Trends in Trade and Investment Policies in the MENA region

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Main Global Trends in Trade & Investment

1. **Structural shift in global trade and trade patterns** towards Emerging Market Economies & Asia
2. **Trade in Services:** fastest growing component of total trade
3. Technological change & innovation is leading to **rapid growth in e-services and digital trade**
4. **Fall in transport & logistics costs: Global Value Chains** & rapid growth of trade in intermediate goods and inputs
5. Move away from Multilateral Agreements towards deeper & more **comprehensive bilateral & regional agreements**

MENA trade characteristics: high export concentration, limited economic complexity, diversification & participation in GVCs; dismal regional & intra-regional trade & investment

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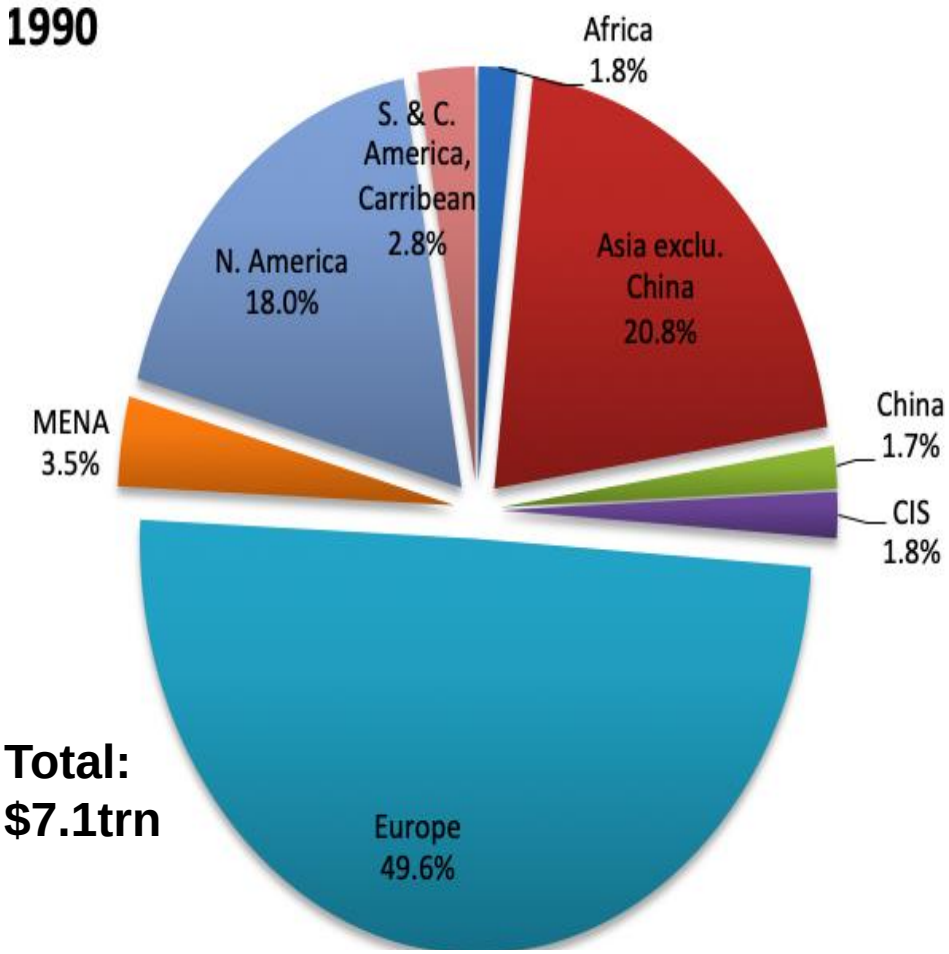
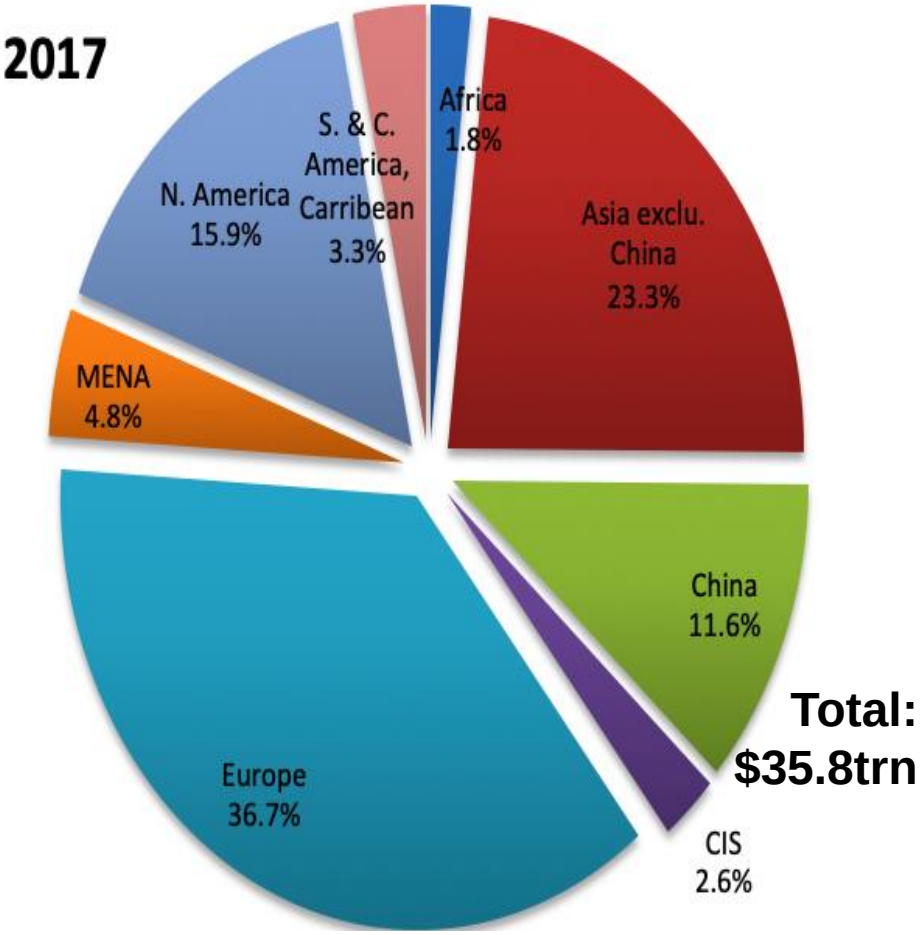
Structural shift in global trade and trade patterns towards EMEs and China





Source: WTO. Note: Trade values include exports and imports of each region
MENA region includes Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestinian Authority, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates and Yemen.

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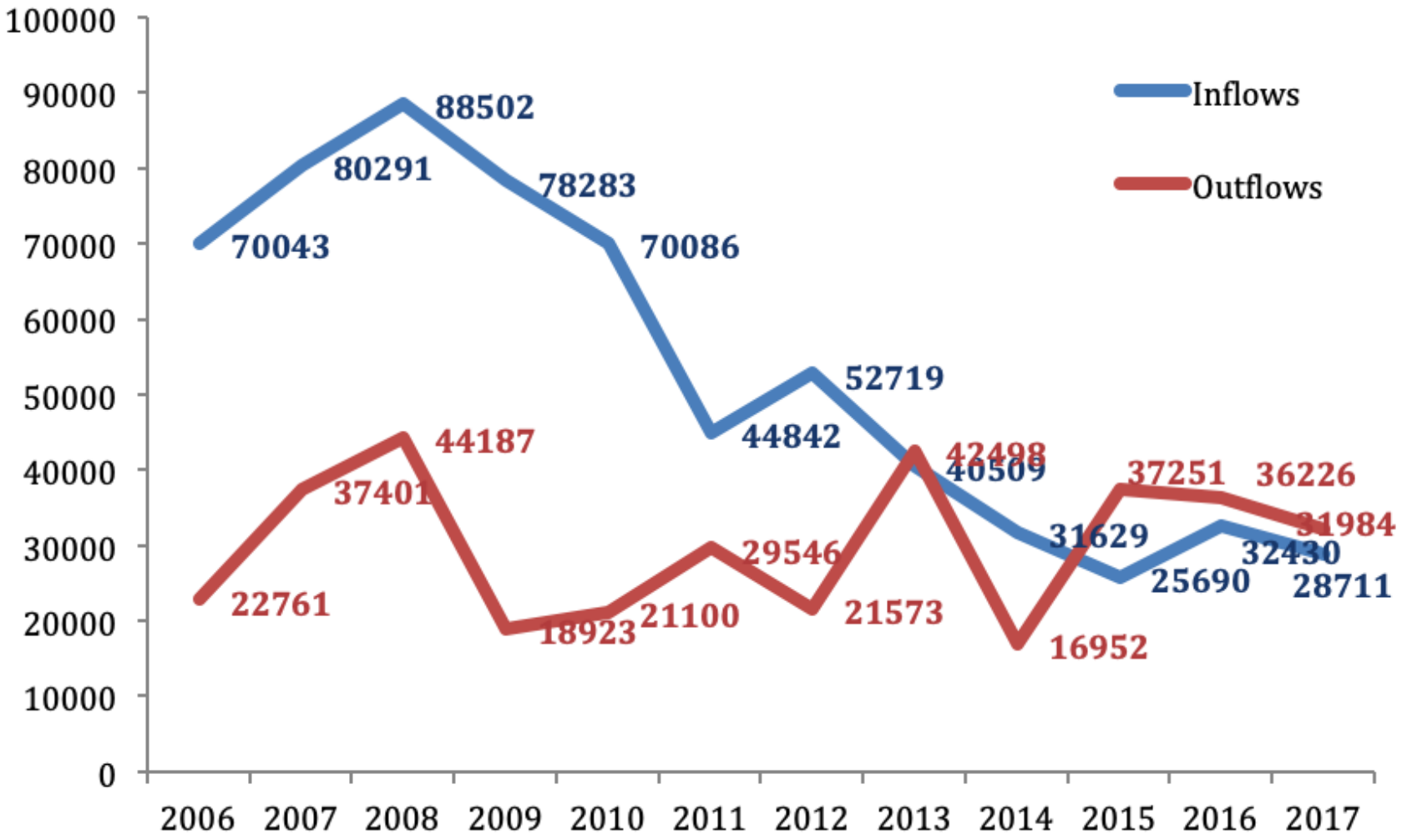
FDI inflows into & outflows from MENA have not recovered from the GFC ($mn)



Source: Annual Investment Climate 2018 report, The Arab Investment & Export Credit Guarantee Corporation (Dhaman). Countries tracked by Dhaman, and included under MENA are Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, UAE &Yemen.

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Main Challenges/barriers for MENA

- **Tariffs and Non-Tariff Barriers**: e.g. lack of uniform standards & harmonisation, pervasive red tape and corruption
- High scores on **Services Trade Restrictiveness Index**
- **MENA underperforms on Trade facilitation** though dispersion is wide across the region
- Trade & Investment **agreements remain "ink on paper"**
- **Lack of trade diversification**
- **Low regional integration**
- **Business & Investment barriers:** licensing processes, complex regulations, opaque bidding & procurement procedures
- **Competition policies** as a barrier to trade & investment (e.g. commercial agency framework)
- **Wars, sanctions & political barriers**
- **Statistics**: no regional standardisation or exchange of information

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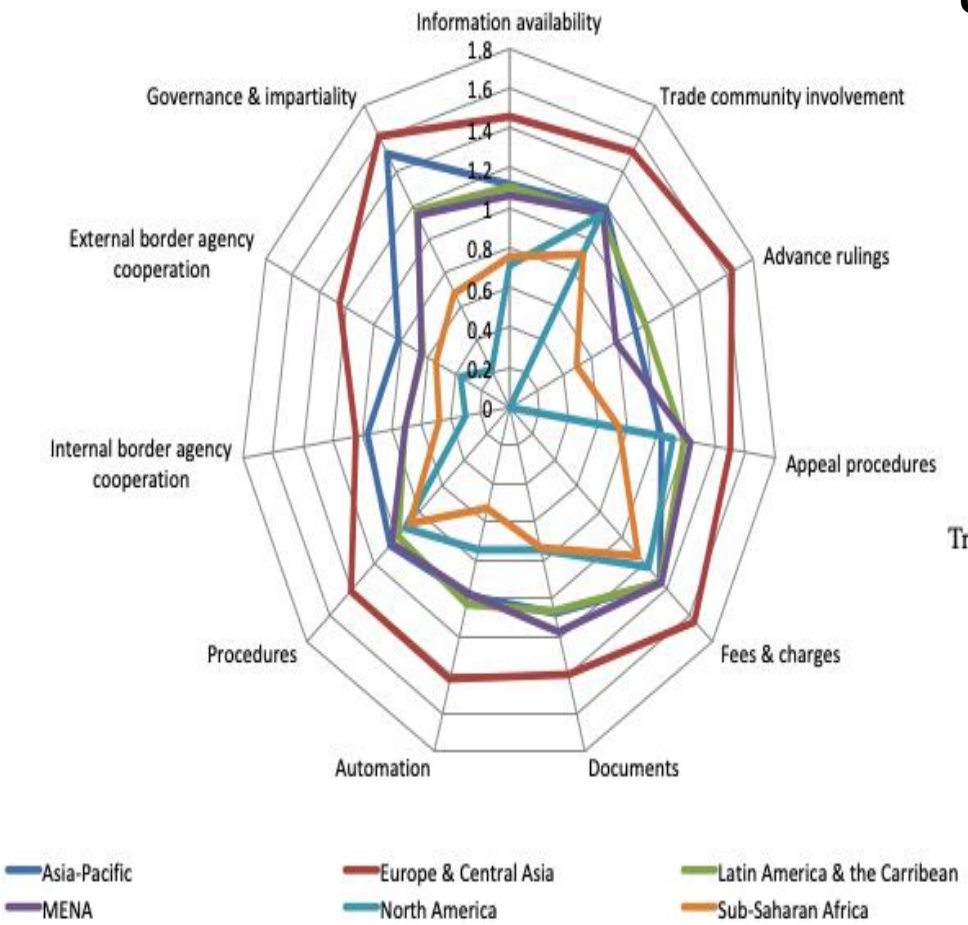
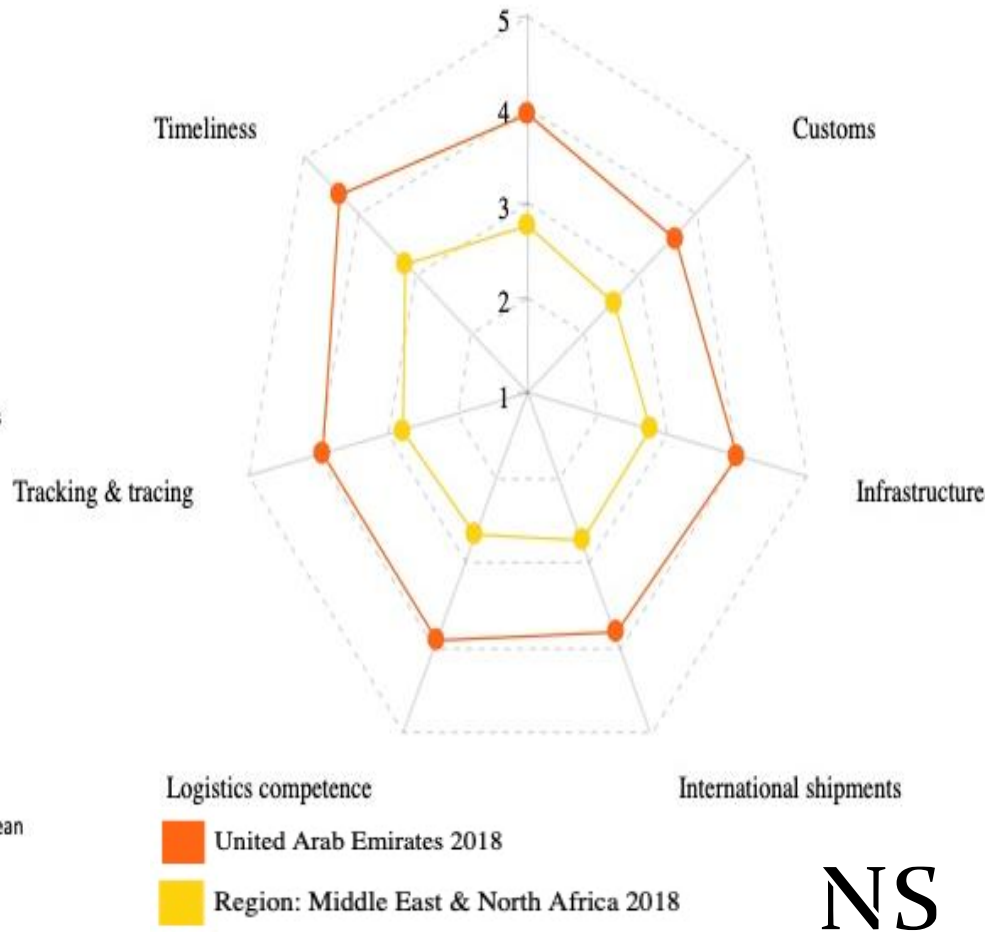
Trade Facilitation: a long way to go

OECD Trade Facilitation Indicators



Source: OECD

Logistics Performance Index 2018: UAE vs. MENA



Source: World Bank

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Recent reforms in the MENA region supporting trade & investment

Lowering Costs of Doing Business:

- Removing or reducing minimum capital requirements
- Streamlining registration procedures
- Building online platforms to aid registration and payments
- Setting up one-stop shops

Reforms Enabling Trade:

- Reduction in time via lowering document requirements
- Improvements in trade facilitation measures

Investment reforms:

- Updating investment & company laws
- Entry of foreign investors into prev. restricted sectors + raising foreign ownership limits

Legislative & institutional reforms (non-exhaustive):

- Bankruptcy and insolvency laws; protecting minority investors
- Setting up new credit bureaus, movable collateral registries
- Active negotiation of bilateral investment treaties & DTAAs
- Investment promotion agencies were set up
- Privatisation & PPP policies

Improvements in governance, transparency, tackling corruption/ red tape

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Recommendation & policy prescriptions

- Invest heavily in **trade-related infrastructure & logistics**;
- Deepen **intra-regional trade** through trade facilitation;
- Invest in moving towards greater **Digital Trade facilitation**;
- **GCC can be engines of economic integration**;
- New trade & investment agreements are needed to **reflect the shift in trade partners towards Asia**;
- **Non-trade policy reforms** are equally important: e.g. legal and institutional framework;
- **Digital transformation**: from transport (EVs), to banking & finance (Fintech), to health and agriculture (Agrytech);
- Availability, harmonisation and dissemination of **regular, timely, comparable and quality statistics**

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