 - › Promoting and supporting partnerships between governments, the private sector and financial institutions, within a comprehensive programme for real estate investment in the Arab region.
- ▶ **Poverty Reduction**
- › Achieving the Millennium Development Goals; reducing poverty; creating job opportunities for young people; increasing economic growth in the region and enhancing the flexibility of labour markets;
 - › Implementing the Arab Declaration on the Pursuit of the Implementation of the Millennium Development Goals, in order to enable the Arab least developed countries to pursue the achievement of these goals by drawing appropriate policies with suitable time-frames for their implementation, identifying obstacles to the success of development plans and suggesting ways for addressing them.
- ▶ **The environment**
- › Activating the Arab Ministerial Declaration on Climate Change;
 - › Building and strengthening capacities for reducing the risk of disasters and emergencies;
 - › Developing institutional structures, legislation and policies necessary to protect the Arab environment, and implementing an integrated waste management;
 - › Enhancing the role of Arab institutions concerned with the environment, including the Arab Environment Facility;
 - › Encouraging non-governmental organizations and the media to educate citizens and decision-makers on various environmental issues.
- ▶ **Tourism**
- › Encouraging Arab intraregional tourism;
 - › Taking into account the concepts of sustainable tourism in order to protect the tourism potential of Arab countries;
 - › Enabling a favourable climate for investment in the tourism sector, in order to encourage the Arab private sector to increase investment in the tourism industry;
 - › Developing and rehabilitating Arab workers in the tourism industry.
- ▶ **The private sector**
- › Increasing the involvement of the Arab private sector in economic activities in Arab countries;
 - › Promoting social corporate responsibility in the private sector;
 - › Facilitating the movement of Arab business entrepreneurs and investors;
 - › Promoting and facilitating Arab private investment in Arab countries.

- ▶ **Civil Society**
 - › Strengthening the role of civil society organizations to enable them to carry out their responsibilities towards the community;
 - › Developing legislation in Arab countries, in order to strengthen cooperation between governments and civil society institutions;
 - › Exchanging success stories among civil society organizations.

▶ **Arab relations with non-Arab countries**

- › Strengthening cooperation in various fields with other countries in addition to regional and international organizations and groupings;
- › Increasing cooperation with the United Nations System, and developing relations between the Arab world and international organizations;
- › Supporting the Arab position within international and regional organizations, and supporting Arab countries seeking to join the World Trade Organization.

▶ **Implementation of the programme of action**

Arab countries are invited to adopt the necessary policies and procedures to implement the Programme of Action of the Arab Economic and Social Development Summit, in collaboration with the General Secretariat of the League of Arab States, the ministerial councils, specialized Arab organizations and Arab financial institutions, and with the participation of the private sector and civil society organizations.

▶ **Follow-up mechanism**

The Economic and Social Council and the General Secretariat of the League of Arab States are responsible for following up the implementation of the Declaration, the Programme of Action and resolutions of the Arab Economic and Social Development

Summit and for submitting regular follow-up reports on progress made in their implementation to the Arab Summits.

B. Declaration of the Second Arab Economic and Social Development Summit (Sharm el-Sheikh, Egypt 2011)

We, the Heads of Arab States and Governments who, on 19 January 2011, are gathered together in the Egyptian city of Sharm el-Sheikh at the second session of the Arab Economic, Development and Social Summit, hereby renew our complete commitment to the development strategies that were approved at the Kuwait Summit on 19 and 20 January 2009, and affirm that we will advance the human, economic, social and technological development of our Arab societies and will activate and develop our joint Arab action mechanisms, under the aegis of the League of Arab States, with a view to ensuring a better future for our peoples and for future generations.

With regard to the priorities that have been established for the joint Arab action to be taken in the social and economic areas, an evaluation was conducted of the progress that has been made in integrating the Arab economies, with particular reference to the field of regional infrastructure, where the foremost projects concern road and electricity linkages. All those ambitious projects have made commendable progress, which must be maintained until the laudable goals are achieved. The prospects for maritime links between our countries were explored. Such links would significantly strengthen inter-Arab trade. Consideration was given to the advancement of information connections by linking Arab Internet networks; development in various fields in a number of Arab countries; the Great Arab

Free Trade Area; movement towards the establishment of the Arab customs union; and the decisions that have been taken with a view to increasing inter-Arab investment and enabling the private sector and civil society to make an effective contribution to the overall development process.

Food security is one of the foremost priorities of the Arab States, and a new approach must be adopted to deal with it if we are to achieve such security for our Arab societies. Arab water security will be another priority action area for years to come, particularly in view of the challenges posed by climate change, which have an impact on and reduce water resources. We will therefore implement the Arab water security strategy throughout the Arab region.

Given that the Arab region is facing ever-increasing risks as a result of the degradation of environmental systems and the natural disasters that are occurring regularly because of increasing geological and climate changes, which have a direct impact on lives, infrastructure, means of livelihood and sustainable development, we affirm implementation of the Arab Strategy to Reduce Disaster Risks 2020 and commitment to the Arab declaration and statement on climate change and the related resolutions, and promise to devise an Arab plan for dealing with climate change.

In view of our concern for the well-being and future of Arab citizens, consultations took place on ways of overcoming obstacles to achieving the Millennium Development Goals; the importance of building and activating human capacities; improving education and scientific and technical research; encouragement and support for innovation; the empowerment of women to play an effective and fundamental role in Arab societies; poverty reduction; unemployment; and the provision of higher standards of health care, all of which are fundamental components in the development of our societies in forthcoming decades.

Reiterating our commitment to provide the Arab peoples with opportunities that will enable them to contribute effectively to society and provide them with prospects for employment, and further to the initiative that was launched by the Emir of Kuwait regarding the establishment of a fund to finance small and medium-sized private sector industries, with a capital of 2 billion United States dollars, which we are convinced will increase the value of Arab economies and the contribution they can make to lowering the levels of poverty and unemployment and providing employment opportunities, particularly for the youth who represent 25 per cent of the total population of our societies, we welcome the launching of the fund and will contribute to it. The Arab Economic and Social Development Fund will be responsible for managing the fund.

Well aware of the capacities of our region in the fields of energy, foremost among which are oil and natural gas, and the global importance of our geographic location as an international supply crossroad, our countries are continuing to develop the optimum means of exploiting those capacities and are investing in them in a manner that reflects the effective contribution that is made by the Arab region to ensuring global energy security, which may alleviate the current crisis in the global economy.

Notwithstanding the huge capacities possessed by some Arab countries in respect of energy, we have agreed on the need to exploit some of the other possibilities and energies to which our countries have access, including new and renewable energy, wind power, the peaceful use of nuclear power and solar power, all of which make it possible to acquire modern technology and create employment opportunities while conserving and developing the environment. The region needs such clean sources of energy and new fresh

water resources, in addition to the new employment opportunities that are offered by those technologies.

With regard to the establishment of the Arab customs union, we considered the efforts to finalize the harmonized Arab customs law and the work that is currently being done to complete the harmonized Arab customs tariff schedule by the end of 2012. Once that has been approved, the Arab customs union will be declared in 2015. The final step will be the inauguration in 2020 of the joint Arab market.

Against the background of developments in respect of global economic cooperation, we welcome the World Bank initiative for the Arab world, which will strengthen the cooperation and coordination of Arab countries with the World Bank. We also welcome the enhancement of cooperation between Arab financial and development institutions and the relevant Arab organizations in respect of this initiative.

The Arab world is undeniably an integral part of the global system, and global developments impact it both positively and negatively. No society can take a firm step on the road to development without an excellent understanding of the developments taking place in the world. The global financial crisis has undoubtedly made profound changes in the world economic map and has made inevitable our coordination of economic and monetary policies and contribution to international efforts aimed at ensuring global financial stability, thereby avoiding, to the extent possible, any negative impact on our economies. We also underline our dismissal of the sanctions that are imposed unilaterally on certain Arab States: such sanctions have a negative impact on development efforts in those countries.

We reaffirm our determination to continue our efforts to implement the Millennium Development Goals and overcome obstacles to their realization in our region by 2015.

Agreement was reached on the need to develop joint Arab action and take it to a new stage: that of building new partnerships with regional and international blocs and a variety of countries, including China, India, Japan, Turkey, the Russian Federation, the African States, the countries of South America and the Pacific islands, with a view to interacting with the effects of globalization and strengthening and developing action that is taken with various States, through gatherings, programmes and cooperation policies with those countries and groupings. We reaffirm our commitment to activating the economic and social aspects of the Arab-African Partnership Strategy and its programme of action, and our commitment to continue to pursue cooperation with the countries of South America by holding the third Arab-South America Summit in Peru in February 2011.

Recognizing the importance of continuously assessing the joint Arab action and the challenges it faces, and believing in the role of the League of Arab States in preserving the Arab interests and following up the developments in international relations, we stress our intention to continue to develop and enhance the system of joint Arab action and especially the developmental tools to respond to future requirements with emphasis on the importance of promoting economic blocs as a fundamental basis for building Arab economies, improving its performance and enabling it to implement Arab projects in priority development areas.

We also reaffirm our commitment to finance the projects that have been put forward by Palestine with the aim of supporting the steadfastness of Jerusalem in the face of Israeli measures to Judaize the city, through the funding mechanisms of Al-Quds and Al-Aqsa Funds, and our commitment to provide the appropriate support to the population of Jerusalem enabling them to remain in their land and support their resilience in the face of Israeli measures.

C. Declaration of the Third Arab Economic and Social Development Summit (Riyadh, 2013)

We, the leaders of Arab countries, held meetings of the Third Arab Economic and Social Development Summit in Riyadh in the Kingdom of Saudi Arabia on 9 and 10 Rabi I, 1434AH, corresponding to 21 and 22 January 2013. We renew our full commitment to the implementation of the decisions that were adopted in the two developmental summits held in Kuwait, on 19 and 20 January, 2009, and Sharm el-Sheikh on 19 January 2011.

We express our satisfaction with the measures taken to implement these decisions and the progress achieved in the implementation of economic and social development projects that were approved by the two previous summits, and emphasize the need to expedite the completion of the implementation of all decisions and remove all obstacles on their ways.

We also commend the executive steps that have been completed to activate the account for financing small and medium-sized enterprises in the Arab countries, which was launched by the First Arab Economic and Social Development Summit in Kuwait, in January 2009.

Recognizing the importance of moving forward to develop joint Arab actions to serve Arab citizens, raise the standards of their living and provide them with full health care, we have agreed on the following:

Strengthening the capacity of institutions of joint Arab action

We welcome the initiative of the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al Saud who called for increasing the capital of joint Arab financial institutions by at least 50

per cent given the vital role played by these institutions in meeting the growing development needs to enable them to contribute effectively to economic and social development in the Arab countries, to develop their work mechanisms and financing procedures, and to expand their activities and make better use of their resources. The initiative also called for increasing the capital of joint Arab companies by a minimum of 50 per cent also to enhance their capacity to establish new joint Arab production projects and contribute to national projects in collaboration with the Arab private sector in order to meet the growing needs for goods and services, bridge the gaps in the availability of many of those goods and services, and provide more job opportunities for Arab citizens.

Encouraging Arab intraregional investment

Believing in the importance of investment in enhancing Arab economic integration, developing Arab intraregional trade and creating new jobs that contribute to reducing unemployment and poverty, and the importance of investing Arab capitals in the Arab countries to achieve development, enhance Arab economies and promote the flow of Arab intraregional investments, we have adopted the Unified Agreement to Invest Capital in Arab Countries as amended to conform with the developments in the Arab region and the world, with a view to creating the proper climate that would increase the flow of Arab intraregional investments, and make the Arab region an attractive area for these investments. We also assert our commitment to implementing this Agreement, and call on the Arab private sector, including migrant Arab business entrepreneurs, to benefit from the advantages and guarantees offered by this Agreement and contribute to the pan-Arab economic development.

We also assert our commitment to creating the investment climate in our countries by enacting national laws and legislation that will help attract more investment and utilize the natural resources and comparative advantages of our countries.

Development of energy usage

Given the necessity to keep up with global developments in the use of different energy sources, we have adopted the Arab Strategy for the Development of Renewable Energy Applications (2010-2030) to meet the growing demand for energy, diversify its sources, meet the needs of sustainable development, open the way for the establishment of an Arab renewable energy market capable of providing new job opportunities with the active participation of the private sector, and support Arab developmental projects that aim to develop the usage of renewable energy technologies through the creation of appropriate legislative, institutional and organizational climate for the dissemination of these technologies.

Implementation of the Millennium Development Goals

Reiterating our commitment to achieving the Millennium Development Goals, supporting the efforts of least developed Arab countries to achieve those goals, and focusing on the third goal for combating hunger, particularly rapid intervention to counter the effects of emerging crises in the area of food security, we have adopted the recommendations of the Arab Conference on the Implementation of the Millennium Development Goals Until 2015 to develop an Arab vision that contributes to the development of the global vision on sustainable development goals beyond 2015, particularly supporting the efforts to promote the welfare of individuals and communities in an equitable and sustainable manner, promoting inclusive

development, paying more attention to the issues of unemployment among youth and persons with special needs and creating decent job opportunities as two Arab pivotal goals within the framework of what will be agreed upon in the future.

We call for enhancing the role of Arab bodies concerned with the implementation of the Millennium Development Goals, such as the Arab specialized ministerial councils in cooperation with all regional and international partners and the United Nations and its specialized agencies.

Improving the level of health services and disease control

On the basis of our commitment to improving the level of health care and paying more attention to non-communicable diseases as they pose a great challenge to the welfare of society and development efforts in the Arab countries, we call for accelerating the formulation of policies, strategies, programmes and action plans on social determinants of health with the participation of all social actors, strengthening international cooperation to address these determinants as a key factor for achieving the Millennium Development Goals, and fulfilling commitments on maternal and child health, the eradication of infectious diseases and fight against communicable diseases. While supporting the decisions adopted by the Arab Economic and Social Development Summit at its first session in Kuwait in January 2009, we have welcomed the Riyadh Declaration issued by the International Conference on Healthy Lifestyles and Non-communicable Diseases in the Arab World and the Middle East, which was held in Riyadh from 9 to 12 December 2012.

Arab intraregional trade and the Arab Customs Union

Confirming our commitment to supporting the process of Arab economic

integration, increasing the volume of Arab intraregional trade and the formation of a solid Arab economic grouping, we reaffirm our determination to complete the requirements for the Greater Arab Free Trade Area before the end of 2013, and make every effort to overcome the difficulties that prevent this. We also express our appreciation of the efforts exerted by the specialized Arab organizations, federations and regional and international bodies to enhance Arab intraregional trade, and our support for the decision of the Extraordinary Summit of the Organization of Islamic Cooperation, which was held in Makkah in 2012, to call on the Board of Governors of the Islamic Development Bank to adopt a practical mechanism to increase the bank's capital in order to contribute to the development of intraregional trade and investment, and strengthen the Islamic Solidarity Fund for Development. We also welcome the initiative launched by the International Islamic Corporation for the Development of Trade to provide trade assistance to Arab countries, with emphasis on the importance of backing and supporting this initiative.

While applauding the steps taken so far towards the establishment of the Arab Customs Union, we reaffirm our commitment to ensuring the completion of the rest of the requirements for the launch of the Arab Customs Union in accordance with the time frame that has been agreed upon, leading to its full implementation by 2015.

The Arab private sector and its role in joint Arab action

Believing in the vital role of the Arab private sector as a partner in achieving development and economic growth and enhancing production, we emphasize our continuous support to this sector by continuing to provide the appropriate environment for it to exercise its activities,

promote productive joint investment projects, remove the obstacles facing the flow of Arab intraregional investments and the movement of Arab business entrepreneurs and investors, and provide the facilities needed for the private sector to play its role as desired. We also emphasize the importance of the Arab private sector assuming its responsibilities in supporting joint Arab action and enhancing its economic and social participation in this area.

In this regard, we also welcome the outcomes of the Arab Private Sector Forum, which was held in Riyadh in the framework of this summit, and the efforts to foster closer cooperation ties among Arab business entrepreneurs and investors and their quest towards the establishment of joint Arab projects for the benefit of the Arab peoples.

Arab food security

Confirming our eagerness to achieve food security in the Arab region, we request the relevant bodies and organizations to expedite the implementation of the Emergency Programme for Arab Food Security and to coordinate, in this matter, with the Arab countries benefiting from the programme and the regional and international financial institutions as well as the Arab private sector which we call upon to contribute to the implementation of the programme by investing in its projects.

Arab water security

Understanding the vital importance of water security in the Arab region as part of Arab national security, taking into account the issue of water scarcity plaguing our region, we decided to follow closely the implementation of the Strategy for Water Security in the Arab Region and the Integrated Water Resource Management Project (IWRM), to meet future challenges and requirements of water resources in order

to achieve sustainable development and satisfy current and future needs for water.

Environment and sustainable development

Taking into account the importance of environment protection and the attention accorded to this issue at the global level, we affirm our commitment to put the environment at the forefront of our priorities through the following actions:

- a.** To accelerate the update of the Sustainable Development Initiative in the Arab Region and its executive scheme in the light of the outcomes of the United Nations Conference on Sustainable Development (Rio+20), and the 18th Conference of the United Nations Framework Convention on Climate Change, which was held in Doha;
- b.** To follow up the implementation of the Arab Strategy for Disaster Risk Reduction, and to accelerate its integration in the development plans;
- c.** To urge countries in the region that have nuclear plants to disclose reports on the safety measures adopted, and call upon them to join the Convention on Nuclear Safety to spare the region the negative effects on the environment due to what may result in serious accidents;
- d.** To stress that Arab countries must adapt to climate change phenomena, especially that the Arab region is one of the world most vulnerable areas to climate change, on the basis of the United Nations Framework Convention on Climate Change and Kyoto Protocol;
- e.** To conserve natural resources and accelerate the implementation of the new international Strategic Plan for Biodiversity 2011-2020;

Education and scientific research

We emphasize our intention to continue the efforts aimed at improving the quality of education and making it

available as a human right, and continue to support the implementation of the Education Reform Plan in the Arab world. We are also committed to encouraging scientific research and increasing research budgets, encouraging and sponsoring Arab researchers and innovators in various walks of scientific and technical research, and promoting information and communication technology as a tool for comprehensive development and the foundation of an education system that accommodates everyone.

Youth

We stress our commitment to enabling young people to participate in the efforts to achieve sustainable development, enhancing their capabilities, providing a supportive environment to empowering them through quality education and access to information, advanced training and integrated health care all through multidimensional policies and strategies and within a unified and integrated vision inclusive of the young people as partners and not only as beneficiaries. In this context, we express our satisfaction with the outcomes of the Third Arab Youth Forum. We also call for the convening of a forum for Arab youth in the Kingdom of Saudi Arabia within six months to discuss the priorities of youth at the current stage and raise the key issues affecting their future and aspirations through the development of mechanisms to create decent work opportunities, reduce youth unemployment, and allow them access to political, economic and social participation.

Women

Recognizing the important role of women in development, we stress our determination to continue efforts to enact regulations and legislation that enable women to develop their capabilities and skills; to eliminate women illiteracy; and to make use of their

potential by providing equal opportunities for greater social, economic and political participation of women.

Civil society

Believing in the importance of civil society organizations and institutions as partners in the economic and

social development process which we emphasized in the previous summits, we express our satisfaction with the outcomes of the Third Arab Civil Society Forum of the Development Summit for more effective partnership among governments and civil society organizations to achieve the desired social development.

Annex V

Stages of regional economic integration and experiences from outside the Arab region

I. Stages of regional economic integration

There are five levels of economic integration. They begin with the creation of a preferential treatment system and culminate in the establishment of an economic union.

► **Preferential treatment system:**

Countries engaged in a preferential treatment system reduce customs tariffs on imported goods and services from each other while maintaining their tariffs with other countries. A major example is the preferential trade arrangements established between Great Britain and the countries of the British Commonwealth in 1932.

► **Free Trade Area:** A free-trade area is established between two or more countries by virtue of a free-trade agreement (FTA), which eliminates customs tariffs and all trade barriers. These countries, however, retain the right to adopt different customs tariffs as well as other policies with respect to non-members. This preferential treatment has a dual effect. While ending unbalanced trading relationships between member countries, it generates unbalanced trading relationships between these countries and the rest of the world. The first effect is positive and is usually called 'trade generation', meaning an increase in the volume of trade between member countries resulting from the removal of customs tariffs on imports from the FTA member countries. The second

effect is negative and is usually called 'trade transfer', meaning a reduction of the volume of trade between the FTA member countries and other countries in the world. In theory, the end result of both effects may be positive or negative. The free trade area may also lead to another problem called 'trade deviation' or re-exportation. This occurs when an FTA member charges lower tariffs to non-member countries and then re-exports the same product to another partner in the trade agreement, tariff-free. To avoid this phenomenon, FTA member countries use the system of certification of origin, most commonly known as rules of origin. They might also establish mechanisms to monitor import activity within the free trade area. The most important free trading areas are the European Free Trade Association (EFTA), the North American Free Trade Agreement (NAFTA) and the Greater Arab Free Trade Area (GAFTA).

► **Customs union:** A customs union is a union between countries parties to a free trade agreement whereas they harmonize customs tariffs on their imports from the rest of the world, thereby enhancing trade integration. Within a customs union, the problems of trade transfer and trade deviation no longer exist, and countries are no longer compelled to establish mechanisms to monitor import activity within their area, or to bear its costs. The most prominent example of customs unions is the Southern African Customs Union (SACU), which encompasses the Republic of South Africa and four neighbouring countries.

► **Common market:** The creation of a common market constitutes an advanced stage of economic integration. In addition to trade integration that is achieved under a customs union, a common market permits integration at the level of factors of production, as a result of the removal of all barriers to the freedom of movement of labour and capital among member countries. There are two major examples of common markets: the Central American Common Market, including Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua; and the Common Market of the Southern Cone (MERCOSUR), which includes six South American countries.

► **Economic union:** The creation of an economic union is the most advanced stage of economic integration. It is achieved through the harmonization of all economic policies among member states, including fiscal, monetary and exchange rate policies, alongside selected socioeconomic policies. While harmonizing their exchange rate policies, these countries could either adopt a single currency or retain their own national currency. The most remarkable examples of economic unions are the European Union, within which member states have adopted a single currency (the euro), and the European Central Bank, which is responsible for the implementation of the monetary policy of the Union as a whole.

Therefore, economic integration begins with the liberalization of trade and culminates in the liberalization of the movement of labour and capital, the harmonization of economic policies, and the establishment of transnational institutions to oversee the application of standardized policies. These stages may, however, overlap. For example, to ensure the success of a free trade area, the removal of barriers to trade might require the harmonization of tax and subsidy policies.

Regional integration would lead to the expansion of national markets, which,

in turn, would generate a number of advantages that particularly benefit small and economically vulnerable countries.

► **Emergence of economies of scale:**

A major advantage is the emergence of economies of scale. In small national markets, resources are used by small or inefficient projects that produce final goods for the domestic market only, at a high cost. Within a broader regional market, however, these resources could be turned into larger and more efficient production units, and used under larger scale industries. One of the advantages of these industries is that they are usually specialized in a substantial number of diversified areas and are highly competitive on the international market. Moreover, a broader regional market would permit a better division of labour between and within industries, and the emergence of more sophisticated and complex industries which no country in the region could afford to establish on its own.

► **Boosting production and trade:** Within a broader regional market, production would be rationalized and trade facilitated due to improved infrastructure. Water, energy, telecommunications, transport and environment-related infrastructure, for instance, could not be established or improved without the cooperation of neighbouring countries.

► **Improving regional bargaining power:**

Regional integration maximizes the bargaining power of the region vis-à-vis international economic blocs. A broader integrated market enjoys greater purchasing power, which reinforces its stand during negotiations over the prices and terms of business dealings, and protects it from the discriminatory practices often exercised by the economic powers controlling global markets. A greater purchasing power also

enhances the bargaining power of the region during the negotiations over the removal of non-tariff barriers. These are widely seen as the only major barriers still hindering the diversification and rise in the volume of industrial exports to developing countries.

► **Enhancing knowledge-sharing and technology transfer:** Economic integration permits the pooling of national knowledge and expertise within a single space. This would facilitate the transfer of modern technology and, at a later stage, the production of technology and the emergence of high-tech industries.

► **Mitigating brain drain:** Economic integration permits the establishment of institutions which no country in the region could create on its own, such as academic centres of excellence, major health care institutions, and leading scientific research and technological development institutions. This would mitigate or end brain drain and permit the return of skilled Arab migrants to the region.

► **Reducing capital flight:** Economic integration permits the development and coordination of investment activities at the regional level, thereby increasing returns on investments and reducing risks, which would in turn halt capital flight from the region.

Combined, these factors lead to increased gross domestic product (GDP) growth rates in the region, and to a significant reduction in unemployment rates.

II. Economic integration experiences in the world

► North American Free Trade Area (NAFTA)

The North American Free Trade Area (NAFTA) is the largest free trade zone in

the world. Established in January 1994, it includes the United States of America (the largest economy in the world), Canada and Mexico. In 2010, the North American continent, which extends over more than 20,000 km², hosted some 500 million inhabitants and achieved a gross domestic product (GDP) for the three countries together that exceeded 16 trillion United States dollars, meaning an average GDP per capita of US\$40 thousand a year. The NAFTA agreement has two supplements, namely the North American Agreement on Environmental Cooperation and the North American Agreement on Labour Cooperation.¹

Statistics on migration for the fiscal year 2006 revealed that under the provisions of the North American Agreement on Labour Cooperation, a total of 74,000 professionals entered the United States, including 64,600 from Canada and 9,200 from Mexico, for temporary work. These were followed by 17,000 people who were either relatives or nationals of other countries but married to Canadian or Mexican citizens. Canadian authorities estimated that by the end of 2006, some 25,000 American citizens and 15,000 Mexican citizens, all considered as foreign workers, entered Canadian territories. In 2006, the number of new entrants from the United States was 16,000 and from Mexico 14,000.²

Although the North American Agreement on Labour Cooperation has not prompted a considerable increase in GDP rates in any of its signatory countries, it has nonetheless been the most efficient tool for increasing intraregional trade in agricultural products. In 2008, Canada exported some 400 billion Canadian dollars worth of agricultural products to the United States and Mexico, and imported the worth of approximately US\$250 billion from these countries.³

The signature by the United States, Canada and Mexico of the NAFTA

Agreement in 1992 came after 14 months of negotiations. When the agreement entered into force in 1994, the population of the three countries altogether exceeded 462 million inhabitants.

The Agreement stated a set of objectives including the improvement of policies on investment in goods and services; the gradual reduction of customs tariffs over 15 years; the elimination of barriers to the movement of trucks across borders in order to reduce transportation costs; the liberalization of capital movement; and the removal of restrictions on investments in all sectors, excluding oil and telecommunications.

The NAFTA Agreement permitted the removal of restrictions on trade in some 900 commodities, the improvement of intraregional trade and the replacement of imported products by regional products. It also aimed to increase GDP and income growth rates of member States, enhance investments and increase employment rates, particularly in Mexico.

According to a number of economic indicators (figure 1), the value of United States exports to Canada amounted to US\$258.5 billion in 2008, up from US\$89.7 billion in 1992 and the value of imports from Canada amounted to US\$350 billion, increasing by threefold from their value in 1992. In addition, the entry into force of NAFTA gave a significant boost to trade

transactions between Mexico and the United States.

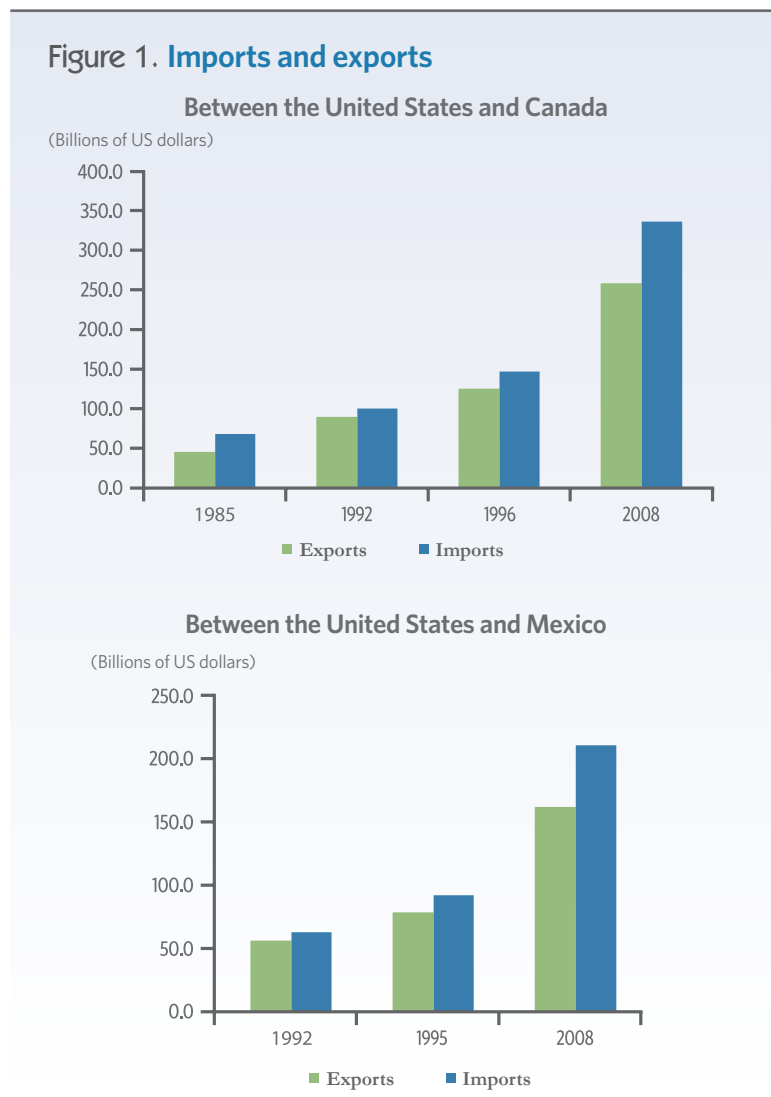


Table 1. Selected economic performance indicators for NAFTA countries (Percentages)

		United States	Canada	Mexico
Average GDP growth rate	1989-1992	4.8	1.4	..
	2003-2008	5.1	11.6	9.3
FDI to GDP ratio	1991	0.6	0.9	..
	2008	2.3	5.4	0.1
Unemployment rates	1991	6.8	10.3	..
	2008	5.8	6.1	3.5

Source: ESCWA calculations based on data from World Bank, 2011a.

The establishment of NAFTA led to a noticeable increase in the GDP growth rates of member countries. Between the periods 1989-1992 and 2003-2008, GDP growth rates increased from 4.8 per cent to 5.1 per cent in the United States, and from 1.4 per cent to 11.6 per cent in Canada. In 2008, foreign investment to GDP ratios increased compared to 1991, rising from 0.6 per cent to 2.3 per cent in the United States, and from 0.9 to 5.4 per cent in Canada. Unemployment rates also decreased following the signing of NAFTA, falling from 6.8 per cent in 1991 to 5.8 per cent in 2008 in the United States, and from 10.3 per cent to 6.1 per cent in Canada during the same period.

► BRICS

The BRICS group was previously known as BRIC, an acronym referring to the first letters of Brazil, Russia, India and China, whose economies are expected to become among major world economies. Altogether, these countries cover a quarter of the surface of the Earth, and host more than 40 per cent of the world population. Measured at purchasing power parity (ppp), their average GDP amounts to US\$20 trillion. In 2010, China became the second largest economy in the world after the United States, as its GDP amounted to US\$5.9 trillion, exceeding that of Japan. Being the fastest-growing in the world, the economy of the BRIC bloc is expected to outperform the currently seven largest economies in the world (G7) by 2030.

While China and India are well positioned to become the largest exporters of services and manufactured goods in the world, Russia and Brazil are expected to stay in control of the world supply of raw materials. 4 Out of these four countries, only Brazil is likely to stand out in three sectors, namely manufacturing, services and raw materials. The diversified capabilities and economic structures of

each of these countries have enhanced the prospects for successful cooperation between them.

In 2011, economists at the Reuters Investment Outlook Summit brushed away South Africa's aspiration to join BRIC. They argued that this country, whose population was under 50 million, was just too small an economy to join the BRIC ranks. However, after the BRIC countries formed a political organization, they welcomed South Africa, and became known as BRICS.

The leaders of the BRIC issued, at their first summit held in Yekaterinburg on 16 June 2009, a declaration calling for the establishment of an equitable, democratic, multipolar and just world order.

It is worth noting that Indonesia, Mexico, Nigeria and Turkey, which are the most likely contenders for membership in the BRICS group, are all more economically advanced than Arab countries. It is therefore difficult to understand why countries such as Djibouti, Mauritania and Yemen and even Egypt and Saudi Arabia, still refuse to join a number of pan-Arab institutions. These countries have been missing the opportunity to contribute to Arab integration, although it would remove obstacles to their development and reduce their vulnerability in a highly competitive global environment.

► The European Union

This study argues that the European Union is the closest example to the kind of regional and political union proposed in order to achieve Arab integration. The Arab countries could emulate this example as they are close to Europe in terms of geographical proximity and intertwined history.

The origins of the European Union can be traced to the European Coal and Steel Community (ECSC) established in 1951 and the European Economic Community (EEC) established in 1958 and comprising

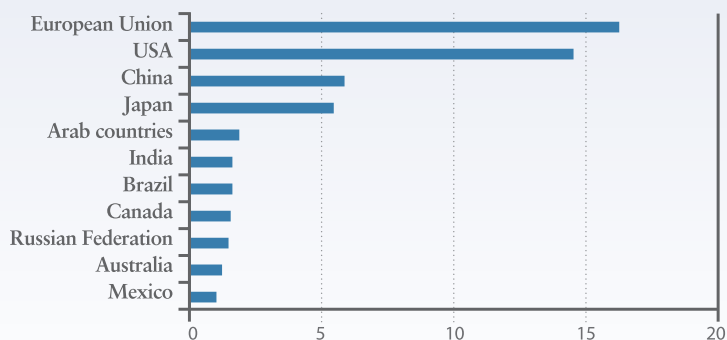
six European countries, namely Belgium, France, Italy, Luxembourg, the Netherlands and West Germany. The Maastricht Treaty established the European Union under its current name in 1993.

In early 1973, the European Economic Community extended to include Denmark, the Republic of Ireland and the United Kingdom. Greece joined in 1981; Portugal and Spain in 1986. In 1987, member States signed the Single European Act, which launched a six-year programme to study the consequences of free trade and liberalization of movement across the borders of these states, and to assess preparedness for the establishment of a European common market. In 1993, the European common market was achieved granting the freedom of movement of goods, services, persons and capital. In 1995, Austria, Finland, and Sweden joined the Union, raising the number of its member States to 15. In 2004, the Union saw its biggest enlargement to date when Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia joined, bringing the number of member States to 25. Bulgaria and Romania joined the Union in 2007. The most recent enlargement took place in 2013 with the accession of Croatia, bringing the number of member States to 28.

The European Union is an outstanding example of full regional integration between the infrastructures and institutions of member States. Its trade accounts for more than one third of global trade and it has the highest gross national income in the world.

The Union grew over time, due to the accession of new member States. Its power also increased, due to the addition of new policy areas to its remit. It represents an outstanding model of gradual growth in scope and role in the achievement of regional integration over many generations.

Figure 2. GDP of the ten largest economies in the world and in Arab countries, 2010 (Billions of United States dollars)



Source: World Bank, World Development Indicators database.

The European Union exercises its competencies through a number of supranational independent institutions, and through negotiations between the Governments of its member States. The major institutions of the Union include the European Commission, the Council of the European Union, the European Court of Justice, the European Central Bank and the European Parliament, which is elected by European citizens every five years.

The population of the European Union exceeds 500 million inhabitants (7.3 per cent of the world population). Due to a GDP of over US\$16 billion, measured at PPP rates, in 2010 the Union became the largest economic power in the world. None of the Arab countries are world economic powers, although in 2010, the average GDP of all Arab countries ranked fifth on the list of countries with the highest GDP rates in the world (figure 2).

In 1993, following the replacement of 12 sets of national regulations by one common European rule, the European single market became a reality. In 1995, the Schengen Agreement was signed. Providing for the liberalization of the movement of people, goods, services and

capital within the countries of the Union, this Agreement led the way towards open borders without passport controls or visa requirements between most member States and some non-member States. The European Union continued to harmonize legislation in the areas of justice, trade, agriculture, fisheries and regional development, giving least developed European countries preferential treatment. In 1999, it achieved monetary unity through the adoption of a single currency and the establishment of the Euro zone which, in 2012, extended to include 17 members. Although the foreign policy of a large number of these countries is auxiliary to that of the United States, the European Union seeks to adopt a single foreign and security policy.

In order to deepen Arab integration, Arab countries could emulate a number of European programmes and funds, such as the Structural Funds and the Cohesion Fund established for the development of the least developed countries, mainly countries of central and southern Europe, within the European Union. European emergency funds were also established, as mere funds to assist countries aspiring to membership to fulfil the accession requirements. Other pan-European programmes include the Framework Programmes for Research and Technological Development. This is a resource pool including all research and development projects conducted either by European Union member countries or through partnerships built between their institutions in priority areas for joint European research. Moreover, the European Union seeks to improve a pan-European infrastructure by building networks across Europe.

► **The Andean Community**

The Andean Community comprises four South American countries, namely Bolivia, Colombia, Ecuador and Peru.

Associate members are Chile, Argentina, Brazil, Paraguay, and Uruguay; Mexico and Panam hold observer status.

The Community came into existence with the signing of the Cartagena Agreement in 1969 in Bogotá, Colombia. The Agreement was then modified through several protocols, including the Protocol of Quito (Ecuador) in 1987 and the Protocol for the Reform of Cartagena Agreement in 1996.

The key objectives of the Andean Community are to reinforce subregional solidarity, reduce differences in development among member countries, and achieve sustained improvement in living standards.

The regional integration experience of the Andean countries, including regional industrial planning and common planning of investments, is considered to be a pioneer experience among developing countries. In fact, pursuant to the Cartagena Agreement, the industrial development in the Andean member countries must be achieved through common planning based on a just distribution of the integration benefits. Member countries agreed to the process of nationalizing investment and participating in the implementation of projects to achieve common interests and balanced, coherent regional development.

The Andean Community presented innovations in four main fields:

1. Institutional structure of the integration process

The Andean Community established an institutional structure based on a high level of collective action. The structure comprised two main organs assisted by a number of commissions. These organs are:⁵

- a.** The Commission, which represents the highest authority that sets the general policy of the Community and takes necessary steps

to achieve its objectives and harmonize economic policies, taking into account the special treatment of the two least developed countries, Bolivia and Ecuador;

b. The Junta, or steering committee, which undertakes the work of the secretariat and prepares the necessary technical studies to implement the decisions of the Commission. It comprises divisions for the different programmes of agricultural development, industrial development, technology and urban integration, as well as the programme for the assistance of Bolivia.

There are also a number of specialized advisory bodies within the Andean Community, most notably the Andean Development Corporation, which contributes to financing a number of joint projects.

2. Special treatment for the least developed countries within the Andean Community

Bolivia and Ecuador are granted special treatment by the Community. Although the Community is based on the legal equality of its members, it has found that the concept of absolute equality is not adequate in view of unequal conditions and the difference in the levels of production capacity between member States. Thus both Bolivia and Ecuador were granted preferential treatment at most stages of integration. The treatment granted to Bolivia and Ecuador is not limited to trade between the Community members, but it also includes industrial planning, considered to be a cornerstone of the Cartagena Agreement. Therefore, it has been decided to start with these two countries when planning and nationalizing investments, in order to enable them to develop basic industries. While the projects allocated to Bolivia and Ecuador are medium-sized according to global standards, they have made substantial

changes to the industrial infrastructure of the two countries.

3. Industrial programming

The Cartagena Agreement divided industrial products into two large categories: the first category includes the products that member countries should produce according to joint planning and to decisions made collectively on the basis of joint studies and consultations among member States. This category includes metallurgical products, car manufacturing, chemicals, petrochemicals, electricity and other technologically and strategically relevant products. The second category includes all remaining products, and the decision to produce them in member States is left to market forces. Customs tariffs are reduced and most customs barriers are removed according to the trade liberalization programme.

Accordingly, the Andean Community established a regional division of major industrial activities, a process still in its infancy in other regional integration arrangements between developing countries. In 1987, the Development Committee of the Andean Community issued a document outlining the criteria for evaluating the integration aspects of projects in terms of geographical location, sectoral balance and size of investments, sales and generated foreign currency, and import substitution.

The Community transformed the programme of metallurgical and engineering industries into a basic infrastructure, as the European Coal and Steel Community. The list of products included in the programme comprises 91 branches of industrial activities. Establishing this programme took into account the compatibility between the technology used in production processes and economic criteria. The production units were then designed on the basis of integrated clusters in such a way as to

absorb the main technology related to the industry as a whole.

4. Collective negotiations over technology-related contracts with transnational companies

The Andean Community established a collective framework for negotiating technological contracts with transnational companies in order to achieve more equitable distribution of gains among technology-importing Andean countries on the one hand, and technology-exporting international companies on the other. The Cartagena Agreement stipulated the development of a common system for foreign capital, trademarks, patents, licenses and royalties. This system was later modified to stipulate that licensing contracts shall not include specific brand names or any restrictive provisions, such as limiting or preventing the export or sale of the brand name products in certain countries; shall not impose the use of raw, intermediate or capital goods that the company of the trade name or affiliates export; and shall not require the recruitment of individuals appointed by the trademark owner.⁶

This experience was successful in automotive industry contracts. The countries of the Andean Community adopted a collective negotiation framework based on their regional economic space to conclude technology transfer contracts with international companies in order to maximize the gains for all countries rather than negotiating with international companies on an individual basis.

Professor Constantine Vaitsos (Peru) highlighted the potential lessons of this experience for developing countries.⁷

► **MERCOSUR**

The acronym MERCOSUR is the abbreviation of El Mercado Común del Sur, or the Southern Common Market. It is one of the main integration groups in

Latin America and comprises among its members two of the most economically important countries in Latin America, namely Argentina and Brazil. MERCOSUR was established in 1991 with the signature of the Treaty of Asunción by four States: Argentina, Brazil, Paraguay and Uruguay. The Treaty was later amended by the 1994 Protocol of Ouro Preto. Venezuela signed a membership agreement in June 2006. Some members of the Andean Community, namely Bolivia, Colombia, Ecuador and Peru, have associate member status.

The origins of MERCOSUR trace back to 1985 when Argentina and Brazil signed the Argentina-Brazil Integration and Economic Cooperation Program. The two countries signed the Treaty for Integration, Cooperation and Development, which entered into force in 1989, to set a general framework for economic integration. The Treaty committed Argentina and Brazil to work toward the establishment of a common market within 10 years and invited other Latin American countries to join. Uruguay and Paraguay, which are geographically located between Argentina and Brazil and conduct most of their trade with them, decided to join the common market, and thus the Treaty of Asunción, also known as the Mercosur Treaty, was signed in Paraguay in 1991.

In 1995, an association agreement was signed between MERCOSUR and Bolivia, which joined the Free Trade Zone in early 1997 but did not join the Customs Union. A trade association agreement was also signed in October 1996 with Chile, which also remained outside the Customs Union.

The agreement aims to liberalize trade in goods, services and production factors between member States in order to establish a common external customs tariff and adopt a common trade policy in trade negotiations with various international parties. The agreement

also aims to enhance coordination on the macroeconomic and sectoral policies of member countries in the following areas: agriculture, industry, taxes and foreign exchange systems. Particular attention was also given to the common infrastructure in transport and communications, as well as to making necessary amendments to legislation in order to facilitate the process of complementarity.

The Treaty of Asunción enabled trade liberalization between member countries at different paces during the transitional period. An Administrative Secretariat was established in Montevideo, Uruguay, which is responsible for the economic and political leadership of MERCOSUR. The Secretariat prepares studies on pressing issues related to integration and facilitates the ratification by member States of the decisions adopted by the various organs of MERCOSUR. A sectoral commission was also established in Uruguay to facilitate participation in the regional integration process.

At the sectoral level, the Trade Commission within MERCOSUR focused its activities on the liberalization of main products. It established a technical committee to study the liberalization of the auto trade; the adoption of a common external tariff; the elimination of local incentives which divert competition; and to work toward the establishment of a regional system to replace national systems by 2000.⁸

The main development in the integration path between Latin American countries is the convergence of the Andean Community and MERCOSUR. In 1998, the two groups signed an agreement by which they committed to establishing a free trade area by 2000. This was further reiterated by the Foreign Ministers of Andean Community and MERCOSUR countries in their meeting in Montevideo, Uruguay, in August 2003.

Transnational integration projects in Latin America include initiatives to establish common infrastructure, including the Inter-oceanic Highway, the South Bank, and the Caribbean Development Bank.

► **Association of Southeast Asian Nations (ASEAN)⁹**

The Association of Southeast Asian Nations (ASEAN) was established in 1967 in Bangkok, the capital of Thailand, by five founding States, namely, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei Darussalam joined in 1984, Vietnam in 1995, Laos and Myanmar in 1997 and Cambodia in 1999, bringing the ASEAN membership to ten States.

The cooperative approach initiated by ASEAN is based on the following factors:

- Adopting the traditional development pattern based on import substitution, meaning exports increase and imports decrease through the enhancement of domestic production, making use of abundant natural resources and the development of human resources.
- Malaysia and Singapore adopting outward-oriented production policies.
- Enhancing the savings and local investment policies to reduce the need for external financial resources, as is the case in most third world countries.

The five founding States of ASEAN achieved enormous economic growth during the 1970s and 1980s. They were among the largest exporters of five commodities worldwide, with Thailand and Viet Nam exporting 60 per cent of the world trade in rice, and Indonesia, Malaysia and Thailand exporting more than 80 per cent of the world trade in rubber in 1995.

The Association was initially dedicated to promoting peace in a region torn apart by conflicts and wars. This was reflected in the 1991 Kuala Lumpur Declaration, which affirmed the establishment of a region of peace, freedom and neutrality.

This reality explains the lack of attention at first to regional arrangements, whether for developing production or trade.

During the 1980s, the Association conducted an assessment of the potential for cooperation in the fields of industry, science and technology, services and intellectual property with a view to enhancing economic cooperation.

Despite the humble beginnings of ASEAN and the broad nature of the group, the leaders of member States decided at the thirteenth ASEAN Summit, held in Singapore on 20 November 2007, to develop a Master Plan for the establishment of an ASEAN economic community by 2015, in order to promote economic integration and create a common market, and achieve industrial integration to encourage the outsourcing of economic activity within the region.

Important initiatives within the framework of ASEAN include the ASEAN Industrial Complementation (AIC). This programme, which was proposed by the Chamber of Commerce and Industry,¹⁰ focuses on the creation of small and medium-sized enterprises in the regional market, given their limited needs for funding and increased contribution to employment creation. Packages of new industrial projects are given to member States in one site or two, starting with motor vehicle spare parts, in order to enable them to gain experience in new fields, rather than limiting themselves to the fields where comparative advantages have already been established. In parallel, obstacles to trade in the goods produced by these projects must be removed.

It was also agreed to establish a joint investment bank with a US\$50 million capital to assist in funding these industries. Participants also considered establishing a common financial institution between the Association and Japan with a capital of US\$180 million.

The first two sets of projects in the framework of the AIC programme were distributed in 1980: one for existing products and the other for new products in the automotive industry. In 1988, ASEAN set up the Brand-to-Brand Complementation Scheme for the production and exchange of automotive spare parts within the framework of the AIC programme in order to facilitate horizontal specialization in the regional economic field and encourage brand owners to benefit from economies of scale through the rationalization and specialization of vehicle production units, thereby allowing the exchange of parts and components which are assigned for certain car models, through simplification and standardization processes.

In 2004, the ASEAN Ministers of Economy decided to establish a road map to study ways of integrating 11 economic sectors with the aim of increasing the competitiveness of member States in the face of fierce competition from China; selected sectors include timber, rubber, automobiles, textiles, electronics, tourism, and information technology.

At the 2000 ASEAN Summit, the Heads of States and Governments launched an initiative to set a strategic framework for integration between member States in order to narrow the differences in development levels, and to address the consequences of the unequal growth in member States.

The leaders of ASEAN member States issued a declaration in 2003 in which they stressed the need to broaden and deepen economic integration between ASEAN countries, and accelerate the process of achieving growth in countries that were late in joining the Association (Viet Nam, Cambodia, Laos and Myanmar), so as to ensure fair distribution of the benefits of integration. The 2007 ASEAN summit focused on integration as a strategic step towards the establishment of an ASEAN

economic community by 2015 and also as a way to bridge the development gap among ASEAN member States on the one hand, and between these States and the rest of the developed world on the other.

The ASEAN Economic Community (AEC) is considered to be the ultimate objective of economic integration between

member States as expressed in the ASEAN Vision 2020.

Considering some economic indicators, the average GDP per capita using PPP in the ASEAN bloc achieved faster growth than the European Union, the United States, Japan, Australia and New Zealand. For instance, the growth rate increased

Table 2. Selected indicators of international trade for ASEAN

Indicator		1998	2000	2003	2008	2009	2010
Total trade	Million US\$	576,108	759,101	824,539	1,897,127	1,536,878	2,045,731
	Percentage increase	-17	21.8	15.5	17.8	-19	33.1
ASEAN Intra-regional trade	Million US\$	120,918	166,846	206,732	470,112	376,177	519,805
	Percentage increase	-19.4	25.8	29.3	17	-20	38.2
	Ratio to total trade	21	22	25.1	24.8	24.5	25.4
Ratio to GDP	of total trade	119.3	126.5	114.2	125.4	102.2	110.1
	of exports	65.6	68.3	62.7	64.6	53.9	57.6
	of imports	53.7	58.1	51.5	60.8	48.3	52.4
Ratio of exports	to total world exports	5.7	6.3	6.0	6.1	6.5	7.0
Ratio of imports	to total world imports	4.6	5.2	4.8	5.6	5.8	6.4

Source: ESCWA calculations based on data from World Bank, 2011a.

Table 3. Selected economic performance indicators before and after the establishment of ASEAN

		Brunei	Cambodia	Indonesia	Laos	Malaysia	Philippines	Singapore	Thailand	Viet Nam
GDP average growth (percentage)	1960-1967	..	6.1	..	..	5.3	0.2	9.6	10.7	..
	2003-2008	17.0	17.3	16.8	21.9	15.9	15.6	12.3	13.8	18.2
Foreign investment-to-GDP ratio	2003	..	..	..	..	1.2	0.4	2.9	0.44	..
	2008	..	..	1.2	..	6.6	..	..	1.50	..
Unemployment rate	2003	..	..	9.5	..	3.6	11.2	4.7	1.5	2.3
	2008	..	1.7	8.4	..	3.3	7.3	4.0	1.2	..

by approximately 1.86 per cent from 1997 to 2010 in ASEAN countries compared to 1.42 per cent in Japan, 1.48 per cent in the United States, and 1.52 per cent in the European Union.

Comparing some trade indicators, it appears that ASEAN trade witnessed a remarkable improvement after ASEAN membership reached ten States in 1999. For example, total trade increased by 21.8 per cent in 2000 compared to 1998, whereas the ratio of intraregional trade to total trade increased from 21 per cent in 1998 to 25.4 per cent in 2010.

Economic growth in all member States grew significantly. Average GDP growth increased from the period 1960-1967 to the period 2003-2008 in all ASEAN countries whereas unemployment rates decreased in most of them.

► **The Flying Geese Model in Southeast Asia¹¹**

The Flying Geese Model was first developed by Japanese economist Akamatsu in the second half of the 1930s as a historical model for the different phases of economic development in Southeast Asian countries which started the process of development, manufacturing and capital enhancement relatively late. The Flying Geese Model is similar to that of Walt Rostow whose model charted the stages of economic growth of the developed countries in Western Europe and the United States.

At the analytical level, the Flying Geese Model is linked to the production cycle which usually comprises three phases:

- First phase: the developing country imports a certain good from a neighbouring developed country in Asia (Japan was initially the developed country).
- Second phase: the developing country tries to produce the good on its territory, with or without joint funding with the developed country.

- Third phase: the developing country exports the good to least developed neighbouring Asian countries (the next flock of flying geese).

The developing countries can thus gradually climb the manufacturing and technology ladder through a dynamic hierarchical structure and the regional redistribution of production among countries of the various flocks of flying geese.

The first flock consisted only of Japan. The second flock comprised Hong Kong, the Republic of Korea and Taiwan. It was followed by a third flock which included Indonesia, Malaysia and Thailand. The final flock had not “flown” yet and comprised Cambodia and Viet Nam.

- › Role of intraregional investments in pushing the Flying Geese Model forward

The experience of economic development in Southeast Asia during the last three decades shows that one of the most effective factors in the success of the Flying Geese Model in regional trade was the mutual flow of foreign direct investment which enhanced the links between the economies of these countries.

The main idea is that the development of intraregional trade in Southeast Asia is based on the integration between clusters of industries at different stages of industrialization and development. The most advanced economies (Japan) respond to the needs of those that follow in the line of progress (Republic of Korea and Taiwan), in terms of production inputs and intermediate goods, production equipment, technological advancement, and the capital needed for the transition to a higher degree of comparative advantages, to reach the stage of exporting technology-intensive or labour-intensive products. The same applies to the response of Korea and Taiwan to the development needs of the countries of the second flock: Indonesia, Malaysia and Thailand.

This path in turn permits an inverse cycle, in which growth will be recorded in the imports of simple goods requiring intensive unskilled labour coming to the ‘advanced flocks’ from Asian countries still at the bottom of the manufacturing ladder (Indonesia, Malaysia and Thailand).

The economies of Southeast Asia thus advance together through a simultaneous expansion in trade, via continuous substitution of imports and exports, as a natural result of continuous recycling of comparative advantages between the different flocks of countries in the flying geese model, in contrast to the experience of the European Community.

The redistribution of production among Southeast Asian countries has helped in achieving greater coherence between the industries of countries in the flying geese model. The various industrial activities do not take place in one country but in several countries whose industrial structures complement one another, in order to maximize efficiency and use the comparative advantages of each country.

Perhaps the Arab region can benefit from this successful experience. Work can thus be redistributed between different Arab countries to maximize interrelationships of various industrial activities: between the Mashreq countries and GCC countries on the one hand, and the Mashreq and Maghreb countries, through Egypt, on the other.

The most important considerations and constraints limiting the historical validity of replicating the flying geese model in the case of Arab countries could be summed up as follows:

1. Latecomers in growth and development face new historical complexities, in particular in light of the results of the Uruguay Round of Multilateral Trade Negotiations (1986-1993) and the establishment of the World Trade Organization (WTO). Developing countries cannot freely design external

protectionist policies placing minimum “local component” requirements for goods produced within national borders.

2. This is added to the high cost of buying modern technologies, under the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), whereas emerging Asian economies benefited from the absence of such restrictions in the past to acquire modern technology cheaply, through circuitous means, including piracy to some extent.
3. The Model did not take into consideration possible tensions and contradictions between Governments and large international corporations coming from countries belonging to the “advanced flocks” (exporting capital and modern technologies), and host countries belonging to the late flocks. It assumed the presence of cooperative relationships, free from conflict or conflicts of interest. However the realistic view suggests two kinds of conflicts that can emerge at this stage: between countries exporting capital (advanced flocks) and host countries (late flocks); and between the Governments of host countries and international companies operating on their territories.¹²

III. Indicative planning as a mechanism for Arab economic integration

Indicative planning is compatible with the conditions of the Arab region and can be the first step towards integrational development. It focuses on main sectors (or activities), which represent potential points of intersection between national development efforts and Arab economic integration processes, in particular in food security, basic industries and

infrastructure, which are difficult to plan and operate efficiently at the level of one country. Thus, indicative planning becomes an effective tool to achieve economies of scale as of the design stage on the one hand, and reduce the impact of elements of coincidence and uncertainty on the other.

French economist Pierre Massé¹³ asserts that indicative planning in the field on investments should focus on:

- a.** Stimulative investments, namely those that stimulate more public and private investments in other fields and across several Arab countries. In other words, it should be focused on investments that trigger waves of investment in interrelated fields and activities within a country and across different Arab countries;
- b.** Manufacturing industries, such as basic industries that serve as pilot industries or conductor of other industries whether in the country in which the industry is nationalized or in other Arab countries that supply the industry with production requirements or have more extensive use of its products;

Indicative planning processes in the Arab region must stem from the assumption that the Arab economic systems converge with the social systems, despite the qualitative differences that characterize one system from another. The 1960s witnessed a profound struggle between Arab countries that adopted the market economy in their developmental efforts and those that applied central planning. However, during the 1970s, the struggle was eased considerably. Countries adopting central

planning extended wider support to the private sector and enacted legislations to encourage it; while the countries adopting market mechanisms expanded the public sector due to various factors, most importantly the nationalization of the oil sector and the greater role of public investments in development.

The experience of growth poles or growth triangles, which were applied in neighbouring countries in Southeast Asia, can be cited as an example.

The concept of growth poles was introduced in the 1950s by French economist François Perroux. It refers to areas that attract economic activities and generate external savings which in turn attract other activities.¹⁴ Traditional examples cited in this field include the Mezzogiorno experience in southern Italy, and the Sao Paulo experience in Brazil.

Indicative planning efforts in the field of sectoral and developmental integration in the Arab region can benefit greatly from the leading experience in the field of common investment planning between the countries of the Andean Community under the 1969 Cartagena Convention. From the outset, metal manufacturing was given priority in industrial joint planning, given the importance of this sector in the development of industrial infrastructures in the countries of the region. All countries needed to improve their expertise in key mining industries in order to maintain the efficiency of their industrial assets and move forward to produce capital goods.¹⁵

In this field, the criteria used for distributing investments and production capacities among the group of countries involved is of critical importance.¹⁶

Annex VI

Mathematical formulas, tools and models used in trade analysis and economic simulation

I. Mathematical formulas used in trade analysis

Box 1. Mathematical definition of the intensive and extensive margin indicators

Most analyses of intensive and extensive margins are based on the methodology of Amiti and Freund, assuming that V_{ti} is the value of trade in period t for product i and that $V_{ti} = P_{ti}Q_{ti}$ where P_{ti} indicates the price and Q_{ti} indicates the quantity of the good. Considering that:

- $I_{t_0}^E$ is a dummy that is equal to one if the product is exported at period t and first time t_0 (current products).
- $I_{t_0}^D$ is a dummy variable that is equal to one if the product is exported at period t and not exported in period t_0 (disappeared products).
- $I_{t_0}^N$ is a dummy variable that is equal to one if the product is exported in current period t and is not exported in period t_0 .

It is therefore evident to conclude the following equation (1):

$$\frac{\sum_i V_{ti} - \sum_i V_{0i}}{\sum_i V_{0i}} = \frac{\sum V_{ti}(I_{t_0}^E) - \sum V_{0i}(I_{t_0}^E)}{\sum V_{0i}} - \frac{\sum V_{0i}(I_{t_0}^D)}{\sum V_{0i}} + \frac{\sum V_{ti}(I_{t_0}^N)}{\sum V_{0i}}$$

(a) (b) (c) (d)

Which means that trade growth can be divided for period t to three parts: (a) the growth of products exported at both t and t_0 ; (c) the decrease in export growth because of products that are no longer exported period (disappeared products) and (b) and (d) the increase in exports that results from new exported products.

Dividing (b) by (a) directly gives the intensive margin.

$$\text{Intensive Margin} = \frac{\frac{\sum V_{ti}(I_{t_0}^E) - \sum V_{0i}(I_{t_0}^E)}{\sum V_{0i}}}{\frac{\sum_i V_{ti} - \sum_i V_{0i}}{\sum_i V_{0i}}} = \frac{\sum V_{ti}(I_{t_0}^E) - \sum V_{0i}(I_{t_0}^E)}{\sum_i V_{ti} - \sum_i V_{0i}}$$

Applying the same equation to the two remaining times gives the extensive margin:

$$\text{Extensive Margin} = \frac{\frac{\sum V_{ti}(I_{t_0}^N) - \sum V_{0i}(I_{t_0}^D)}{\sum V_{0i}}}{\frac{\sum_i V_{ti} - \sum_i V_{0i}}{\sum_i V_{0i}}} = \frac{\sum V_{ti}(I_{t_0}^N) - \sum V_{0i}(I_{t_0}^D)}{\sum_i V_{ti} - \sum_i V_{0i}}$$

All these indicators have been calculated for all Arab countries using the COMTRADE database in order to calculate trade flows at the HS6 level, for approximately 5500 products.

Source: Report team and Amiti, M. and Caroline Freund (2010). The Anatomy of China's Export Growth, In China's Growing Role in World Trade, Feenstra R. and Shang-jin Wei, eds. Chicago and London: National Bureau of Economic Research.

Box 2. Mathematical definition of the trade integration indicator

The trade integration indicator $TC_{r,s}$ between two countries r and s is defined as follows:

$$TC_{r,s} = 100 \frac{\sum_{i=1}^N |x_{i,r} - m_{i,s}|}{2}$$

Where $x_{i,r}$ represents the share of product i in total exports of country r and $m_{i,s}$ represents the share of product i in total imports of country s . The indicator is considered null when no single product is exported from one country or imported from another and 100 when export and import shares are perfectly equal.

The indicator has been calculated for intraregional trade and the trade between Arab countries and their main economic partners based on COMTRADE database in order to calculate trade flows at the HS6 level, for approximately 5500 products.

Source: Report team.

II. Models used in economic simulation

A. Partial Equilibrium models and gravity models

Partial equilibrium (PE) models are commonly used in the study of trade policies. Taking the example of steel in the European market, PE models are used to assess the impact of increased protectionism on European steel imports, domestic prices and steel production. Unlike Computable General equilibrium (CGE) models, PE models cannot include impact assessment on economic sectors that are linked through production factors and products (for example the car sector using steel) or through the competition over labour force and capital. This kind of models is limited to the study of direct impact without assessing the indirect and recurrent effects, which are in many cases, more important than the direct impact. PE models focus on a limited number of production factors and neglect the relationship between those factors. They

cannot evaluate all the economic impacts on such integrated economic indicators as the well-being or the GDP indicators. Thus, the use of these models becomes beneficial when the objective is to conduct a rapid transparent assessment for specific trade policy effects, when indirect and recurrent effects are weak, and when the activity in question is not that important in terms of its contribution to the overall economy.

Time series models are useful in examining the economic effects that have actually occurred as a result of change in trade policy such as the change of customs protection tariffs on imports. This kind of analysis that focuses on what has been achieved in the past is useful as a basis for general and partial equilibrium models.

Gravity models are among the most important quantitative models for the assessment of trade flows. There has been remarkable development in the patterns of their use in assessing the impact of trade liberalization which was effectively introduced through linking trade development to customs constraints dismantlement. Gravity models are also used to assess the impact of

non-tariff constraints on trade, namely the lack of developed infrastructure for foreign trade, which could sometimes constitute a greater obstacle to trade than protectionism. Therefore gravity models are considered superior to other models when what is required is the assessment of the impact on trade of such factors as information, migration, goods specifications, laws, administrative corruption, and infrastructure. Despite the importance of technical and non-tariff barriers to trade, it remains unadvisable to use gravity models while neglecting the macroeconomic and various effects assessed by general equilibrium models.

B. The Global general equilibrium model “Mirage”

Estimations calculated for the various scenarios of enhanced Arab economic integration were based on a quantifiable dynamic global general equilibrium model known as the Mirage Model, in addition to international trade databases including the Global Trade Analysis Project (GTAP) and the MacMap database. The GTAP database comprises information on bilateral trade and its linkage to transport, protectionist measures and social accounting matrices for 129 countries and regions and 57 commodities, in goods and services for the year 2007, which is the latest available year of the database. MacMap comprises all data related to obstacles to import by importing country, product, exporting country, and instrument of protection. The database also includes all preferential schemes and regional agreements among all the countries considered individually. The databases cover 5111 products (according to the Harmonized System at the 6 digit level, HS6), and market access for 163 countries and 208 trade partners. Data available in MacMap correspond to the

2007 GTAP base year. The Mirage model was designed to assess the impact of globalization on countries and regions around the world. The main features of the model correspond to those of the new generation of CGE models closely linked to social accounting matrices. For this study, available data on 19 countries and regions and 14 commodity groups were aggregated.

The General Equilibrium Model is a recursive dynamic model that uses the equilibrium achieved in the prior step to arrive at the next equilibrium. The modelling used for this study considers the current accounts of regions and countries as exogenous and lets the exchange rate adjust the economy to the predetermined real current account deficit or surplus. The public deficit or surplus is kept fixed and equal to that observed in the base year. The model thus adjusts the sum of taxes/subsidies from household revenue to match the predetermined public deficit position. The dynamics in Mirage depend on exogenous variables, such as the growth rate of the population and the working age population, which means that the solution does not depend on forward-looking variables, such as productivity, consumption or investment. This global model features three factors of production: capital, land and natural resources as well as two types of labour distinguished by the level of skills (unskilled and skilled). The model addresses the total sectoral wages based on the change in the level of sectoral productivity and in the relative average wage.

III. Technical aspects of the Mirage model

An important part of this work was based on the Mirage model which was developed in 2002¹⁷ and modified to adapt it to the specificities of the economies of Arab countries as well as to the needs

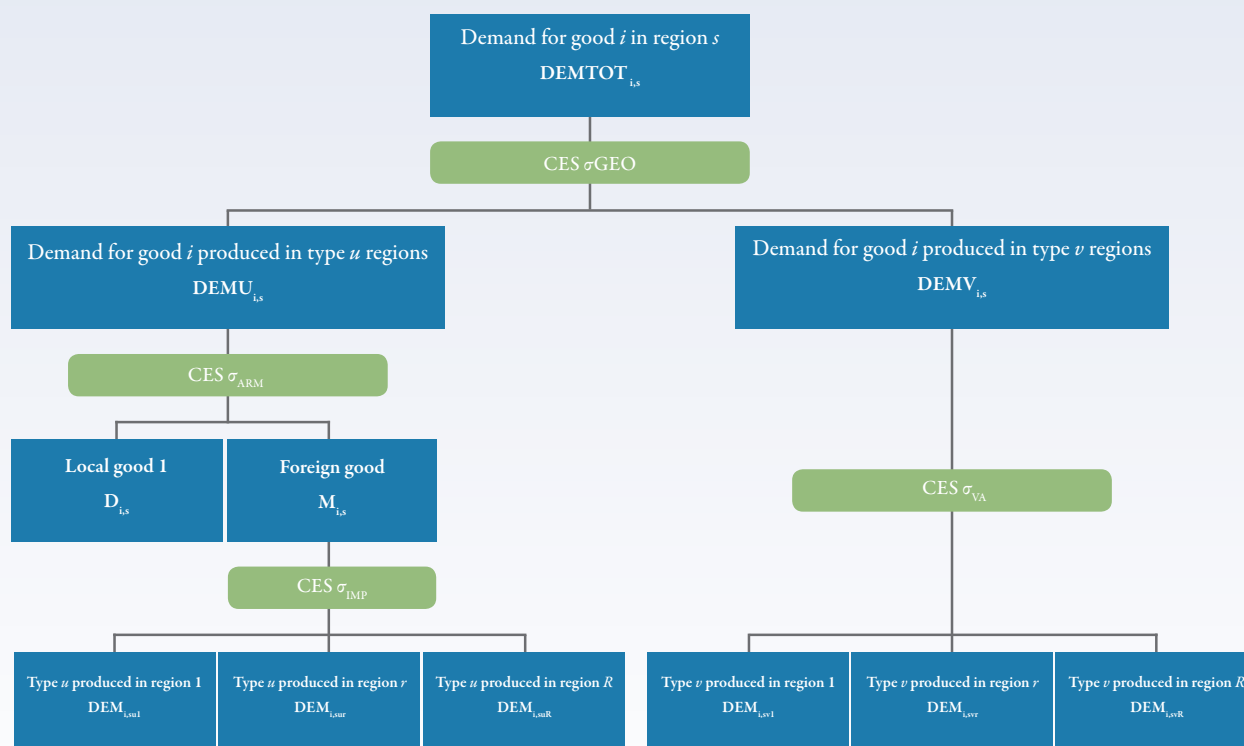
of this report. The model was used to evaluate the impact of alternative scenarios of Arab economic integration bearing in mind the relationship with other partners such as the United States of America and the European Union, which have economic partnership and cooperation agreements with many Arab countries.

The Mirage model was designed to assess the impact of economic globalization in general and that of trade liberalization in particular on most countries and regions around the world. The model runs using the latest version of GTAP (version 8.0). The economic scenarios are examined as a sequence of stable equilibria, with the time periods being linked by dynamic variables, namely population and labour growth, capital accumulation, and productivity. The proposed policy scenarios are compared

to a baseline scenario or the regular development of the economy, to obtain the estimated outcomes of the application of the alternative policy. Following are the main features of the Mirage model and the modifications made to it for the purposes of this report.

➤ **Demand:** For each country or region, demand is modelled on the assumption that a representative household sector exists for every country or region, whose function is consumption, with a fixed share of the income allocated to savings (Linear Expenditure System (LES)-Constant Elasticity of Substitution (CES) function). Thus, the biggest part of the available income is used for final consumption. Demand on final and intermediate consumption and on capital goods is defined through a series of interrelated

Figure 3. Demand structure in the Mirage model



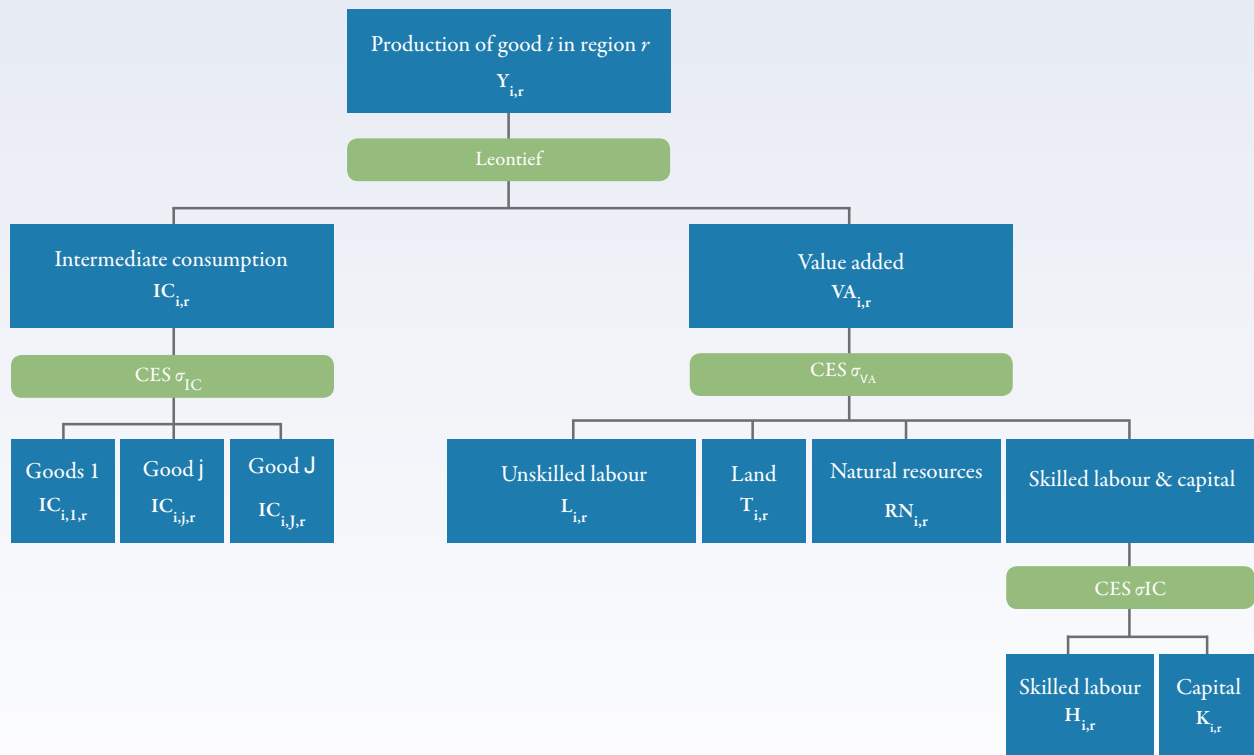
Source: Report team.

or interconnected functions as shown in figure 1, which makes it possible to define the demand of all trade partners on the goods of a specific country. The structure adopted in modelling demand enables the distinction between the sources of imported goods, taking into account the horizontal distinction between products.¹⁸

- › **Production:** Production is made through the use of five factors: capital, labour (skilled and unskilled), land and other natural resources. While the first three factors are generic, the last two are specific. The production function assumes perfect complementarity between added value and intermediate consumption. The sectoral composition of the intermediate consumption aggregate stems from a CES function. For each productive sector,

the nesting is the same as for final consumption. The structure of added value is intended to take into account the well-known skill-capital relative complementarity. These two factors are thus bundled separately, with lower substitution elasticity (0.6), while higher substitution elasticity (1.1) is assumed between this bundle and other factors. Constant returns to scale and perfect competition are assumed to hold in agricultural sectors. The capital good is the same whatever the use sector, and capital is assumed to be perfectly mobile across sectors within each region or country. Natural resources are also perfectly immobile and may not be accumulated. Both types of labour (skilled and unskilled), as well as land, are assumed to be perfectly mobile

Figure 4. Offer structure in the Mirage model



Source: Report team.

across sectors. Production factors are assumed to be fully employed or with persisting unemployment according to the objective of the developed model. Finally, the model assumes that all production factors are immobile internationally, or could be mobile according to predetermined conditions and mechanisms.

- › **Poverty module:** CGE models are one of the best tools for poverty and income distribution analysis. While studies on poverty are often criticized for the choice of poverty or disparity indicators, CGE models do not measure poverty indicators but rather the effects of economic reforms or external shocks on these indicators. Indeed, simulations using these models are based on well-established estimations of poverty indicators and their elasticity in relation to economic growth. To conduct a comparative analysis for Arab countries, poverty reduction was measured in relation to economic growth linking the changes in poverty indicators (PO, P1 and P2) to the changes in average consumption per capita.¹⁹ Using these estimates, the model generates the new levels of poverty indicators for the period 2013-2020 covered by the simulation.
- › **Dynamics:** Recursive static equilibria make the dynamics of the model; the time path of the model is thus determined as a sequence of static equilibria through the years. In other words, the solution in any given year is not a function of forward looking variables, rather a function of past variables which represent the actions of economic actors while taking into consideration exogenous variables such as the population and labour force growth. Despite the limitations of recursive static equilibria dynamics, particularly in the modelling of saving and investment behaviour, this

methodology has the advantage of relative simplicity to set up and solve.²⁰

- › **Welfare change:** The chosen yardstick for welfare adopted in this version is the assessment of compensatory variation, where the impact of any alternative scenario on welfare includes two main parts. If E is the monetary equivalent of the utility function, and y the available income, then the welfare change for period t is measured as follows:

$$(y^* - y) = (E(p^*, u) - E(p, u))$$

where u is utility, p the price system, and the star exponent the reform. The first term $y^* - y$ measures the gain (or loss) of welfare caused by the reform. The second term measures the income needed after the reform to obtain the same level of welfare or utility as before the reform.²¹

- › **Macroeconomic closure rules:** The first closure rule assumes that the current accounts are exogenous for all countries and regions and equal to their initial values in real terms, according to the regular development scenario of these economies. For this hypothesis in model closure, real endogenous exchange rates were assumed and adjusted to achieve the predetermined real current account deficits or surpluses. The second closure rule is related to government expenditure. The difference in real prices between public revenue and public consumption for a given region or country is supposed to be fixed over time compared to the GDP variation in every country or region included in the model. This assumption implies that the government has to adjust its revenue or his consumption each year in order to maintain the predetermined exogenous public deficit or surplus. For this purpose, it was assumed that the lump sum taxes/subsidies that governments punctuate from household revenues are adjusted to match the predetermined level of government net

account. This hypothesis was chosen rather than a change in the levels of indirect taxes on commodities in order to avoid new market distortions, which could offset the expected profits of lifting protectionist restrictions on foreign trade.

Finally and compared with the standard version of the Mirage model, the version used in this report has many additional features that can be summarized in the following sectors.

IV. Databases

Mirage is mainly based on the GTAP database, in addition to a set of additional databases related to the level of protectionism on imports, population growth dynamics and the structure of intraregional and sectoral investments. The GTAP database is global and represents the world economy for the reference year 2007 and includes 129 countries and regions. The main data file for this database includes all financial flows in US dollars associated with inputs and outputs within every country and region, as well as international trade flows, transport costs and customs duties. It also includes data on capital, population and savings. The prices of most flows are measured before and after taxation, and implicitly include indirect taxes. All these data are used to calibrate the model; but before calibration it is necessary to compile regions and sectors in such a way to reduce the number of equations and enable the solution of the model in a reasonable time frame. With regards to direct intraregional investment, the model uses a database²² which was developed using data from different sources in particular the Organisation for Economic Co-operation and Development (OECD) (for dimensions 1 and 2), the International Monetary Fund (IMF) (for dimension 1) and Eurostat (for dimensions 1, 2 and

3), in addition to national sources. The gravity model was also used to estimate the missing values (the regression at the sectoral level uses Eurostat data). The quadratic way was used to achieve balance between the set of data and the constraints in dimensions 1 and 2. The database includes 113 countries and 37 sectors for the base year 2007 (stocks and financial flows). Due to lack of relevant data, it was not possible to develop an integrated database for the flow of foreign direct investments in Arab countries according to sources and beneficiary sectors. For migration and remittances, the World Bank database on world migration was used and complemented with national sources. A dynamic database was also developed for the model based on the World Bank GDP forecasts and population forecasts of the International Labour Organization.

The MacMAp database covers market access by importing country, product, exporting country, and instrument of protection. It was used in estimating preferences and their potential erosion since it includes all regional preferential agreements. The commodity coverage includes 5111 products under the Harmonized System at the 6 digit level (HS6), through value fees, specific fees, collected fees, quantity-related differential fees and anti-dumping fees. This database includes all data on trade and constraints in the markets of 163 countries with 208 trade partners.

V. Dimensions of the Mirage model: sectors, countries/regions and time

The Mirage model has three dimensions: regions and countries (r), productive sectors (s), and time (t). The geographical scope covers the highest

number of Arab countries for which data were available and their main partners in the world. The Mirage model developed for this report includes the following countries and regions: Morocco, Tunisia and the remaining North African countries; Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates and the remaining Arab Middle Eastern countries; Iran and Turkey; China, India, Japan, the European Union, the United States, and the rest of the world.

The sectoral dimension of the model focuses on trade in goods given the lack of data on constraints on trade in services. The model is therefore made of the following sectors: agriculture, food industries, fabrics and clothes, oil, gas and other natural resources extraction, oil refining, chemical industries, metallurgy, transport equipment and other equipment, electrical industries, machinery, other manufacturing industries, building and construction, transport services and the rest of service sectors. Finally, the model is solved annually for the period 2007 to 2020.

VI. Methodology for estimating change in poverty rates

The change in poverty rates was measured using the theory of unchanged patterns of income distribution among the population in each country. Based on the results of the model in terms of change

in the value of GDP per capita, change in poverty rates was measured using the economic growth elasticity of poverty reduction applying the following equation:

$$\Delta Pi = \theta * \frac{E \Delta Yi}{Ref \Delta Yi} * P(i - 1)$$

where for each country,

ΔPi represents the change in poverty rates for year i ,

$E \Delta Yi$ represents the GDP per capita growth rate for year i compared to year $(i - 1)$,

$Ref \Delta Yi$ represents the GDP per capita growth rate in the base scenario for year i compared to year $(i - 1)$,

θ represents the poverty elasticity with respect to consumption expenditure per capita, which is based on the latest survey on expenditure in the country,

$P(i - 1)$ represents the poverty rate for year $(i - 1)$.

› Assumptions:

- The poverty elasticity is fixed through the simulation period until 2020.
- The growth of GDP per capita is considered to be an approximate variable of the consumption expenditure per capita, due to the lack of data. The ideal situation would be when the GDP per capita growth is equal to the expenditure per capita, where the distribution is impartial
- Gini coefficient is considered neutral.

Table 4. Sectoral effects

Sectoral production			
Industrial sector	Second scenario	Third scenario	Fourth scenario
Saudi Arabia	1.0	3.3	1.2
United Arab Emirates	1.0	2.1	-2.3
Kuwait	-1.6	-0.7	-2.6
Qatar	-1.0	-0.5	-1.1
Bahrain	1.6	1.9	-0.4
Oman	2.9	2.0	-1.0
Tunisia	-13.5	-12.5	2.2
Morocco	-6.9	-6.2	0.5
Rest of Maghreb	-2.2	-0.5	1.1
Egypt	-3.3	-1.7	-2.5
Rest of Mashreq	0.9	2.5	2.4
Agricultural sector	Second scenario	Third scenario	Fourth scenario
Saudi Arabia	0.0	0.4	0.5
United Arab Emirates	0.5	0.6	0.6
Kuwait	0.3	0.4	0.4
Qatar	0.0	0.1	0.1
Bahrain	0.4	0.4	0.4
Oman	0.2	0.2	0.3
Tunisia	5.3	5.6	3.4
Morocco	-1.2	0.5	-0.2
Rest of Maghreb	0.3	0.8	0.8
Egypt	-4.0	-2.8	-2.7
Rest of Mashreq	0.7	1.5	1.5
Services sector	Second scenario	Third scenario	Fourth scenario
Saudi Arabia	0.2	0.9	0.8
United Arab Emirates	-0.3	-0.4	-0.4
Kuwait	0.1	0.0	0.0
Qatar	0.2	0.0	0.1
Bahrain	0.0	-0.3	-0.3
Oman	-0.1	-0.3	-0.2
Tunisia	-1.0	-0.1	1.4
Morocco	-2.9	-1.8	-0.5
Rest of Maghreb	-0.7	0.3	0.6
Egypt	-0.4	0.4	0.3
Rest of Mashreq	-0.4	0.5	0.5

Table 4. Sectoral effects (continued)

Demand for skilled labour by sector			
Industrial sector	Second scenario	Third scenario	Fourth scenario
Saudi Arabia	1.0	3.4	1.2
United Arab Emirates	1.8	2.9	-1.9
Kuwait	-1.2	0.0	-2.2
Qatar	-1.0	-0.2	-1.0
Bahrain	2.1	2.8	0.0
Oman	4.0	2.6	-0.9
Tunisia	-14.9	-13.8	2.4
Morocco	-7.3	-6.7	0.5
Rest of Maghreb	-2.5	-0.6	1.2
Egypt	-3.4	-1.8	-2.6
Rest of Mashreq	0.9	2.6	2.5
Agricultural sector	Second scenario	Third scenario	Fourth scenario
Saudi Arabia	0.2	1.4	1.4
United Arab Emirates	2.5	2.5	2.7
Kuwait	1.2	2.2	2.2
Qatar	-0.3	0.3	0.3
Bahrain	0.6	1.1	1.1
Oman	1.8	1.5	1.6
Tunisia	8.5	9.6	6.0
Morocco	-1.2	0.8	-0.2
Rest of Maghreb	1.1	2.6	2.6
Egypt	-8.5	-5.8	-5.7
Rest of Mashreq	2.1	3.5	3.5
Services sector	Second scenario	Third scenario	Fourth scenario
Saudi Arabia	-0.1	1.1	1.1
United Arab Emirates	-0.5	-0.5	-0.5
Kuwait	-0.1	-0.2	-0.2
Qatar	0.0	0.0	0.0
Bahrain	-0.1	-0.3	-0.3
Oman	-0.1	-0.1	-0.1
Tunisia	-2.2	-0.7	1.6
Morocco	-4.2	-2.7	-1.1
Rest of Maghreb	-1.5	0.2	0.5
Egypt	-1.4	0.3	0.2
Rest of Mashreq	-1.1	0.5	0.5

Table 4. Sectoral effects (continued)

Demand for unskilled labour by sector			
Industrial sector	Second scenario	Third scenario	Fourth scenario
Saudi Arabia	0.3	2.5	2.5
United Arab Emirates	3.0	3.2	3.8
Kuwait	1.3	2.7	2.8
Qatar	-0.6	0.4	0.4
Bahrain	0.4	1.2	1.2
Oman	2.0	2.1	2.4
Tunisia	14.3	16.9	10.4
Morocco	-2.5	0.7	-0.8
Rest of Maghreb	1.0	3.9	3.8
Egypt	-13.3	-9.1	-9.0
Rest of Mashreq	3.1	5.5	5.5
Agricultural sector	Second scenario	Third scenario	Fourth scenario
Saudi Arabia	0.3	2.1	2.0
United Arab Emirates	-1.6	-1.9	-1.6
Kuwait	-0.4	-0.9	-0.9
Qatar	0.3	-0.1	-0.1
Bahrain	-0.4	-1.0	-1.0
Oman	-0.8	-0.8	-0.7
Tunisia	-2.4	-0.4	2.6
Morocco	-4.6	-2.7	-0.6
Rest of Maghreb	-1.6	0.5	1.0
Egypt	-1.0	0.8	0.6
Rest of Mashreq	-1.0	1.1	1.2
Services sector	Second scenario	Third scenario	Fourth scenario
Saudi Arabia	1.7	5.7	2.0
United Arab Emirates	1.6	3.5	-4.1
Kuwait	-2.8	-1.3	-4.6
Qatar	-1.8	-0.9	-2.0
Bahrain	2.9	3.3	-0.7
Oman	5.5	3.7	-1.9
Tunisia	-23.4	-21.7	4.0
Morocco	-11.8	-10.7	0.9
Rest of Maghreb	-4.0	-1.0	2.1
Egypt	-5.6	-2.9	-4.2
Rest of Mashreq	1.5	4.3	4.2

Table 4. Sectoral effects (continued)

Arab intraregional trade			
Industrial sector	Second scenario	Third scenario	Fourth scenario
Saudi Arabia	-0.9	0.4	0.5
United Arab Emirates	-3.8	3.2	3.5
Kuwait	-4.5	-5.4	-5.4
Qatar	3.0	7.0	7.0
Bahrain	0.3	2.7	2.7
Oman	2.7	7.5	7.8
Tunisia	15.1	28.2	23.8
Morocco	40.6	53.9	46.9
Rest of Maghreb	2.3	1.2	2.4
Egypt	44.2	50.1	51.1
Rest of Mashreq	18.7	28.8	28.9
Agricultural sector	Second scenario	Third scenario	Fourth scenario
Saudi Arabia	12.0	17.2	16.4
United Arab Emirates	-0.7	2.6	6.4
Kuwait	18.5	17.7	18.1
Qatar	15.2	19.0	12.3
Bahrain	17.3	21.3	22.5
Oman	7.4	10.0	9.9
Tunisia	23.0	29.2	6.4
Morocco	47.5	60.5	26.9
Rest of Maghreb	135.7	145.4	514.1
Egypt	40.0	48.3	54.0
Rest of Mashreq	24.1	31.4	30.7
Services sector	Second scenario	Third scenario	Fourth scenario
Saudi Arabia	-2.8	-2.1	-1.7
United Arab Emirates	-7.2	-6.8	-5.8
Kuwait	-5.7	-6.0	-5.7
Qatar	-2.0	-1.6	-0.9
Bahrain	-3.3	-1.1	-0.9
Oman	-1.3	-3.4	-2.9
Tunisia	5.6	6.9	1.5
Morocco	12.4	13.1	9.7
Rest of Maghreb	3.5	3.4	2.6
Egypt	9.7	7.8	8.2
Rest of Mashreq	2.7	2.7	2.9

Annex VII

The specialized Arab organizations and their goals

Organization	Year established (year commenced work)	Main goals
Council of Arab Economic Unity (CAEU)	1957 (1964)	Achieving complete economic unity among Arab countries
Arab Administrative Development Organization (ARADO)	1961 (1969)	Contributing to the achievement of management development in Arab countries with a view to enhancing comprehensive development; increasing competitiveness of Arab institutions
Arab League Educational, Cultural and Scientific Organization (ALECSO)	1964 (1970)	Bringing about unity of Arab thought in the Arab world through the improvement of education, culture and sciences with a view to making a positive contribution to world civilization
Arab Labour Organization (ALO)	1965 (1972)	Coordinating Arab efforts to promote and protect labour rights and the freedom of association, and to unify labour legislation in member countries
Arab Towns Organization	1967	Preserving the identity of the Arab city and promoting the development and standardization of municipal legislation and systems
Organization of Arab Petroleum Exporting Countries (OAPEC)	1968	Enhancing cooperation between Arab petroleum producing and exporting countries and developing their petroleum industry
Arab Center for the Studies of Arid Zones and Dry Lands (ACSAD)	1968 (1971)	Unifying national efforts to develop scientific agricultural research on arid and semi-arid zones and transfer, develop and localize modern agricultural technologies to increase agricultural production in those zones
Arab Academy for Science, Technology and Maritime Transport (AASTMT)	1970 (1972)	Providing maritime transport education and training services and working on transferring technology to the maritime transport field (previously the Arab Academy for Maritime Transport)
Arab Organization for Agricultural Development (AOAD)	1970 (1972)	Achieving agricultural integration and increasing agricultural production and efficiency to attain self-sufficiency
Arab Organization of Red Crescent and Red Cross	1975	Coordinating the processes of providing relief to victims of natural and non-natural disasters in Arab and non-Arab countries

Organization	Year established (year commenced work)	Main goals
Arab Satellite Communications Organization (ARABSAT)	1976 (1978)	Establishing an Arab satellite sector that provides general and specialized services in telecommunications
The Arab Academy for Banking and Financial Sciences	1988	Fostering human resources development in the banking and finance industry and providing internationally recognized certificates for professional financiers and bankers (previously the Arab Institute for Banking Studies)
Arab Atomic Energy Agency	1988	Promoting the peaceful uses of nuclear sciences and their technological applications, developing joint Arab scientific efforts, and setting instructions to prevent nuclear radiation and enhance the safety of nuclear facilities
Arab Industrial Development and Mining Organization (AIDMO)	1988	Achieving Arab industrial coordination and integration, enhancing industrial production and productivity and developing unified Arab standards (established through the merger of the Arab Industrial Organization, the Standards and Specifications Organization and the Arab Mining Organization)
Arab Civil Aviation Commission (ACAC)	1993 (1996)	Developing civil aviation and ensuring its safety
Arab Women Organization (AWO)	2001 (2003)	Raising awareness on Arab women's issues, enhancing their role in society and building their capacities to participate in decision-making
Arab Information and Communication Technologies Organization (AICTO)	2001 (2008)	Developing information and communication technologies, unifying and coordinating the Arab positions within international bodies and promoting Arab and foreign investments in the Arab region
Arab Tourism Organization (ATO)	2001 (2006)	Improving the tourism sector in the Arab region, fostering Arab intraregional tourism and attracting tourism investment
Institut Supérieur Arabe de Traduction (ISAT)	2003	Training professional translators, conducting studies in the field of translation, and providing scientific material for researchers and translators

Source: The League of Arab States portal. <http://www.lasportal.org>; and the websites of the different organizations.

Endnotes

1. Hufbauer and Schott, 2005.
2. Canada, Citizenship and Immigration, Temporary residents, 2006.
3. Teslik, 2009.
4. O'Neil, 2001.
5. Al-Imam, 2004 (Arabic).
6. Ibid.
7. Mahmoud Abdel-Fadil, background paper for this report; Vaitzos, 1973; and Vaitzos, 1974.
8. Al-Imam, 2004.
9. Mahmoud Abdel-Fadil, background paper for this report.
10. Al-Imam, 2004.
11. Mahmoud Abdel-Fadil, background paper for this report.
12. Ibid.
13. Massé, 1965.
14. Perroux, 1955, pp. 307-320.
15. In Bolivia, for example, focus was placed on the use of air pressure equipment in metallurgy; in Ecuador, micromechanic and hydraulic systems; in Colombia, agriculture and manufacturing equipment to produce food products; in Chile, heavy electromechanical products, and mining and railway equipment; and in Peru, gears and cranes, and mining and electromechanical equipment.
16. Mahmoud Abdel-Fadil, background paper for this report.
17. Bchir and others, 2002, pp. 109-153.
18. This method was chosen based on the results of a number of quantitative studies that have proven that even for very detailed commodities according to HS6, different commodity prices indicate a difference in quality. Fontagné, 1998; and Greenaway and Torstensson, 2000, pp. 260-280.
19. Bchir and Chemingui, 2009.
20. Van der Mensbrugge, 1998.
21. Sadoulet and de Janvry, 1995.
22. Chappuis and Boumellassa, 2009.

Statistical Tables

Table 1 Customs protection on some imports from Egypt, 2009 (percentage)

		Egypt			
		Algeria	Agadir countries	Morocco	Arab countries
01	Live animals	6.8	11.8	112.1	11.8
02	Meat and edible meat offal	10.8	114.3	139.4	20.3
03	Fish and crustaceans, molluscs and other aquatic invertebrates	0	0	15.9	0
04	Dairy produce; birds; eggs; natural honey; edible products of animal origin, not elsewhere specified or included	0	0.6	58.5	0.6
05	Products of animal origin, not elsewhere specified or included	0	0	27.8	0
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	0	1	39.6	1
07	Edible vegetables and certain roots and tubers	0	2.8	45.2	2.8
08	Edible fruit and nuts; peel of citrus fruits or melons	0	8.6	46.1	8.6
09	Coffee, tea, maté and spices	0	0	19	0
10	Cereals	0	4.3	52.2	4.3
11	Products of the milling industry; malt; starches; inulin; wheat gluten	0	25.1	49.6	0
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	0.1	0.7	19.8	0.7
13	Lac; gums, resins and other vegetable saps and extracts	0.1	0.2	18.3	0.2
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	0	0	8.4	0
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	0.2	1.2	19.6	0.2
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	6.2	9.5	47.4	8.8
17	Sugars and sugar confectionery	0	1.6	37.8	1.6
18	Cocoa and cocoa preparations	0	5.4	26.8	5.4
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	0	4.7	43.5	2.8
20	Preparations of vegetables, fruit, nuts or other parts of plants	0	0	43.2	0
21	Miscellaneous edible preparations	0	7.3	38.7	7.3
22	Beverages, spirits and vinegar	22.3	26.1	38.6	26.1

		Egypt			
		Algeria	Agadir countries	Morocco	Arab countries
23	Residues and waste from the food industries; prepared animal fodder	0	11.8	23.5	1.3
24	Tobacco and manufactured tobacco substitutes	25.5	22.8	22.8	22.8
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	1.9	0.1	6.8	0.1
26	Ores, slag and ash	0.1	0.2	0	0.2
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	0.1	0	1.6	0
28	Inorganic chemicals: organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	5.8	1.1	2.3	1.1
29	Organic chemicals	4.2	4.2	0	4.2
30	Pharmaceutical products	0	0	1.4	0
31	Fertilizers	1.4	0	0	0
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	0	0	11.3	0
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	0	2.4	1.5	2.4
34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes...	5.1	13.5	15.7	13.5
35	Albuminoidal substances; modified starches; glues; enzymes	0	0	14.1	0
36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	9.2	0	8	0
37	Photographic or cinematographic goods	0	0	1.4	0
38	Miscellaneous chemical products	8.1	7.7	4	7.7
39	Plastics and articles thereof	0.5	0.6	10.4	0.6
40	Rubber and articles thereof	0.2	1.5	15.1	1.5
41	Raw hides and skins (other than furskins) and leather	0.6	0.2	0.1	0.2
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)	0	3.8	25.7	3.8
43	Furskins and artificial fur; manufactures thereof	0	0.2	6.9	0.2
44	Wood and articles of wood; wood charcoal	0	0.2	12.9	0.2

		Egypt			
		Algeria	Agadir countries	Morocco	Arab countries
45	Cork and articles of cork	0	0	22.6	0
46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	0	0	24.8	0
49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans	0	0.5	13.7	0.5
60	Knitted or crocheted fabrics	0	12.2	20.2	12.2
61	Articles of apparel and clothing accessories, knitted or crocheted	0	0.6	34.6	0.6
62	Articles of apparel and clothing accessories, not knitted or crocheted	0	1.1	34.1	1.1
70	Glass and glassware	0.8	3.5	11.7	3.5
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof...	0.8	0.1	0	0.1
75	Nickel and articles thereof	0	0	0.4	0
78	Lead and articles thereof	0.9	0	0	0
83	Miscellaneous articles of base metal	0	0.4	20.7	0.4
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	0	0.3	2.6	0.3
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	0.3	0.8	3.3	0.8
95	Toys, games and sports requisites; parts and accessories thereof	14.3	0	0.1	0
96	Miscellaneous manufactured articles	0	0.3	9	0.3
97	Works of art, collectors' pieces and antiques	0	7.5	0	7.5

Note: Jordan (2007), Lebanon (2007), the Sudan (2012), the Syrian Arab Republic (2009), Tunisia (2006), and Yemen (2012) did not impose any tariffs on their imports from Egypt. Data on customs tariffs imposed by the remaining Arab countries on Egyptian imports are not available.

Source: ESCWA calculations based on Trademap.

Table 2 Functional areas covered by GATS commitments in selected Arab countries

	Bahrain	Djibouti	Egypt	Jordan	Kuwait	Morocco	Oman	Qatar	Saudi Arabia	Tunisia	UAE
Business											
Professional services		X		X	X	X	X	X	X		X
Computer and related services				X	X	X	X	X	X		X
Research and Development				X	X		X	X	X		X
Real Estate				X							
Rental without occupants				X					X		
Other business-related services				X	X	X	X	X	X		X
Telecommunications											
Post		X									
Express mail		X		X			X	X	X		X
Telecommunications		X	X	X		X	X		X	X	
Audiovisual services				X			X		X		
Construction and engineering											
General building construction works				X	X		X	X	X		X
General construction works for civil engineering			X	X	X		X	X	X		X
Installation and assembly work			X	X	X		X	X	X		X
Finishing of construction works				X	X		X	X	X		X
Other			X	X			X		X		X
Delivery				X	X		X		X		
Education											
Primary education				X			X		X		
Secondary education				X			X		X		
Higher Education				X			X		X		
Education for adults				X			X				
Other educational services				X					X		
Environment											
Sanitation					X	X	X		X		X
Waste disposal					X	X	X		X		X

	Bahrain	Djibouti	Egypt	Jordan	Kuwait	Morocco	Oman	Qatar	Saudi Arabia	Tunisia	UAE
Hygiene and similar services				X	X	X	X		X		X
Other				X		X	X		X		X
Financial services											
Insurance and similar services	X		X	X			X	X	X	X	
Banking and financial services	X		X	X	X	X	X	X	X	X	X
Other			X								
Social and health-related services											
Hospitals				X	X		X		X		
Other health services				X	X				X		
Social services				X	X						
Tourism and travel											
Hotels and accommodation		X	X	X	X	X	X	X	X	X	X
Tourist and cultural agencies			X	X	X	X	X		X	X	
Tourist guides			X		X	X			X		X
Other			X			X					
Leisure culture and sport related services											
Entertainment				X	X						
Media				X					X		
Libraries, museums and other				X					X		
Sport		X		X	X						
Other											
Transport											
Maritime Transport			X	X					X		
Inland maritime transport											
Air transport				X		X	X		X		
Railway transport									X		
Land transport						X					
Support to all transport means				X			X		X		
Other											

Source: ESCWA based on reports on trade policies in WTO member States.

Table 3 Arab exports by sector and market, 2010

Importers Exporters	GCC countries	Maghreb countries	Mashreq countries	Arab countries	European Union countries	USA	Turkey	Iran	Japan	China	India	Rest of the world
Maghreb countries	0.4	2.8	1.2	4.3	59.6	11.2	3.0	0.1	0.7	4.2	2.4	14.6
Agriculture	1.2	4.0	2.0	7.2	61.0	0.9	0.4	0.0	7.6	0.3	0.1	22.6
Industry	1.0	5.4	2.6	9.0	59.8	2.5	2.8	0.4	0.6	1.5	3.5	19.8
Mining	0.1	4.7	0.7	5.5	36.5	6.8	0.8	0.1	1.0	21.6	3.4	24.2
Oil and gas	0.2	1.8	0.7	2.7	60.2	14.5	3.2	0.0	0.4	4.6	2.1	12.3
GCC countries	2.7	0.5	1.7	5.0	5.0	4.8	0.5	2.1	12.2	7.0	8.9	54.5
Agriculture	26.9	0.3	7.7	34.8	2.7	0.5	0.1	26.9	0.6	0.2	0.4	33.9
Industry	10.6	1.4	4.1	16.1	5.8	1.9	1.7	9.5	0.7	6.3	18.3	39.8
Mining	33.1	2.4	3.4	38.9	0.3	0.4	0.0	3.5	0.3	19.2	11.2	26.2
Oil and gas	0.4	0.3	1.1	1.8	4.9	5.6	0.2	0.0	15.3	7.1	6.7	58.5
Mashreq countries	6.4	2.9	9.7	19.1	20.9	12.9	3.0	0.2	4.3	12.6	9.8	17.2
Agriculture	33.3	4.2	32.4	69.9	12.9	0.7	1.1	0.6	0.4	0.4	0.9	13.2
Industry	13.3	6.7	21.6	41.7	17.7	8.0	4.9	0.6	0.6	2.2	2.7	21.6
Mining	3.2	2.1	17.9	23.1	22.1	3.5	2.8	0.0	0.5	8.5	19.3	20.2
Oil and gas	0.6	0.9	1.5	3.0	23.1	16.7	2.2	0.0	6.7	19.1	14.0	15.2

Source: ESCWA calculations based on COMTRADE database.

Table 4 Exports by sector before and after the entry into force of GAFTA in 2005

	2000-2004	2005-2010
Maghreb countries	3.6	4.0
Agriculture	4.1	6.5
Industry	6.9	8.4
Mining	5.0	5.3
Oil and gas	2.1	2.5
GCC countries	6.3	7.2
Agriculture	48.7	57.8
Industry	25.1	27.8
Mining	49.6	42.5
Oil and gas	1.9	2.8
Mashreq countries	15.6	16.8
Agriculture	68.3	64.6
Industry	29.6	39.6
Mining	23.9	26.2
Oil and gas	4.4	2.6

Source: ESCWA calculations based on COMTRADE database.

Table 5 Analysis of trade variation and intensive and extensive margins between 2000 and 2010

	GCC countries				Maghreb countries				Mashreq countries						
	Aggregate growth	Intensive margin	Extensive margin		Aggregate growth	Intensive margin	Extensive margin		Aggregate growth	Intensive margin	Extensive margin				
			Old product new market	New product new market			Undisclosed trade	Old product new market			New product new market	Undisclosed trade	Old product new market	New product new market	Undisclosed trade
Arab countries	196.9	78.1	37.9	8.6	24.5	337.2	54.3	45.7	4.7	4.7	632.6	29.9	64.8	10.3	5.0
GCC countries	153.8	89.5	36.2	8.9	34.6	406.2	66.8	34.7	1.4	2.9	517.6	34.1	67.5	3.8	5.4
Bahrain	517.1	51.5	36.5	14.9	2.9	245.0	55.2	42.4	12.3	9.9	499.7	25.0	50.1	36.4	11.5
Kuwait	147.4	57.4	35.9	50.2	43.5	368.5	51.5	50.0	0.2	1.7	1 428.8	38.3	58.4	6.9	3.7
Oman	182.8	82.0	35.8	10.8	28.6	273.5	1.2	94.9	33.1	29.2	126.1	51.1	89.9	12.1	53.1
Qatar	-50.7	-43.7	-16.1	-26.2	-185.9	498.8	54.5	54.4	1.2	10.1	166.1	45.1	74.5	8.2	27.8
Saudi Arabia	-19.3	-238.4	-93.5	-1.7	-433.6	337.5	80.1	21.2	0.3	1.6	395.9	34.5	68.7	0.5	3.7
UAE	324.5	76.8	25.5	2.1	4.4	1 290.4	41.5	60.8	0.1	2.4	1 211.9	29.0	72.9	0.8	2.7
Maghreb countries	276.3	6.5	104.9	5.5	17.0	280.2	57.4	41.9	7.7	6.9	679.9	40.4	50.7	17.6	8.7
Algeria	1 946.0	0.5	84.6	19.9	5.0	587.3	58.9	38.5	4.4	1.8	937.4	65.2	15.5	24.7	5.4
Libya	18 354.0	0.0	100.1	0.4	0.5	-1.4	-612.4	-569.2	-387.7	-1 669.4	1 489.8	12.5	75.0	16.6	4.0
Mauritania	334.0	0.0	126.1	3.8	29.9	224.1	41.4	90.3	10.6	42.2	345.7	3.9	74.3	22.8	1.0
Morocco	128.8	15.9	115.4	4.6	35.9	172.9	16.6	93.7	11.2	21.5	627.4	24.9	70.8	11.7	7.4
Tunisia	172.2	8.4	114.8	2.0	25.2	381.5	61.7	32.3	9.7	3.6	176.1	71.2	66.7	3.5	41.4

	GCC countries					Maghreb countries					Mashreq countries				
	Aggregate growth	Intensive margin	Extensive margin			Aggregate growth	Intensive margin	Extensive margin			Aggregate growth	Intensive margin	Extensive margin		
			Old product new market	New product new market	Undisclosed trade			Old product new market	New product new market	Undisclosed trade			Old product new market	New product new market	Undisclosed trade
Mashreq countries	425.3	60.3	36.4	8.3	5.1	349.0	36.7	62.4	5.2	4.3	815.0	24.1	64.0	16.1	4.1
Comoros	961.1	0.0	110.4	0.0	10.4	-34.1	-172.4	0.0	0.0	-272.4	---	---	---	---	---
Djibouti	2 168.9	38.3	0.7	62.6	1.6	---	---	---	---	---	179 960.2	0.0	2.3	97.7	0.1
Egypt	809.0	57.7	34.2	10.2	2.0	1 011.9	30.3	67.6	4.3	2.2	1 243.2	30.3	46.6	24.9	1.8
Iraq	1 688.2	0.0	85.7	20.2	5.9	43.8	111.8	2.9	0.0	14.8	39.8	263.6	10.4	76.1	250.1
Jordan	329.5	80.5	20.0	5.9	6.4	310.9	60.6	47.3	3.8	11.6	916.0	26.5	67.5	9.2	3.3
Lebanon	422.8	49.9	50.9	2.6	3.4	275.1	29.5	83.0	6.5	19.0	530.3	43.7	58.8	2.5	5.0
Palestine	1 264.8	14.2	62.7	30.9	7.8	---	---	---	---	---	301.5	25.5	46.6	50.3	22.4
Somalia	199.5	79.8	26.0	0.5	6.3	-85.6	-0.1	-0.7	-16.0	-116.7	4 086.1	9.5	91.1	0.2	0.9
Sudan	14.9	446.2	3.9	5.5	355.6	192.1	98.8	6.4	0.8	6.0	7.2	448.3	339.6	25.6	713.4
Syria	237.3	61.3	35.1	6.9	3.2	588.8	11.2	74.9	15.4	1.6	1 045.2	8.0	83.0	10.1	1.1
Yemen	1 106.0	33.7	59.4	11.8	4.9	1 589.0	21.3	52.6	31.2	5.2	2 284.6	9.8	70.9	21.1	1.8

Note: (---) refers to data non-availability.
Source: ESCWA calculations based on COMTRADE database.

Table 6 Arab migrants in Arab countries, 1990-2010 (percentage)

Host country		Total	Bahrain	Jordan	Kuwait	Libya	Oman	Qatar	Saudi Arabia	UAE
Home country										
Egypt	1990	1 504 703	0.02	5.70	8.03	17.67	1.74	1.44	60.22	5.18
	2000	1 752 476	0.51	5.83	6.51	18.17	2.20	3.20	55.93	7.65
	2010	2 877 946	1.19	29.60	11.10	13.80	1.41	3.05	34.95	4.90
Iraq	1990	285 692	2.70	5.91	59.02	1.33	0.63	8.31	13.16	8.93
	2000	294 743	4.14	12.36	47.24	1.55	0.90	5.14	13.80	14.87
	2010	305 539	0.57	99.43	---	---	---	---	---	---
Jordan	1990	679 806	1.37	0.00	67.72	0.23	0.93	4.27	17.33	8.16
	2000	691 782	2.00	0.00	62.84	0.27	1.34	1.35	18.42	13.78
	2010	184 294	0.21	0.00	---	---	6.32	---	93.47	---
Lebanon	1990	169 761	1.42	1.14	47.67	6.57	0.31	3.27	23.47	16.16
	2000	189 112	1.88	0.96	40.40	7.06	0.41	1.58	22.79	24.92
	2010	73 653	0.37	---	---	20.53	---	---	79.10	---
Morocco	1990	20 171	0.01	1.26	0.87	13.66	0.96	5.38	69.79	8.06
	2000	30 356	0.39	1.95	0.54	10.86	0.94	25.95	50.17	9.20
	2010	27 806	8.26	17.72	---	---	---	---	74.03	---
Palestine	1990	345 589	3.29	18.36	23.81	10.90	0.78	4.21	24.26	14.39
	2000	436 182	4.18	24.01	17.81	10.34	0.91	2.37	20.80	19.59
	2010	1 050 716	0.02	83.09	---	5.22	---	---	11.67	---
Syria	1990	290 533	1.68	7.54	37.05	7.74	0.40	3.58	33.49	8.53
	2000	328 485	2.37	10.55	30.94	8.19	0.51	2.42	32.05	12.96
	2010	593 061	0.21	48.73	20.72	5.62	---	---	18.85	5.88
Tunisia	1990	67 095	0.00	0.21	0.44	84.58	0.22	0.09	12.65	1.81
	2000	80 609	0.11	0.32	0.34	84.29	0.26	0.69	11.39	2.59
	2010	99 856	0.73	2.14	---	84.71	---	---	12.43	---
Yemen	1990	435 031	2.29	0.37	14.00	0.16	0.53	1.20	73.96	7.49
	2000	503 490	3.09	0.47	11.42	0.17	0.67	3.93	69.13	11.11
	2010	975 455	0.14	2.01	---	---	---	---	91.66	6.19

Note: (---) refers to data non-availability.

Source: World Bank, 2011a; and World Bank, Global Bilateral Migration Database.

Table 7 Migrants from different nationalities in Arab countries, 1990-2010 (percentage)

Host country		Total	Bahrain	Jordan	Kuwait	Libya	Oman	Qatar	Saudi Arabia	UAE
Home country										
Bangladesh	1990	496 247	1.61	0.13	6.68	0.01	14.01	2.16	68.18	7.23
	2000	599 504	2.03	1.14	5.22	0.01	17.07	3.19	61.05	10.28
	2010	962 869	---	5.92	21.69	---	15.50	---	46.43	10.46
India	1990	1 752 536	1.74	0.03	6.10	0.01	12.09	1.93	53.15	24.95
	2000	2 267 577	1.73	0.15	4.45	0.01	13.76	2.33	44.44	33.13
	2010	4 896 905	2.81	0.59	8.03	---	9.15	5.12	29.67	44.64
Pakistan	1990	1 072 809	0.90	0.16	3.06	0.01	2.31	0.61	27.56	15.48
	2000	1 404 351	0.86	0.11	2.21	0.01	2.60	1.20	22.76	20.30
	2010	2 011 425	1.43	0.67	3.07	---	2.38	6.27	25.17	11.34
Philippines	1990	393 773	1.68	0.36	7.00	0.03	2.10	0.86	86.82	1.15
	2000	448 975	2.26	0.85	5.79	0.03	2.71	4.26	82.38	1.73
	2010	966 460	2.96	3.27	8.90	---	1.58	12.97	57.82	12.50
Sri Lanka	1990	148 136	1.75	4.62	7.29	0.05	13.13	2.70	69.27	1.20
	2000	175 532	2.26	7.02	5.81	0.05	16.31	3.57	63.24	1.74
	2010	992 281	---	10.35	21.05	---	4.10	8.84	39.42	16.23

Note: (---) refers to data non-availability.

Source: World Bank, 2011a; and World Bank, Global Bilateral Migration Database.

Table 8 Trade Integration Index for Arab countries, 2010

	Arab countries	GCC countries	Maghreb countries	Mashreq countries	European Union countries	China	India	Iran	Turkey	USA
Algeria	10.3	7.7	12.2	13.4	15.2	14.7	27.8	3.2	19.6	15.6
Bahrain	15.5	13.8	13.6	16.4	12.0	8.5	8.2	7.8	11.2	15.2
Comoros	6.7	7.1	6.3	5.3	7.1	5.1	4.6	4.1	4.7	6.8
Djibouti	5.0	5.2	4.2	4.4	5.3	3.9	4.2	3.3	5.1	4.5
Egypt	30.1	26.5	29.1	33.5	32.3	22.9	27.9	18.2	32.1	30.4
Iraq	2.4	2.2	3.0	2.4	7.0	11.2	23.4	0.5	13.8	5.7
Jordan	26.0	24.6	22.0	26.4	24.7	13.1	17.8	17.6	20.9	19.3
Kuwait	9.8	7.1	11.5	13.0	12.6	16.3	27.9	3.2	18.7	14.7
Lebanon	27.9	29.6	21.7	24.5	24.0	15.9	28.6	17.2	21.3	21.3
Libya	9.0	6.1	10.5	11.0	13.8	14.0	26.7	2.4	18.7	13.3
Mauritania	4.0	4.2	3.7	3.5	7.5	13.3	7.9	0.9	6.5	6.6
Morocco	17.2	16.5	16.0	16.4	21.4	15.7	12.8	11.0	19.5	15.6
Oman	15.7	14.3	14.7	15.2	17.5	18.4	30.6	7.5	22.7	17.5
Palestine	14.3	13.3	12.8	15.5	16.2	8.0	7.4	9.5	13.4	10.8
Qatar	9.7	7.0	11.6	12.5	12.5	14.8	28.0	3.0	18.7	15.4
Saudi Arabia	13.3	10.3	15.0	15.4	16.3	18.7	30.5	5.7	21.3	18.2
Somalia	1.4	1.3	1.1	1.6	1.1	0.9	0.8	0.9	0.8	1.3
Sudan	4.8	4.6	4.6	5.0	9.4	14.0	26.3	2.5	15.8	8.9
Syria	22.7	19.0	21.7	27.8	24.1	19.3	30.5	11.2	27.4	22.0
Tunisia	26.0	24.5	26.6	24.2	33.9	26.2	26.1	17.6	37.2	25.6
UAE	32.9	31.1	29.9	32.7	30.4	26.4	54.6	22.0	33.8	32.0
Yemen	12.7	10.5	12.4	15.0	15.2	15.8	28.1	5.2	20.4	15.1

Source: ESCWA calculations based on COMTRADE database.

Table 9 Real customs protection on Arab intraregional trade in agricultural goods (percentage)

Exporters Importers	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	Rest of Middle Eastern countries	Egypt	Morocco	Tunisia	Rest of North African countries
Bahrain	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kuwait	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oman	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Qatar	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Arabia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
UAE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rest of Middle Eastern countries	9.0	23.0	9.0	1.0	4.0	1.0	6.0	7.0	8.0	0.0	4.0
Egypt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Morocco	0.0	21.0	0.0	0.0	22.0	35.0	1.0	3.0	0.0	0.0	0.0
Tunisia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	67.0
Rest of North African countries	0.0	6.0	5.0	5.0	25.0	18.0	13.0	6.0	19.0	1.0	10.0

Source: ESCWA calculations based on GTAP 7.

Table 10 Real customs protection on Arab intraregional trade in textiles (percentage)

Exporters Importers	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	Rest of Middle Eastern countries	Egypt	Morocco	Tunisia	Rest of North African countries
Bahrain	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
Kuwait	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
Oman	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Qatar	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0
Saudi Arabia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0
UAE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0
Rest of Middle Eastern countries	22.0	0.0	5.0	2.0	7.0	12.0	3.0	8.0	1.0	3.0	4.0
Egypt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.0
Morocco	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0
Tunisia	0.0	0.0	0.0	0.0	3.0	0.0	1.0	1.0	0.0	0.0	9.0
Rest of North African countries	15.0	1.0	29.0	18.0	8.0	19.0	17.0	7.0	16.0	16.0	1.0

Source: ESCWA calculations based on GTAP 8 and MacMap.

Table 11 Correlation of real growth rates between Arab countries, as well as with European countries and the United States of America

Country	Algeria	Bahrain	Comoros	Djibouti	Egypt	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Sudan	Syria	Tunisia	UAE	Yemen	Mediterranean countries	European Union	United States of America
Algeria		0.09	0.29	0.38	0.23	0.24	0.11	0.11	-0.40	0.13	0.33	0.05	-0.46	0.17	-0.01	-0.03	-0.40	0.10	0.17	-0.23	0.05	0.2	0.2
Bahrain	0.09		0.48	-0.52	0.01	-0.16	0.28	0.46	-0.37	0.02	0.39	-0.30	0.22	-0.07	0.20	-0.23	0.15	0.24	0.16	-0.39	0.03	0.1	0.1
Comoros	0.29	0.48		0.07	-0.24	-0.54	0.35	0.47	-0.58	-0.41	0.12	-0.64	0.15	0.02	-0.08	0.01	0.07	0.11	0.10	0.03	-0.01	0.0	0.1
Djibouti	0.38	-0.52	0.07		0.30	---	0.13	-0.22	-0.48	0.34	-0.29	0.01	-0.41	0.30	-0.38	0.31	-0.34	0.49	0.16	0.24	0.00	---	0.8
Egypt	0.23	0.01	-0.24	0.30		-0.49	-0.06	-0.15	-0.10	-0.02	0.19	0.17	-0.02	0.56	-0.16	0.41	-0.54	0.20	-0.07	-0.44	-0.01	0.2	0.1
Iraq	0.24	-0.16	-0.54		-0.49		0.32	0.45	0.13	-0.10	0.19	0.17	-0.32	0.16	-0.24	0.23	0.54	0.42	0.42	-0.02	0.08	0.2	0.4
Jordan	0.11	0.28	0.35	0.13	0.32	0.32		0.69	-0.02	-0.14	0.23	-0.33	0.24	0.36	-0.12	-0.29	0.33	0.24	-0.17	0.17	0.12	0.1	0.0
Kuwait	0.11	0.46	0.47	-0.22	-0.15	0.45	0.69		-0.30	-0.32	0.26	-0.35	0.01	0.26	-0.22	-0.11	0.02	0.07	-0.13	0.14	0.06	0.2	0.4
Lebanon	-0.40	-0.37	-0.58	-0.48	-0.10	0.13	-0.02	-0.30		0.27	-0.20	0.08	0.12	0.11	0.16	0.12	0.20	-0.29	-0.47	0.24	-0.09	-0.2	-0.4
Libya	0.13	0.02	-0.41	0.34	-0.02	-0.10	-0.14	-0.32	0.27		-0.08	0.51	-0.08	0.01	0.74	-0.06	-0.02	0.25	0.35	-0.12	0.07	0.1	-0.1
Mauritania	0.33	0.39	0.12	-0.29	0.19	0.19	0.23	0.26	-0.20	-0.08		-0.08	-0.20	0.13	-0.02	-0.29	-0.17	0.01	0.02	-0.41	0.01	0.2	0.2
Morocco	0.05	-0.30	-0.64	0.01	0.17	0.17	-0.33	-0.35	0.08	0.51	-0.08		-0.17	-0.03	0.18	-0.19	-0.07	0.06	0.02	-0.23	-0.06	0.0	-0.2
Oman	-0.46	0.22	0.15	-0.41	-0.02	-0.32	0.24	0.01	0.12	-0.08	-0.20	-0.17		0.10	0.44	-0.16	0.50	0.12	0.10	0.11	0.01	-0.1	-0.3
Qatar	0.17	-0.07	0.02	0.30	0.56	0.16	0.36	0.26	0.11	0.01	0.13	-0.03	0.10		0.03	0.47	-0.38	0.04	-0.18	-0.32	0.09	0.1	0.1
Saudi Arabia	-0.01	0.20	-0.08	-0.38	-0.16	-0.24	-0.12	-0.22	0.16	0.74	-0.02	0.18	0.44	0.03		-0.22	0.26	0.02	0.44	-0.02	0.05	0.0	-0.3
Sudan	-0.03	-0.23	0.01	0.31	0.41	0.23	-0.29	-0.11	0.12	-0.06	-0.29	-0.19	-0.16	0.47	-0.22		-0.57	0.09	0.02	-0.02	-0.03	0.2	0.4
Syria	-0.40	0.15	0.07	-0.34	-0.54	0.54	0.33	0.02	0.20	-0.02	-0.17	-0.07	0.50		0.26	-0.57		0.02	-0.09	0.48	0.00	-0.2	-0.3
Tunisia	0.10	0.24	0.11	0.49	0.20	0.42	0.24	0.07	0.09	0.25	0.01	0.06	0.12	0.04	0.02	0.09	0.02		0.37	0.03	0.13	0.2	0.3
UAE	0.17	0.16	0.10	0.16	0.07	0.42	-0.09	-0.13	0.02	0.35	0.02	0.02	0.10	-0.18	0.44	0.02	-0.09	0.37		-0.08	0.06	0.4	0.3
Yemen	-0.23	-0.39	0.03	0.24	-0.44	-0.02	0.17	0.14	0.24	-0.12	-0.41	-0.23	0.11	-0.32	-0.02	-0.02	0.48	0.03	-0.08		-0.04	0.0	0.3

Note: (---) refers to data non-availability.
Source: ESCWA calculations based on IMF data.

Table 12 Exchange rate policies in selected Arab countries

Country	Main objective	Tools	Context
Algeria	Price stability	<ul style="list-style-type: none"> • Interest rates • Open market • Reserve requirements 	<ul style="list-style-type: none"> • 2003-2010: Liquidity • Since 2010: Inflation
Bahrain	Price stability	<ul style="list-style-type: none"> • Reserve requirements • Interest rates • Currency exchange 	Since 1980: Pegging the exchange rate (dinar/dollar)
Egypt	Price stability	<ul style="list-style-type: none"> • Interest rates • Reserve requirements • Open market 	<ul style="list-style-type: none"> • 1990-2005: Liquidity • Since 2005: Implicit inflation
Jordan	Price stability	<ul style="list-style-type: none"> • Interest rates • Open market • Reserve requirements 	Since 1995: pegging the exchange rate (fixed to the dollar)
Kuwait	Price stability	<ul style="list-style-type: none"> • Reserve requirements • Interest rates • Currency exchange 	Since 1980: Pegging the exchange rate (dinar/dollar)
Morocco	Price stability	<ul style="list-style-type: none"> • Reserve requirements • Interest rates • Currency exchange • Open market 	<ul style="list-style-type: none"> • Liquidity • Since 2005: Implicit inflation • Since beginning 1990: Real exchange rate; pegging the dirham (one million dirham) to an unveiled basket of currencies
Oman	Price stability	<ul style="list-style-type: none"> • Reserve requirements • Interest rates • Currency exchange 	Since 1973: Pegging the exchange rate (riyal/dollar)
Qatar	Price stability	<ul style="list-style-type: none"> • Reserve requirements • Interest rates • Open market 	Since 1980: Pegging the exchange rate (riyal/dollar)
Saudi Arabia	Price stability	<ul style="list-style-type: none"> • Reserve requirements • Currency exchange • Open market 	Since 1986: Pegging the exchange rate (riyal/dollar)
Tunisia	Price stability	<ul style="list-style-type: none"> • Interest rates • Reserve requirements • Open market 	<ul style="list-style-type: none"> • Liquidity • Since 2006: Implicit inflation • Real exchange rate: Pegging the dinar to an unveiled basket of currencies
UAE	Price stability	<ul style="list-style-type: none"> • Reserve requirements • Currency exchange • Open market 	Since 1980: Pegging the exchange rate (dirham/dollar)

Source: Report team, based on data from the websites of national Central Banks.

Table 13 Selected development indicators

Country	Population estimation 2011 (millions)	Net foreign official assistance 2011 (million dollars)	Education rate (age 15+), 2010	Expenditures on scientific research and technological development/GDP 2010 (percentage)	Number of scientific and technical articles published in periodicals, 2010	Number of patent applications for residents, 2010
Algeria	36	198	---	---	607	76
Bahrain	1.3	---	92	---	36	---
Comoros	0.8	67	75	---	---	---
Djibouti	0.9	132	---	---	---	---
Egypt	82.5	592	72	0.21	2 247	605
Iraq	33	2 192	78	---	70	---
Jordan	6.2	954	93	---	383	45
Kuwait	2.8	---	94	0.11	214	---
Lebanon	4.3	448	---	---	256	---
Libya	6.4	9	89	---	34	---
Mauritania	3.5	374	58	---	3	---
Morocco	32.3	993	56.1	---	391	152
Oman	2.9	---	86.6	---	114	---
Palestine	4	2 519	95	---	---	---
Qatar	1.9	---	96	---	64	---
Saudi Arabia	28.1	---	87	0.08	710	288
Somalia	9.6	498	---	---	1	---
Sudan	34.3	2 075	71	---	63	3
Syria	20.8	135	83	---	72	---
Tunisia	10.7	550	77.6	1.1	1 022	---
UAE	7.9	---	90	---	265	---
Yemen	24.8	664	64	---	25	20
Total of Arab countries	354.8					
Countries for comparison						
China	---	---	---	1.47	74 019	293 066
India	---	---	---	---	19 917	7 262
Iran	---	---	---	---	6 313	---
Israel	---	---	---	4.27	6 304	1 450
Italy	---	---	99	1.27	26 775	8 814
Republic of Korea	---	---	---	3.36	22 271	8 018
Russia	---	---	100	---	---	---
Spain	---	---	98	1.27	21 543	3 566
Turkey	---	---	---	0.85	8 301	2 555
United Kingdom	---	---	---	1.82	45 649	15 490

Notes: Data are for the specified year or the closest year for which data are available.

(---) refers to data non-availability.

Source: ESCWA calculations based on World Bank, World Development database and AMF Joint Arab Economic Report, 2012.

Table 14 Unemployment in Arab countries

Country	Population estimation, 2011 (millions)	Estimated unemployment rate, 2010 (percentage of labour force)	Estimated unemployment rate, 2010 (percentage of labour force)	Estimated unemployment rate among women, 2010	Estimated number of unemployed, 2010 (thousands)
Algeria	36	9.8	---	19.1	1100
Bahrain	1.3	3.7	3.7	4.1	5
Comoros	0.8	20	---	---	60
Djibouti	0.9	59	---	---	150
Egypt	82.5	11.9	---	22.7	3 183
Iraq	33	15.4	---	19.6	1 298.8
Jordan	6.2	12.9	---	21.2	1 763
Kuwait	2.8	5.9	5.9	3.1	173
Lebanon	4.3	6.4	---	10.4	108
Libya	6.4	18.2	---	18	298.5
Mauritania	3.5	31.2	---	44	510
Morocco	32.3	8.9	---	10.2	1 028
Oman	2.9	6.7	---	---	70.7
Palestine	1.9	0.5	2.3	2.7	5.8
Qatar	0.8	20	---	---	60
Saudi Arabia	28.1	5.4	10.5	15	463
Somalia	9.6	34.7	---	---	1 727.6
Sudan	34.3	20.7	---	---	2 700
Syria	20.8	14.9	---	37.1	866.3
Tunisia	10.7	18.9	---	28.2	738.4
UAE	7.9	4.3	14	10.8	232
Yemen	24.8	18	---	41	900
Total	354.8				17 638.5

Notes: Data are for the specified year or the closest year for which data are available.

(---) refers to data non-availability.

Source: ESCWA calculations based on World Bank, World Development database and AMF Joint Arab Economic Report, 2012.

Table 15 Growth of service exports by category and region, 1990-2011 (percentage)

	World	North America	South and Central America	Europe	Commonwealth of Independent States	Africa	Middle East	Asia
Trade services								
1995-1990	8	8	9	---	---	---	---	---
2000-1995	5	7	6	---	---	---	---	4
2005-2000	11	5	8	13	18	---	---	12
2010-2005	8	7	10	6	14	9	---	13
2010	10	9	15	4	13	12	11	23
2011	11	9	13	11	19	0	10	11
Transport services								
1995-1990	6	4	7	---	---	---	---	11
2000-1995	3	1	1	3	---	---	---	3
2005-2000	11	3	11	12	15	---	---	11
2010-2005	7	6	9	5	13	9	9	8
2010	16	16	19	9	20	19	19	27
2011	9	12	15	9	15	5	19	6
Travel								
1995-1990	9	7	10	---	---	8	---	---
2000-1995	4	6	7	2	---	6	---	3
2005-2000	8	2	6	9	18	15	---	10
2010-2005	6	4	7	3	9	8	15	14
2010	9	9	11	-1	1	10	25	25
2011	12	10	7	13	29	-4	9	17
Other trade services								
1995-1990	10	11	10	---	---	---	---	16
2000-1995	7	10	9	---	---	---	---	5
2005-2000	13	8	11	15	25	---	---	14
2010-2005	10	9	15	9	19	11	---	15
2010	9	8	17	4	12	9	-9	20
2011	11	8	17	12	18	3	4	11

Source: WTO database. http://www.wto.org/english/res_e/statis_e/its2012_e/its12_trade_category_e.htm.

Table 16 Commitments under GATS of Arab countries members of WTO

Country	Number of commitments
Bahrain	22
Egypt	44
Iraq	Not member of WTO (observer status)
Jordan	110
Kuwait	61
Lebanon	Not member of WTO (observer status)
Libya	Not member of WTO (observer status)
Morocco	45
Oman	97
Qatar	46
Saudi Arabia	120
Syria	Not member of WTO (observer status)
Tunisia	20
Palestine	Not member of WTO
Sudan	Not member of WTO (observer status)
UAE	46
Yemen	Not member of WTO (observer status)

Source: WTO data.

Table 17 Trade Restrictiveness Index

	Total Trade Restrictiveness Index	Mode 1 - Cross-border supply	Mode 2 - Consumption abroad	Mode 3 - Trade participation	Mode 4 - Movement of natural persons	
Financial services	Banking sector					
	Egypt	0.85	1.49	0.00	1.03	1.07
	Jordan	0.41	1.10	0.00	0.22	1.82
	Morocco	1.16	1.98	3.33	0.34	0.19
	Lebanon	0.20	0.00	0.00	0.04	2.69
	Insurance sector					
	Egypt	0.50	0.00	0.00	0.62	1.55
	Jordan	0.88	2.27	2.10	0.32	1.88
	Morocco	1.61	3.44	3.17	0.91	0.40
Communications services	Wired communication					
	Egypt	1.22	0.64	2.05	1.36	1.81
	Jordan	0.85	0.02	0.00	1.08	2.23
	Morocco	0.80	0.64	2.05	0.81	0.73
	Wireless communication					
	Egypt	0.99	0.00	0.00	0.77	2.24
Jordan	0.78	0.00	0.00	0.67	2.66	
Morocco	0.59	0.00	0.00	0.67	1.16	
Transport services	Maritime transport					
	Egypt	0.55	0.75	---	0.52	0.17
	Jordan	0.36	0.5	---	0.34	0.37
	Morocco	0.59	0.5	---	0.64	0.25
	Air transport					
	Egypt	0.73	0.65	---	0.85	0.36
	Jordan	0.47	0.46	---	0.49	0.36
Morocco	0.49	0.41	---	0.60	0.10	

Note: (---) refers to data non-availability.

Source: Marouani, Mohamed Ali and Laura Munro (2009).

Table 18 Contribution of the services sector in Arab economies (percentage of GDP)

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Egypt	50.1	50.1	49.1	48.4	48.3	49.2	47.5	49.5	49.2	48.9	48.4	49.3
Iraq	10.2	13.2	17.6	21.2	---	---	---	---	---	---	---	---
Jordan	72.1	71.9	70.3	70.1	68.5	68.0	68.0	65.5	63.4	64.8	65.8	65.5
Kuwait	40.4	45.5	50.3	48.5	---	---	---	---	---	---	---	---
Lebanon	70.1	70.0	70.8	71.4	71.6	72.4	72.6	71.0	71.3	70.4	71.1	73.5
Libya	---	---	28.7	20.5	28.4	22.1	19.4	21.4	19.9	---	---	---
Morocco	55.9	55.8	56.1	54.7	55.1	57.1	55.9	58.9	55.0	55.0	54.9	55.0
Oman	40.8	43.6	44.4	44.1	43.0	---	---	---	---	---	---	---
Saudi Arabia	41.1	43.5	43.4	41.1	38.3	33.5	32.0	31.5	27.4	38.0	37.7	---
Sudan	37.0	38.3	37.6	39.3	39.6	40.7	42.4	42.7	41.0	48.8	46.8	47.3
Syria	38.3	39.7	40.9	44.9	42.9	44.3	45.5	49.0	49.3	46.4	---	---
Tunisia	58.3	59.3	60.8	61.0	60.5	60.6	60.1	59.3	58.3	59.5	59.7	58.3
UAE	49.2	48.0	50.2	48.9	46.6	42.0	40.9	44.2	41.0	45.6	43.5	---
Yemen	39.8	43.4	44.5	44.0	43.1	40.4	40.6	53.2	56.6	52.4	62.8	---
Average	46.4	47.9	47.5	47.0	48.8	48.3	47.7	49.7	48.4	53.0	54.5	58.2

Note: (---) refers to data non-availability.

Source: ESCWA calculations based on World Bank, World Development database.

Table 19 Employment in the services sector in the Arab region, 2000-2010
(Percentage of total labour force)

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bahrain		68.60			84.20						
Egypt	49.10	50.20	51.90	50.40	48.20	47.50	46.60	46.00	45.30		
Iraq					65.20		52.60	59.70	58.30		
Jordan	73.30	74.10	74.70	74.60	73.70	75.90	76.90	77.30	78.10	77.50	79.20
Kuwait				81.70		76.00					
Morocco	62.80	63.80	35.50	35.90	34.70	35.00	36.30	36.70	37.20		
Oman	82.20										
Qatar		59.00			56.20		55.50	45.70			
Saudi Arabia	74.00	72.80	74.40				75.80	74.90	75.90	75.50	
Syria	41.00	43.10	41.10	47.40			52.10	51.80	52.90	52.30	52.80
UAE	58.70					54.50			71.20		
West Bank and Gaza strip	51.90	59.60	61.00	58.40	59.40	59.10	60.00	60.60	60.90		

Note: Green indicates an increasing share of labour force in services; orange indicates a fixed share; red indicates a decreasing share; and white indicates data non-availability.

Source: ESCWA calculations based on World Bank, World Development database.

Table 20 Joint financing activities of the Arab Fund for Economic and Social Development with national, regional and international development institutions

	Contributors	Total Amount (Million Kuwaiti dinars)	Contribution (Percentage)
1.	(a) National and regional development institutions		
	Arab Fund for Economic and Social Development	3 572.0	32.0
	Kuwait Fund for Arab Economic Development	1 146.4	10.3
	Abu Dhabi Development Fund	295.5	2.6
	Saudi Development Fund	491.9	4.4
	Islamic Development Bank	850.8	7.6
	OFID (OPEC Fund for International Development)	100.1	0.9
	Iraqi Fund for External Development	5.0	---
	Libyan Arab Foreign Bank	3.0	---
	Subtotal	6 464.7	57.8
	(b) Other Arab sources	525.5	4.7
2.	International financial institutions		
	World Bank	725.3	6.5
	International Fund for Agricultural Development (IFAD)	54.3	0.5
	African Development Bank	652.1	5.8
	Subtotal	1 431.7	12.8
3.	Foreign governments and their development institutions	2 754.4	24.7
	Grand Total	11 176.3	100.0

Source: Arab Fund for Economic and Social Development. <http://www.arabfund.org/default.aspx?pageId=448>.

Table 21 Road network in Arab countries

Country	Area (in thousand km ²)	Length of road network (km)				Share of each km ² of the road network (km)	Share per thousand individuals of the road network (km)	Roads of every country to total network (percentage)
		Main paved roads (a)	Secondary and other paved roads (b)	(c)=(a)+(b)	a÷c (percentage)			
Algeria	2 382	78 801	30 151	108 952 (4)	73	0.05	3.4	14.1
Bahrain	0.7	441	3 162	3 603 (3)	13	5.1	5.1	0.5
Comoros	2	-	-	***	-	-	-	-
Djibouti	23	-	8 095	***	-	-	-	-
Egypt	1 002	78 641	20 960	99 544 (4)	79	0.09	1.4	12.9
Iraq	435	11 053	29 411	40 464 (4)	28	0.09	1.5	5.2
Jordan	89	3 202	4 492	7 694 (1)	42	0.09	1.4	1
Kuwait	18	5 507	-	5 507 (5)	100	0.31	2.3	0.7
Lebanon	11	7 700	-	7 700 (6)	100	0.7	1.6	1.0
Libya	1 776	47 590	35 610	83 200 (1)	58	0.05	14.1	10.8
Mauritania	1 031	2 971	-	11 066 (1)	27	0.01	4.0	1.4
Morocco	711	35 026	21 960	56 986 (4)	62	0.08	1.9	7.4
Oman	310	16 548	25 780	42 328 (4)	39	0.14	17.6	5.5
Palestine	6	**5 147	-	5 147 (1)	100	0.86	1.3	0.7
Qatar	11	**7 761	14 968	7 761 (4)	100	0.71	0.9	1.0
Saudi Arabia	2 250	44 097	118 854	162 951 (3)	27	0.07	6.5	21.1
Somalia	638	-	-	***	-	-	-	-
Sudan	****1 882	**7 200	-	7 200 (6)	100	0.01	0.9	3.9
Syria	185	37 074	12 512	49 586 (1)	75	0.26	2.7	6.4
Tunisia	164	4 221	14 776	18 997 (2)	23	0.12	1.9	2.5
UAE	84	4 030	-	4 030 (2)	100	0.05	0.9	0.5
Yemen	555	11 395	14 968	26 363 (4)	44	0.05	11.1	3.4
Total	13 566	408 405	340 674	749 079	55	0.054	2.4	100

** Including all kinds of roads.

*** Unavailable.

**** As reported by the Office for Economic Planning in the Embassy of the Sudan (January 2013).

(1) 2005.

(2) 2004.

(3) 2006.

(4) 2003.

(5) ESCWA data.

(6) 2000.

Source: Arab Union for Land Transport, 2006, Statistics on road network in Arab countries.

The Arab region is enviably placed for close cooperation, with a common language and culture, a shared history and geographical proximity. No other regional grouping in the world started from such promising beginnings. Around the world, even the greatest powers have seen fit to become part of larger entities in order to manage globalization and the fierce competition it brings. Meanwhile, Arab countries – fragmented and divided – try to face as individual States external pressures, domestic challenges and emerging risks in a world more interconnected and complex than ever before.

The Arab world has missed out on the benefits that even a minimum level of integration could bestow on human development and national security. Fragmentation has caused the development efforts to falter in the past, and may do so again in the future. Civilizational integration offers a serious process of cooperation and integration that would free the Arab people from fear and want, and restore the region to its rightful place in the world.

Civilizational integration is the theme of this report, which highlights lessons of the past, present-day obstacles, and future visions for the region to use its full potentials, compensate missed opportunities and create an impetus toward an active civilizational integration. No matter how long this integration would be delayed, it remains the only path to achieving a human renaissance across the Arab region.



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