UNITED NATIONS

Economic and Social Commission for Western Asia



Partnerships for Sustainable Development in the Arab Region

Dr. Abdallah Al Dardari

Director, Economic Development and Globalisation Division































The essence of MDG 8 – Two dimensions



At the global level, the need to...

- ...to build a macro framework to achieve the global goals.
- ... to understand development financing as being the outcome of the global responsibility and to commit to achieve the quantifiable targets within the set timeframe.

Adaptation to the regional level, to create a "regional partnership for development" means:

- Building a pro-development regional system and;
- Commitment to quantifiable, time bound and unconditional regional development financing mechanisms tailored to regional developmental priorities.

The review of MDG 8 in the Arab MDG Report 2011



Current status of regional integration along the main dimensions of...

- Trade (especially intra-regional) see following example
- Financial flows (capital flows and FDI)
- Labour mobility (including remittances)
- ODA disbursement from regional donors
- Debt

The regional partnership for a fair, equitable and inclusive development should go beyond trade, financial and labour integration.

It can be a means to pool resources for a widened regional policy approach applied to such as health, education, employment and social protection.



Principle:

Estimate bilateral trade potential given the characteristics of the economies

Methodology:

Used different dependant variables:
total exports, non-oil exports and manufacturing exports
Tried various estimation techniques
OLS, Tobit and Random Effects

Scenarios

Magnitude of the gap
Comparison to other regions
Impact of GAFTA
Structure of the economy

Magnitude of the gap over time

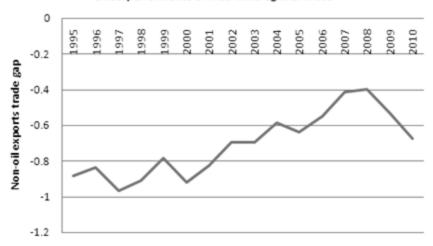
Testing for structural bre		
	Before_2003	After_2003
Reporting GDP	1.342***	1.417***
Partner GDP	0.938***	0.976***
Distance	-1.121***	-1.128***
Intra Arab trade	-0.924***	-0.549***
Common language	1.313***	1.269***
Constant	-39.491***	-42.769***
R-squared	0.615	0.645
N	31368	33569

Between 1995 and 2003, Arab countries underperformed by around 60%

After 2003, this underperformance has been reduced to around 40%

With the past trend it will take **20 years** necessary to close the gap





Trade performance compare to other regions

Adding various standard control variables, dependent variable non-oil export				
	1	2	3	4
Reporting GDP	1.362***	1.708***	1.732***	1.728***
Partner GDP	0.940***	1.145***	1.166***	1.162***
Distance	-1.107***	-1.108***	-1.018***	-0.985***
Intra Arab trade	-0.670***	-0.829***	-0.680***	-0.560***
Common language	1.194***	1.220***	1.233***	1.113***
Border	0.069			0.231***
Same country	0.468***			0.522***
Common colonizer	0.638***			0.579***
Reporting population		-0.489***	-0.506***	-0.508***
Partner population		-0.286***	-0.300***	-0.302***
Intra Mercosur trade			-0.577****	-0.587***
Intra ASEAN trade			1.573***	1.531***
Intra SAARC trade			1.298***	1.221***
Constant	-40.383***	-41.555***	-42.985***	-43.054***
R-squared	0.631	0.655	0.658	0.659
N	64937	64937	64937	64937

The Arab region underperforms relative to two other regions: the ASEAN and the SAARC

Arab performance is similar to MERCOSUR which trade is around 60% below potential

Impact of the GAFTA

Testing policies and the GAFTA		
	Policy_Options	GAFTA
Reporting GDP	1.013***	1.339***
Partner GDP	0.987***	0.959***
Distance	-1.050***	-1.154***
Intra Arab trade	-0.684***	
Common language	1.138***	1.018***
State failure index	-0.177***	
Tariff	-0.006***	
Exchange rate	-0.006***	
Reporting GAFTA member		-1.177***
Partner GAFTA member		-0.315***
Intra GAFTA trade		0.764***
Constant	-30.745***	-39.622***
R-squared	0.694	0.64
N	19421	64937

The GAFTA has had a positive impact on intra-regional trade.

GAFTA increased trade among its members by 114% since 1998

However, the net trade effect of the GAFTA agreement has been negative (52%)

This is because the intra bloc net trade creation is smaller than the trade diversion with the rest of the world.

The impact of the structure of the economy

Testing economic structure			
	Concentration	Diversification	Oilshare
Reporting GDP	1.151***	1.020***	1.234***
Partner GDP	0.993***	0.974***	1.000***
Distance	-1.137***	-1.076***	-1.122***
Intra Arab trade	0.002	-0.228***	0.286***
Common language	1.143***	1.190***	1.086***
Concentration index	-4.530***		
Diversification index		-5.895***	
Oilshare			-0.030***
Constant	-34.723***	-29.135***	-37.673***
R-squared	0.691	0.675	0.68
N	64937	64937	53605

If we take into account the structure of the Arab economies, intra-regional trade is close to potential.

The main obstacle to deeper Arab regional trade integration is the similarity of the structure of the economies.

A proposal on the way forward together...



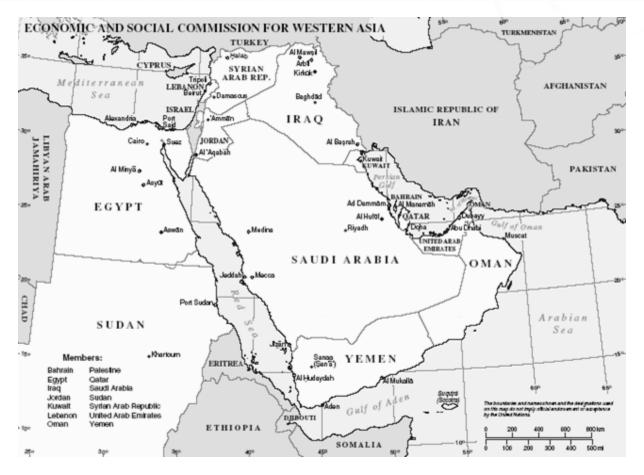
The central idea of a regional partnership requires the wealthier countries in the region to support the six Arab LDCs, as well as Palestine, as they are facing enormous development challenges.

Policy suggestions (with a validity beyond 2015):

- Establish a regional development bank
- Regional fund dedicated to the attainment of MDGs
- Joint expert group to formulate a regional strategy
- Setting standards and evaluation mechanism for financing
- Provision of effective technical support
- Assessing aid effectiveness at the regional level
- Assessing intra-Arab trade, financial exchange and debt arrangements

Thank you!





For additional information, please contact:
UNITED NATIONS – ESCWA
P.O. Box 11-8575, Riad el-Solh,
Beirut – Lebanon

Web: http://www.escwa.un.org/

Additional example...



