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Trade among the Arab Countries: Directions, Trends, and Prospects, 1990-2004

M.A. Thesis

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Abstract

This thesis studies the directions, trends, and prospects of trade among the Middle Eastern Arab countries between the year 1990 and 2004. For analytical purposes the Arab region is divided into three sub-regions: the Levant states, the Gulf Cooperation Council states, and North African Arab states.

Improving economic performance in the Arab countries is seen, at the moment, more critical than ever, since the region faces high population growth rates, rising unemployment, and modest economic growth coupled with increasingly intense competition from emerging markets in Europe, America, and Asia. To meet these challenges, the region is required to find ways to overcome economic and trade obstacles, and by implication political obstacles, that impede economic growth.

The purpose of my thesis is to analyze the directions of trade among the Arab countries, and to propose ideas for better economic performance.

Economic prosperity worldwide has been increasingly associated with expanding trade. The biggest economic blocs or spheres in the world, such as Europe, North America, and East Asia rely in large part on intra-regional trade for their prosperity and growth. The Arab region is an exception to this rule. As the analysis in this thesis show, intra-regional trade among the Arab countries constitutes a small percentage of the region's total trade.

Outline

Trade among the Arab Countries: Directions, Trends, and Prospects, 1990-2004

Chapter I

Introduction

Many Arab governments have tried to handle difficulties and push ahead with national priorities. One could say that the Arab countries have made progress in the past decade in spite of the difficulties they have gone through. Though Arab governments have tried to maintain economic stability and focus on solving poverty and inequality, the challenges facing the region demand greater policy effort than has been made so far. In other words, it is hard to escape the reality that this region has remained a marginal player in the world economy.

Despite more than fifty years of repeated attempts at Arab economic integration, the results in terms of intra-regional trade and investment flows have been very modest. Nevertheless, Arab countries of the Middle East and North Africa regions have great potential for economic growth and prosperity in the twenty first century; yet for this potential to be realized government and private sectors leaders in the region need to build partnerships for development. Across the region, Arab governments have affirmed their commitment to moving from the old inward-looking and state-led model of development to a more outward-looking market economy. But the transition towards this goal has been slow and patchy. A new commitment and strong decisive action are needed.

The aim of this study is to shed light on trade among the Arab countries between 1990 and 2004, by focusing on the changes each country went through, the reasons beyond such changes, and a glance into the future.

Trade among Arab countries has been consistently weak in spite of several efforts to engage into different forms of regional economic integration. In 1994, the inter-trade volume of Arab countries as percentage of their total exports was around 8.3 percent. This rate compares unfavorably with the corresponding rates of many regional groupings from both developed and developing countries. To better compare, the latter ratios were 61.7 percent for the European Union, and 21.2 percent for South-East Asia, which shows trade performance among Arab countries.[1]

There exist many factors that explain the weakness of inter-Arab trade and the failure of previous Arab regional agreements to stimulate trade among Arab countries; factors such as difference in economic systems, similarity in production and traded goods, lack of adequate transportation infrastructure compounded by distance, overprotection, heavy reliance on trade taxes, lack of convertibility of Arab currencies, lack of market information, weakness of marketing strategies, and poor competitiveness of products. Last but not least, trade among Arab countries is very sensitive to political events as well as relationships among these countries.

To illustrate more, the share of Arab countries exports going to industrial countries during the 1990s ranged between 48 to 54.5 percent, while the share of their exports going to developing countries ranged between 40 to 46 percent. Moreover, the percentage of total exports of Arab countries to the Middle Eastern states ranged between 16 to 20 percent, while to North Africa, the percentage ranged from 5 to 5.5 percent.[2] On the other hand, when considering the sources of imports of Arab countries, one cannot but notice that Arab countries exceed other developing countries in their dependence on

[1] UNCTAD: *Handbook of International Trade and Development Statistics*. 1997. P.12.
[2] *Direction of Trade Statistics Yearbook*. International Monetary Fund. 1997. P.3.

the European Union, the Middle East, the rest of Europe and Africa as sources of their imports. They, however, do not depend on other regions as much as the rest of developing countries do. During the 1990s, Arab countries' percentage of total imports did not exceed 15 percent of their total trade, and imports from African countries did not exceed 6 percent. The point we keep on stressing in this paper is the fact that inter-Arab trade does not exceed 8 percent of the total Arab trade with foreign countries, while the total trade of the Arab world constitute only 2.5 per cent of global trade. At the same time, inter-Arab exports reached $14.6 billion in 1998 out of a total export of $134 billion, while inter-Arab imports reached $12.6 billion out of $147.5 billion total imports. Minerals and fuels, accounting overall for more than one-third of their total exports, dominate Arab countries' exports. On average, Kuwait, Morocco, Tunisia, U.A.E., and to a lesser extent Egypt, Jordan, Oman, Qatar and Bahrain show a relatively diversified set of exports. Resource-rich countries like Saudi Arabia, Algeria and Libya have remained heavily concentrated on crude petroleum and/or natural gas. This clearly limits these countries capacity to engage in mutually beneficial bilateral trade in the region. All of this will be discussed in details throughout the following chapters. Another important point to add is that the imports of food, like many other developing countries, accounts for more than 10 percent of imports, making almost all Arab countries net importers of food.

The common average share, over the period 1990-2004, of inter-Arab trade in total trade, inter-Arab imports in total imports, and inter-Arab exports in total exports, did not exceed 10 percent. Moreover, this paper shows that export composition of Arab trade, reveals a heavy concentration in minerals and fuels, chemicals, manufactured goods and other miscellaneous manufactures, machinery and transport equipment, for imports. Arab countries rely heavily in their trade on non-Arab countries. While, their exports are split evenly between industrial and developing countries, the former predominantly supplies imports.

The whole analysis of this thesis is related to Arab countries' trade performance and more importantly, the factors that lead them to scarcely trade with each other.

__Chapter II:__ Overall Arab Trade Volumes and Directions

This chapter is an overview of the volume of trade among Arab countries, and the directions they took during the last 15 years. Each sub-region has different natural resources and trade products; but most importantly, they have political differences. It is becoming increasingly important for Arab countries to put aside political differences for the sake of common economic interests. The Arab countries are facing a set of challenges, including weak economic growth, high unemployment rates, high internal and external debt levels, and limited export capabilities. All of these challenges require more serious co-operation among Arab countries, for the coming period is one of regional economic blocs. The countries of the region must look at the common challenges and interests that tie them together since growing Arab cooperation would help the Arabs reach their objectives. For Arab countries, a unified position is difficult to achieve since each has a different economy and one can find more differences than common points. The Arab countries must address about different national priorities, and use these dissimilarities not as conflicts but as interests.

__Chapter III:__ The Levant Arab States

The first sub-region taken into consideration in relation to trade among Arab countries is the Levant Arab states. This chapter is an illustration of trade in Lebanon, Syria, Jordan, and Iraq. The discussion focuses on each country's imports and exports since the early 1990s and the way they evolved. Lebanon's trade is discussed in relation to the changes in agricultural exports, its industry, tourism, services, and its labor force. While with Syria, the focus will be on the priority the new government has given to economic reform in order to develop a market economy, and as a result show trade movements since the early 1990s. And finally, the research discusses Iraq and the effects of the wars there on regional trade. The Iraq wars did not affect Iraq only, but in a certain way, other Arab countries as well.

Chapter IV: Lebanon's Regional Trade

In this chapter, both Lebanese imports and exports will be discussed in details in relation to other Arab countries and the foreign market. There exist few main sectors I would like to focus on, which are: tourism, services, industry and agriculture. Following a chronological order since the early 1990s and even few years before, we will discuss the latter sectors. Finally, the chapter will be ended by a glance to prospects for the year 2004 and beyond. Major changes occurred over the past few years, and Lebanon has been trying to expand its exports.

Chapter V: Gulf Cooperation Council Countries

Political events play a major role in the economy. This chapter is concerned with trade in Saudi Arabia, U.A.E, Qatar, Bahrain, Kuwait, and Oman. The most important source of income in these Arab countries is the sale of oil.

The economies of the GCC rely on income from the sale of crude oil, refined oil products, and petrochemical products produced from local oil and gas resources.

As mentioned, the GCC states are, to varying degrees, oil and gas rich; but the Gulf wars affected their economy in a major way. The embargo on Iraq and its consequences is one of the discussions in this chapter; another is the new perspective the economy took by the end of the wars and the way Arab countries' trade shifted over the years.

Chapter VI: North African Arab Countries

Trade conditions in the North African Arab countries have not been different from that of Levant Arab countries nor GCC countries since the export sectors have been lacking in recent years followed by an increase in imports. This chapter discusses trade in Egypt, Algeria, Morocco, Tunisia and Libya. Some of these countries rely on oil for the growth of their economy, but agriculture has its share too in the countries' economies. The focus in this chapter is on Egypt as one of the most significant markets in the Middle East, given the size of its economy, and its strategic importance in the region. Moreover, the chapter discusses exports and imports from other Arab countries. Then, the focus turns to Algeria's reliance on hydrocarbons; and finally, a discussion on Tunisia and Libya's trade performance since the early 1990s.

Chapter VII: Evaluation of Arab countries' Economies

Arab countries could become full partners in the global economy, with a vision of development, which is very much related to policy-making in the region as well as the global market. The attempts taken for creating economic co-operation between Arab States have been short and unsuccessful.

The Arab countries' trade performance has been poor. I conclude my study by evaluating Arab countries' economies, the attempts to a common Arab market, and finally, proposing different ways that could help improve trade among Arab countries and lead them to growth and prosperity.

Chapter II

Overall Arab Trade Volumes and Directions

Many Arab governments have tried to handle difficulties and push ahead with national priorities. One could say that the Arab countries have made progress in the past decade in spite of the difficulties they have gone through, whether political or economic i.e. the Iraq-Iran war, the oil crisis, the Gulf war, and recently the American war on Iraq. But, even though Arab governments have tried to maintain economic stability and focus on reducing poverty and inequality, the challenges facing the region demand greater policy effort than that being made nowadays. In other words, it is hard to escape the reality that this region has remained a marginal player in the world economy. Despite more than fifty years of repeated attempts at Arab economic integration, the results in terms of intra-regional trade and investment flows have been very modest. Nevertheless, Arab countries of the Middle East and North Africa region (MENA) have great potential for economic growth and prosperity in the twenty first century. Yet, for this potential to be realized, government and private sector leaders in the region need to build partnerships for development. Across the region, Arab governments have affirmed their commitment to moving from the old inward-looking and state-led model of development to a more outward-looking market economy. The transition towards this goal has been slow and patchy; a new commitment and strong decisive action are needed.

The rationale of this research is to study the trade among the Arab countries between 1990 and 2004 by focusing on the changes each country went through, the reason for such changes, and a glance into the future.

In principle, the Arab states of the MENA region offer good opportunities for mutual trade, since they include countries with widely varying per capita incomes, ranging from the very poor to high-income countries. Domestic markets also vary widely in size, ranging from Egypt's population of around 72 million to Kuwait's around 2 million, but with a mid-range cluster of countries with populations of 14-28 million.[1] Taking the region as a whole, economic activity is also quite diversified; productive structures reflect the importance for regional Gross Domestic Product (GDP) of agriculture and, increasingly, light manufacturing as well as the oil industry.

Trade among Arab countries has been consistently weak in spite of several efforts to engage into different forms of regional economic integration. In 1994, the inter-trade of Arab countries as percentage of their total exports was around 8.3 percent.[2] This rate compares unfavorably with the corresponding rates of many regional groupings from both developed and developing countries. To better compare, the latter ratios were 61.7 percent for the European Union, and 21.2 percent for South-East Asia.[3] The Arab countries' population is around 290 million inhabitants[4], and yet inter- Arab trade is only 8 to 10 percent of their total trade. This matter requires additional economic integration among the Arab states to become a common market that can include the largest share of national product.

[1] Population Reference Bureau. *World Population Data Sheet*. 2003. P.2.
[2] UNCTAD *Handbook of International Trade and Development Statistics*. 1997. P.12
[3] *Trade Issues, Bilateral Trade Relations*. 2004. P.1.
[4] Gulf News. *Arab Population rose to 289million Last Year*. Kawach N. 2002 .P. 2.

There exist many variables that play a role in facilitating or hampering trade among countries. These include: the level of development, population size, membership in a preferential trade area or customs union, protectionism, factor endowments, commodity composition of trade, economic proximity, exchange rate risk and variability, and price variables. The incorporation of the reverse trade reflects the presence of reciprocity in trade among Arab countries. The higher the value of trade in one direction, the higher it will be in the other direction. The factors that explain the weakness of inter-Arab trade are factors such as difference in economic systems, similarity in production and traded goods, lack of adequate transportation infrastructure compounded by distance, overprotection, heavy reliance on trade taxes, the lack of convertibility of Arab currencies, lack of market information, weakness of marketing strategies, and poor competitiveness of products. Last but not least, trade among Arab countries is very sensitive to political events as well as relationships among these countries.

To illustrate more, the share of Arab countries' exports going to industrial countries during the 1990s ranged between 48 to 54.5 percent, while the share of their exports going to developing countries ranged between 40 to 46 percent. Moreover, the percentage of total exports of Arab countries to the Middle Eastern states ranged between 16 to 20 percent, while to North Africa, the percentage ranged from 5 to 5.5 percent.[5] On the other hand, when considering the sources of imports of Arab countries, one cannot but notice that Arab countries exceed other developing countries in their dependence on the European Union, the rest of Europe and Africa as sources of their imports. They, however, do not depend on other regions as much as the rest of developing countries do. During the 1990s, Arab countries' percentage of total imports did not exceed 15 percent

[5] *International Monetary Fund: Direction of Trade statistics Yearbook.* 1997. P.3.

of their total trade, and imports from African countries did not exceed 6 percent. The point to be underscored in this paper is the fact that inter-Arab trade does not exceed 8 percent of the total Arab trade with foreign countries, while the total trade of the Arab world constitute only 2.5 percent of global trade. At the same time, inter-Arab exports reached $12.7 billion in 1998 out of a total export of $137 billion, while inter-Arab imports reached $11 billion out of $136.7 billion total imports.[6] Implementing the decision to set up a common market would help increasing the percentage of inter-Arab trade to 50 percent from the current 8 to 10 percent.

For a further illustration, the broad composition of Arab intra-trade is as follows: mineral fuels and manufactures by materials, which account each for 32 percent of all intra-Arab exports, represent the two major components of intra-Arab trade, although there exist considerable variations among Arab countries. On average, Kuwait, Morocco, Tunisia, United Arab Emirates (UAE), and to a lesser extent Egypt, Jordan, Oman, Qatar and Bahrain show a relatively diversified set of exports. Some of these countries such as Kuwait and Tunisia have turned the structure of their exports around during the past ten-to-fifteen years while others such as Egypt, Morocco and Jordan have maintained the same structure of exports. The latter will be discussed in details throughout the following chapters. Moreover, resource-rich countries like Saudi Arabia, Algeria and Libya have remained heavily concentrated on crude petroleum and/or natural gas. This clearly limits these countries capacity to engage in mutually beneficial bilateral trade in the region. The third largest category for intra-Arab trade is food and beverages such as vegetables and processed food, which accounts for around 15 percent of intra-Arab exports.[7] Another

[6] Arabic News Online. *Arab Exports rose to $164.4 billion*. 2000. P.2.
[7] Arabic News Online. *Inter- Arab Agricultural trade*, 2001.P.1.

important point to add, is that the structure of imports is like many developing countries: food accounts for more than 15 percent of imports[8], making almost all Arab countries net importers of food. The Arab world depends on Western markets to secure agriculture needs. During the year 2000, the Arab food balance deficit reached $14.7 billion because of the weak marketing structure the region faces as one of the major obstacles against the development of the agricultural sector.[9] The Arab countries lack a complete system for the operations of selection, loading and unloading, as well as packing of agricultural products. The shortage of financial allocations for the inter-Arab agriculture trade and the political developments also cause a setback for this sector. Such deficits calls for the development of infrastructure of the Arab foreign trade via the organization of regular sea and air routes, the development of communications and means of storage. As a result, the volume of inter- Arab trade for agricultural commodities reached $3.9 billion, which represents 13.2 percent of the total Arab agricultural trade with the world countries, which exceeded $ 29.8 billion as an average during the past ten years.[10] The fourth major category for intra-Arab trade is chemical exports (e.g., organic petrochemicals such as fertilizers and inorganic chemicals) accounting for an average of 9 percent of intra-Arab exports. And finally, machinery and transport equipment, which account for less than 10 percent of intra-Arab exports. As regards the composition of intra imports, these follow a similar pattern as exports, since intra-exports equal intra-imports by definition. However, there is a significant difference in the relative importance of petroleum products as these accounts for a much higher share (68 percent) in total Arab exports and double that of

[8] FAO. *Some Issues Relating to Food Security in the Context of the WTO Negotiations on Agriculture*.2001.
[9] *Arab Commercial and Economic Cooperation*. 2000. P. 5.
[10] *Middle East and North Africa Report*. 2001.

intra-Arab exports (32 percent).[11] We should also note that while the exports of other resource-rich countries are still significantly based on mineral fuels, they have started to develop some capacity for exporting in other categories, such as chemicals and manufactured goods (rubber, cork, paper, nonmetallic materials and nonferrous metals). Although there has been increased regional trading in industrial goods, chiefly chemicals, electrical articles, machinery, clothing and textiles, an important consideration to take into account is whether recent trade changes are evolving along lines, which more closely match regional imports.

The common average share, over the period 1990-2004, of inter-Arab trade in total trade, inter-Arab imports in total imports, and inter-Arab exports in total exports, did not exceed 10 percent. Moreover, this paper shows that export composition of Arab trade, reveals a heavy concentration in minerals and fuels, chemicals, manufactured goods and other miscellaneous manufactures, and machinery and transport equipment, for imports. Arab countries rely heavily in their trade on non-Arab countries. While, their exports are split evenly between industrial and developing countries, the former predominantly supplies imports. The whole analysis of this paper lies on showing trade relations between Arab countries as well as assessing political, economical, and social factors that lead Arab countries to scarcely trade with each other.

For 1997, the value of Arab intra-regional exports is estimated to have been $14.2 billion up from $8.5 billion a decade earlier.[12] However, the relative importance of intra-trade in total Arab trade rose moderately during the last twenty years. The Arab region

[11] Growth in the Volume of World Merchandise Trade by Region. 2000. P. 4-8.
[12] *Arab Trade Area.* 1998. P.1.

exports to the world about 3 percent of global exports[13], and there is some indication that the levels that Arab intra-trade has reached are still below normal levels. As a result, Arab countries have higher than average tendency to trade with one another given their relatively low tendency to trade at all. In addition, the importance of intra-trade to individual countries varies. The only countries whose intra-trade shares both of total exports and imports have been relatively significant are Jordan, Lebanon and Sudan. There is a high degree of concentration of intra regional exports in a few countries. Saudi Arabia and the UAE account for about half of all intra-regional exports and around 21 percent of imports.[14] The overall intra-trade shares of imports are relatively less concentrated, as eight countries (Bahrain, Oman, Saudi Arabia, UAE, Morocco, Jordan, Kuwait, and Iraq) account for around three-quarters of all intra-regional imports. Another important point to mention is that cross-border trade generally accounts for a high share of Arab intra-trade. For example, this exchange represents more than 60 percent of exports of Bahrain, Algeria, Saudi Arabia, Libya and Tunisia.[15] With such a high bilateral trade between countries sharing common border, one can become aware of a lack of functional transport and communication links within the Arab region. Many Arab countries have similar export profiles that may have limited export opportunities for intra-trade. The greatest opportunities for expanded intra-regional trade exist between energy exporting countries and the more diversified economies such as Lebanon, Syria and Egypt that could trade manufactured goods and processed foodstuffs. It is important to note that trade barriers in most Arab countries are high and have long reduced the

[13] *The Journal of the Arab Bankers Association.* MENA Overview. 2000. P.2.
[14] Country Analysis Brief. *Persian Gulf Oil and Gas Exports Fact Sheet.* 2003. P.5.
[15] Arab Finance. Trade Between Arab Countries. 2003. P.1.

ability of producers in the region to look for export opportunities within the regional markets.

The volume of inter- Arab trade increased in 1990 but drastically receded in 1991 as a result of the negative economic consequences of the Iraqi invasion of Kuwait. Later, by the end of the 1990s, this volume continued to recede followed by a gradual revival when Arab decision makers took an economic decision to re-establish confidence among Arab markets. But still, the volume of inter- Arab investment is still under the required level and the Arab ambitions. The value of these investments between 1985-1999 and through 14 years did not exceed $13 billion, in other words less than $ one billion per year, and only representing 1.3 percent of the total Arab investment abroad, estimated at $800 billion.[16] The economic relations among Arab countries require major developments, and more importantly, it should be the concern of both businessmen and political officials in the Arab states.

The image of what is seen by Arabs, when looking from a distance at the status of the Arab world's economies, are fragmented, in-country Arab economies. The borders, barriers and restrictions have been consolidated over the years since independence so much to the extent that they have become real walls. Strong economic relations bind them to the external world, while those that link the Arab states together are fragile. There exists a weak framework of joint Arab institutions governed by political relations, and an absence for the concept of economic integration that is replaced by the concept of economic cooperation. By considering a number of economic and non-economic indicators the image becomes clearer: there is a drop in the per-capita income on the pan-Arab level coupled with wide differences in the individual levels of income inside each

[16] *Middle East and North Africa*. Arabic News. 2003. P.2.

country. In 1993, the average per capita income in the Arab states was $2,116 with the highest recorded in the UAE at $20,705 and the lowest in Sudan at $203.[17] Instability of economic growth rates in the Arab states also plays a role. This rate ranges between 7 percent and 81 percent annually, which can be attributed mainly to factors of economic growth that are governed by external reasons, especially fluctuations of petroleum prices in the world markets. Another factor is a rise in the value of trade transactions with industrialized countries. Around 60 percent of the total Arab states' exports go to the European Union, the United States and Japan, while 65 percent of the total Arab imports come from these same countries. This analysis brings us back to considering that the weakness of inter-Arab trade relations is reflected by the fact that inter-Arab trade does not surpass 9 percent of total Arab foreign trade. This percentage changes up and down but does not exceed 10 percent at the best.

It is hard to believe this last factor as it would suggest that some 290 million people, with great human, natural, and financial resources at their disposal are not capable of producing much more of the products that they consume, and in the process enriching their citizens.

[17] World Bank Group: Data and Statistics. 1996. P.1.

Chapter III

The Levant Arab States

This chapter provides an illustration concerning the Levant Arab States' economic conditions and trade strategies since the 1990s. But, first of all, a brief look at the Levant States' economies before the 1990s is presented to better compare their performance over the years.

Starting with Jordan, this country has a relatively diversified economy. Its major sources of income are agriculture, mining, manufacturing, telecommunications, transportation, trade, and construction. Tourism has a role in the economy as well. Jordan's main natural resources are phosphates, potash and shale oil. Rock phosphate, potash and fertilizers are traditional exports and sources of hard currency. The extraction of phosphates, petroleum refining and cement production are the country's major industries. A small part of the land is arable and, therefore, put to maximum use. Main agricultural products are wheat, barley, citrus and other fruits and vegetables. Fishing is carried out in the Gulf of Aqaba. Industry contributed about 14.6 percent of the GDP in 1988[18]. It consisted mainly of small establishments, with few large companies accounting for much of the employment and value added returns. Most industries are related to phosphate mining, fertilizers, potash, cement, oil refining, and electric power generation, which are partially government-owned. Moreover, in the late 1980s Jordan turned to light-manufactured goods and technical industries, such as pharmaceuticals. Jordan, like

[18] *Economy of Jordan*. 1989. P.14.

many other Arab countries, has always been dependent on imports for substantial part of food supply. Major crops such as cereals, vegetables, and fruit characterize Jordan's agriculture. Since independence, Jordan has imported far more than it has exported. Throughout the years, the gap widened as imports grew faster than exports. Major import commodities were oil, foodstuffs, machinery, and transportation equipment, mostly from Western Europe, the United States, Iraq, and Saudi Arabia. Major export commodities were phosphates, potash, fertilizers, fruits, and vegetables to the GCC, Asian countries, and European countries. Jordan's mineral wealth constitutes a significant element in its exports. From the 1980s, phosphate deposits were Jordan's primary natural resource and a major source of export income. Jordan was ranked the third phosphate exporter in the world, after Morocco and the United States, since it had the capacity to produce over 8 million tons annually. Potash was the other major component of Jordan's mining sector. As in the case of phosphates, India was a major customer buying almost 33 percent of output [19]. Another important point to mention is that Jordan did not seek to achieve a trade balance with any major trading partner. In the mid-1980s, the United States and Western Europe supplied almost 50 percent of Jordan's imports, while Arab nations purchased nearly half of the country's exports. And finally, during the same period, Jordan was almost entirely dependent on oil imported from Saudi Arabia and Iraq to meet its energy needs.

Concerning Lebanese trade before the 1990s, one should mention that before the civil war, Lebanon developed as a free-market economy with minimal government regulations, and a strong laissez-faire commercial tradition. The Lebanese economy is service-oriented, with banking and tourism as the main growth sectors. There are no

[19] *Economy of Jordan*. 1989. P.16.

restrictions on foreign exchange or capital movement, and bank secrecy is strictly enforced, which is considered a virtue for the Lebanese economy. Beirut became the banking and investment center of the Middle East as a result of the country's stable and open economy and strict laws regarding secrecy in banking. From 1975 to 1990, however, warfare severely dislocated most economic sectors and destroyed structures and infrastructures. As the war damaged Lebanon's economy, most other Middle Easter countries experienced an economic boom, and businesses moved from Beirut to other Arab economic centers. Lebanon's economy did not collapse completely during the war, however, largely because foreign aid to competing militias fueled the wartime economy, yet, the effect of the civil war was damaging. Lebanese trade will be discussed in details in the following chapter.

On the other hand, since the early 1950s, and throughout the 1970s and 1980s, Syria's value of imports has been close to double the value of exports. In the 1970s, Syria diversified its sources of imports. Western Europe became Syria's most important supplier, accounting for about 50 percent of total imports in the mid-1970s, while Arab countries accounted for 11 percent of total exports. By the 1980s, the direction of Syria's imports had changed drastically, since Syria has experienced a tremendous increase in imports from Iran and Libya, largely in the form of oil shipments. The Federal Republic of Germany (West Germany), France, Italy, Japan, the German Democratic Republic (East Germany), and the Soviet Union were Syria's most important suppliers in the 1980s. The main imports were oil, machinery, transportation equipment, iron and steel, cereals, sugar. In the 1980s, however, Syria experienced a sharp decline in the value of exports because of falling world oil prices and reduced oil exports. In 1984, petroleum and cotton exports together accounted for 64 percent of the country's total exports.[20] In the 1980s, Syria concluded barter deals with Czechoslovakia and Yugoslavia, exporting phosphates in exchange for engineering and construction equipment and industrial raw materials. Other major buyers in the 1980s included the Soviet Union, Algeria, Italy, and Spain. In addition to cotton and petroleum, Syria exported phosphates and small quantities of diverse goods. In addition, export of textiles, chemicals, glassware, and a variety of agricultural products also earned small amounts of foreign exchange.

The fourth country in the Levant Arab region to be studied since the 1980s is Iraq. Iraq is among the largest oil producers in the Middle East region. During the 1980s, Iraq exported 3.5 million barrels per day (bpd) of oil.[21] Oil production dominates the economy, although about one third of the labor force is engaged in agriculture. Iraq's major wealth is its oil reserve. In 1987 petroleum continued to dominate the Iraqi economy, accounting for more than one-third of nominal gross national product and 99 percent of merchandise exports. The Iran-Iraq War primarily shaped the pattern of Iraqi foreign trade in the 1980s. Iranian attacks on petroleum industry infrastructure reduced oil exports sharply, and cut imports by half. Iraq's focus, during that period, consisted on cutting the volume of its imports and increasing the volume of its exports. But still, the relative values of imports and exports had shifted fundamentally. More than 95 percent of Iraq's exports were raw materials, primarily petroleum, foodstuffs accounted for most additional exports. According to Iraqi statistics, 34.4 percent of 1984 imports were capital goods, 30 percent were raw materials, 22.4 percent were foodstuffs, and 12.5 percent

[20] *Country Guide Study*. 1987. P.1.
[21] *The Country and People of Iraq*. 1995. P.5.

were consumer items.[12] Despite its socialist orientation, Iraq had long traded most heavily with Western Europe. In the mid-1980s, Iraq purchased 14.4 percent of its total imports from Japan, ranging from transport equipment, machinery, and electrical appliances to basic materials such as iron and steel, textiles, and rubber goods. Iraq bought 9.2 percent of its imports from West Germany. Turkey provided the third largest source of Iraqi imports, accounting for 8.2 percent of the total. Italy and France each accounted for about 7.5 percent, followed by Brazil with 7 percent and Britain with 6.3 percent. Kuwait was Iraq's most important Arab trading partner, contributing 4.2 percent of Iraq's imports.[12] By the same period, Brazil was the main destination of Iraqi exports, accounting for 17.7 percent of the total. France was second with 13 percent, followed by Italy with 11 percent, Spain with 10.7 percent, Turkey and Yugoslavia with about 8 percent each, Japan with about 6 percent, and the United States with 4.7 percent.[22]

In this chapter, the second point of discussion turns to Levant Arab countries' trade during the 1990s, and a comparison with the prior period. During the 1990s, Jordan had a per-capita gross domestic product of about $1,550, and a population of 4.5 million. This made Jordan, during that period, as one of the smallest and poorest economies in the region, since Jordan was experiencing slow economic growth, declining per capita income, and high levels of unemployment. During the mid-1990s, approximately 6.7 percent of the Jordanian labor force was employed in agriculture, forestry or fishing. An extensive infrastructure network provided support for Jordan's agricultural sector. A fleet of 1700 refrigerated trucks is available to transport fruits and vegetables to export markets. In addition, cargo planes carry around 200 tons weekly. Yet, the primary

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[22] *Iraq Country Guide Study*.1988. P.13.

obstacle to further agricultural development in Jordan is the shortage of water. Over 91 percent of the country' s land mass is classified as desert or arid desert, and the country faces a growth in population, an increase in agricultural lands and a development of industrial and economic activities.

Jordan's agricultural exports constituted 2.4 percent in 1996, representing approximately 15 percent of Jordan's total exports.

Jordan's large-scale industries consist mainly of phosphate and potash mining and the industrial production of cement, fertilizers and refined petroleum. Industry in 1997 employed 13.8 percent of the country's labor force. Phosphates and potash are Jordan's main natural resources. Their export provides a major source of revenues. In the mid-1990s, potash and phosphate exports together accounted for $328 million, approximately 21.8 percent of Jordan's domestic export earnings. During the same period, Jordan ranked among the top three exporters of phosphates in the world.

Table 1: Domestic Exports by Economic Sector 1997
(Domestic Exports $1.8 billion)

Commodities	Percentage
Wood & Paper	2%
Machinery	3%
Cement	3%
Textiles	5%
Edible Oils	8%
Food & Tobacco	17%
Mining	22%
Chemicals	31%
Other	9%

Source: Ministry of Planning. Jordan. 1997.

Pharmaceuticals, foodstuffs, and consumer products are among the most prominent of Jordan's manufacturing industries. The growth of Jordan's pharmaceutical industry has been particularly impressive. It gained a reputation in the region for pioneering in the production of high quality goods, and as a result, Jordanian pharmaceuticals have successfully penetrated more than 30 export markets, including the United States and Europe. To give a concrete example, in 1997, pharmaceutical exports earned Jordan $186.4 million, and still, the future of the pharmaceutical sector in Jordan is bright, and the industry has significant potential for expansion. Another strong area of Jordan's manufacturing sector is in detergents, soaps and toiletries, since exports from this industry, between 1991 and 1997, increased by 68 percent.

Concerning tourism in Jordan, one can say that Jordan is blessed with a rich assortment of historical, religious and geographical attractions, and is determined to effectively market these sites to boost tourism from regional, international and domestic visitors. In 1997, the tourism sector contributed about 6.6 percent to the gross domestic product. Foreign receipts from tourism in 1997 registered $ 773.8 million.[23]

Another country of the Levant Arab states to be studied is Lebanon. During the 1990s, Lebanese exports to the Arab countries represent more than 40 percent of Lebanon's exports since the Arab countries are considered as the traditional natural partners of Lebanon. The 1975-91 civil war seriously damaged Lebanon's economic infrastructure, cut national output by half, and all but ended Lebanon's position as a Middle Eastern banking core. The main sources of foreign exchange were provided by family remittances, banking services, manufactured and farm exports, and international

[23] *The Hashemate Kingdom of Jordan, Department of statistics.* 2004. P.12.

aid. Lebanon was unable to attract significant foreign aid to help it rebuild from both the long civil war (1975-89) and the Israeli occupation of the south (1978-2000). Thus, it accumulated significant debt, which had reached $28 billion by 2001. The Lebanese government faces serious challenges in the economic arena. Real GDP changed drastically between the mid-1990s and 2002. It grew 8 percent in 1994, 7 percent in 1995, 4 percent in 1996 and in 1997, but slowed to 1.2 percent in 1998, -1.6 percent in 1999, -0.6 percent in 2000, 0.8 percent in 2001, and then edged to 1.5 percent in 2002. [24]The U.S. enjoys a strong exporter position with Lebanon, ranking as Lebanon's fourth-largest source of imported goods. More than 160 offices that represent U.S. businesses currently operate in Lebanon. Since the year 1997, a number of large U.S. companies have opened branch or regional offices, including Microsoft, American Airlines, Arthur Andersen, Coca-Cola, FedEx, UPS, Cisco, Eli Lilly, and Pepsi Cola.

Since 1991 Lebanon's economy has revived. In 2001, GDP totaled $16.7 billion. In this section, the discussion focuses on services, industry, and agriculture. Services in Lebanon contribute around 65 percent of Lebanon's GDP. Domestic, foreign, and transit trade, which is the re-export of products manufactured outside Lebanon but distributed through it, stimulated prosperity before the civil war and have begun to recover since 1990. Similarly, financial services such as banking, investment, and insurance have also revived. Tourists are attracted to Lebanon's countryside, climate, historical sites, and cultural activities, supporting an industry of hotels, restaurants, casinos, and nightclubs. For example, in 2001 about 837,000 tourists, mostly from Europe, the Middle East, and the Americas, visited Lebanon. Another important service element for the Lebanese economy is superior educational and medical facilities, which attract thousands of clients.

[24] *Economy of Lebanon*. Arabic News. 2001. P.1.

Moreover, industry makes up 22 percent of the country's GDP and is a major employer.[25] Light industry is especially prominent and includes the production of cement, processed foods, printed material, textiles, clothing, chemicals, and jewelry. Most of Lebanon's industry is in or near Beirut. And, since the end of the war, construction has been a major source of income and employment for the Lebanese population. Historically, agriculture was a key element in Lebanon's economy. Agriculture, including forestry and fishing, employs only around 7 percent of workers and contributes only 12 percent of GDP (Table 2). The Lebanese agricultural crops enjoy a great variety because of the diversity in the climatic characteristics. Yet, the agricultural sector has been retrograding over the years. The Lebanese farmers face many major problems including the high costs of production, high prices of equipments, market stagnation, and a lack of adequate extension projects.

Another important point to mention is the fact that foreign trade plays a major role in the Lebanese economy, in addition to the very important domestic and transit trade. Traditionally, Lebanon's balance of trade has been overwhelmingly unfavorable. In 2001 exports totaled $889 million, while imports totaled $7.3 billion.[26] Nevertheless, during the 1990s Lebanon maintained a total balance-of-payments surplus because it received large inflows of money in the form of remittances from family members who lived abroad, investments in postwar reconstruction, and deposits in savings accounts that took advantage of high interest rates. However, after 1999 the trade deficit grew faster than these various cash inflows, and Lebanon reported a balance-of-payments deficit of $1.15 billion in 2001. Exports go mainly to Saudi Arabia, the United Arab Emirates,

[25] *The Colombia Encyclopedia Online. Lebanon, country, Asia.* 2001. P. 1.
[26] Encarta Encyclopedia. *Lebanon Country.* 2004.

Switzerland, the United States, and France. Imports come from Italy, France, Germany, the United States, and Switzerland. Lebanon's chief exports are food and food products, paper products, chemicals, textiles, jewelry, and metal products. As to Lebanese imports, they include automobiles, trucks, heavy equipment, communications equipment, electronic goods, appliances, machinery, and petroleum and petroleum products.

Table 2: Overview of the Lebanese Economy

	1998	2000
GDP - composition by sector		
Agriculture	12%	12%
industry	27%	21%
services	61%	67%
Exports	$716 million	$714 billion
Exports - partners	Saudi Arabia 12%	UAE 10%
	Jordan 4.6%	Switzerland 10.8%
	Turkey 4.3%	France 9%
	Syria 7%	Saudi Arabia 9%
	US 7%	UAE 8.6%
	Kuwait 4%	US 6.7%
Imports	$7 billion	$6 billion
Imports-partners		
	Italy 12%	Italy 11.3%
	France 10%,	France 10.7%
	US 9%	Germany 8.4%
	Germany 9%,	US 5.6%
	Switzerland 6%	Syria 5.4%
	Japan 4.2%	China 4.8%
	UK 3%	Belgium 4.5%
	Syria 3%	UK 4.2%

Exports – commodities	foodstuffs and tobacco, textiles, chemicals, metal and metal products, electrical equipment and products, jewelry, paper and paper products
Imports – commodities	foodstuffs, machinery and transport equipment, consumer goods, chemicals, textiles, metals, fuels, agricultural foods
Labor force - by occupation	services 62%, industry 31%, agriculture 7% (1997 est.)
Industries	banking, food processing, jewelry, cement; textiles, mineral and chemical products, wood and furniture products, oil refining, metal fabricating
Agriculture – products	citrus, grapes, tomatoes, apples, vegetables, potatoes, olives, tobacco, sheep, goats

Source: The World Fact book. December 2003.

Concerning Levant Arab states trade, the focus now turns to Syria. Syria is a middle-income developing country with a diversified economy based on agriculture, industry, and an expanding energy sector.[27] In the early 1980s, when Iraq and Iran went to war, Syria sided with the Government of Iran and closed its border with Iraq. Syria's support for Iran isolated it from its Arab neighbors. Such a situation coupled with the drop in oil prices caused a fall in economic growth. By the beginning of the 1990s, Syria's economy went through improvements as a result of its participation in the multinational coalition against Iraq in the Gulf war, which ended the years of isolation, and gave it access to substantial European, Japanese, and Gulf financial resources. In addition, because of the reform measures taken in early 1990s and a major oil discovery, the country was growing at a healthy rate of 5-7 percent during the year 1990 and 1995. Yet, economic growth slowed significantly, with negative growth in 1999 of about 1.5

[27] World Fact book.2003. P.4.

percent.[28] Syria's natural resources are agricultural land, water, pastures and forests, which are taken as the base of agricultural production in the process of agricultural development. The poor performance in 1999 resulted in part from severe drought (agricultural sector directly generates 30 percent of GDP). Syria's location along major east-west trade routes made commerce beneficial to the Syrian economy. Syrian cities boast both traditional industries such as weaving and dried-fruit packing and modern heavy industry. During the 1990s, the bulk of Syrian imports have been raw materials essential for industry and agriculture, advanced oil-field equipment, as well as heavy machinery for construction. Major exports include crude oil, refined products, raw cotton, cotton knits, fruits and vegetables. The Syrian economy is rich with diverse natural resources that are the product of the varied geographical regions characteristics of the Syrian landscape: rainy coastline, dry deserts, and in between mountain ranges in various parts of the country. Exports of commodities and services jumped at an annual rate of 5.6 percent between 1995 and 2000, which was contrasted by a drop in the import of commodities and services at the rate of −1.7 percent annually.[29] Agriculture in Syria is by all means one of the most important economic sectors in the country, contributing 25 percent to 33 percent of the GDP. The most important agricultural products are wheat, legumes and fruits-apples, grapes, figs, apricots, citrus and pistachios. Within a short period of time Syria managed to achieve self-sufficiency, changing from being a food importing country to being a country that exports certain crops and food products.

[28] U.S. Department of State, *Bureau of Near Eastern Affairs*. April, 1999. P.1.
[29] *Economic Diversification in the Arab World.* 2002. P.2.

Table 3: Syria's Agricultural Exports and Imports 1995-1999 (Million US dollars)

Year	Agricultural exports	Agricultural imports
1995	177	928
1996	225	263
1997	936	905
1998	818	857
1999	647	845
Annual growth rate between 1995 and 1999	66.5	-2.6
Growth percentage of The period 1995-1999	-12.6	-1.1

Source: United Arab Economic Report, Annex 3/6- p. 266.

Among the factors against Syrian trade is the fact that Syria's manufacturing products produced under a protective trade regime were unable to compete in quality and price in the Gulf markets, because during the last twenty years the Gulf markets became the largest in the Arab world. The Gulf States adopted open trade regimes, importing goods from all over the world almost duty free. Another factor is that Syrian private sector was constrained and was not able to grow enough to explore opportunities for trade with other Arab states. Even after recent economic reforms, Syrian trade with other Arab countries was limited as a result of the preceding factors, in addition to political differences with Iraq. For example, in 1993 Syria's imports from the Arab states constituted 7 percent of its total imports, and its exports to these states represented 11 percent of all Syria's exports in the same year.[30] Syrian Minister of Health Mohammad Iyad al-Shatti stated, in January 2004, that 38 Arab and foreign states import medicine from Syria, stressing the necessity for finding markets for the Syrian medicine

[30] Syria's Economic System. Arabic News. 1999. P.2.

particularly in the Gulf States.[31] In the year 2000, Syrian imports totaled $3.8 billion, and exports totaled $4.6 billion.[32] The principal imports were manufactures of many types, including machinery, transportation equipment, iron and steel, refined petroleum, textiles, and chemical products. Syria also imported grain, livestock products, and other agricultural goods. The principal exports were petroleum, cotton and other textiles, preserved foods, beverages, tobacco, phosphates, fruits, and vegetables. The chief buyers of Syrian exports were Germany, Italy, France, Turkey, and Saudi Arabia. Italy, Germany, France, the United States, and South Korea chiefly supplied imports. Much revenue was derived from fees charged to foreign countries for piping oil through Syria. Considerable foreign currency also came from the expenditures of the many tourists who visit the country each year.

On the other hand, trade relationships between Lebanon and Syria have been extensive throughout the years. Consistent visits between the two neighboring countries aim at boosting the bilateral relations and realizing integration in domains of economy, trade, agriculture, industry transport, energy, gas, electricity, dams of water and many other domains. Trade between Syria and Lebanon, in the 1980s and 1990s, was hindered by the civil war in Lebanon and by the closed nature of the Syrian economy, but the end of the civil war in Lebanon and other recent changes in the methods of operations hold attraction for both countries. Syria will benefit from Lebanon's skilled labor and the more advanced banking system, education facilities and international trade connections, while Lebanon will benefit from Syria's market depth on the one hand, and the semi-skilled labor on the other. The geographic nature of relations between both Lebanon and Syria,

[31] Syrian pharmaceuticals to expand exports in the Gulf States. Arabic News. 2002.
[32] Encarta Encyclopedia. *Trade in Syria.* 2004. P.6.

in terms of the ease of transport, creates major trade activity. In addition, the relatively low prices in the Syrian market make the country an attractive destination for its Lebanese neighbors, especially for clothes, cotton-based products and jewelry. And in their turn, many Syrians come to shop in Lebanon and the number of inbound and outbound cross-border visits reaches approximately two million people annually. Nevertheless, there remain major obstacles to be dealt with, such as the differences in the two countries' trade and exchange rate regimes and the slow pace of economic reforms in Syria. Factors like high population growth, a heavy defense expenditure insufficient production and export incentives, and the highly protective nature of the domestic economy have their role too. The political and economic ties binding Lebanon and Syria imposes a need for negotiations on how to better integrate economic activity in order to benefit both countries, instead of suffering from obstacles and barriers to improved trade. Again, Lebanese trade with Syria and other countries will be discussed in details in the next chapter.

The second bilateral trade relations refer to relations between Syria and Iraq. These two countries are natural trade and economic partners, but the development of the healthy economic relationship between them has been interrupted by political differences. Each of the two countries has, on its own, diversified resources consisting of agricultural, industrial and hydrocarbon resources, and the two have complementary factor endowments. Iraq's economy is currently a capital-shortage, labor-surplus economy, while Syria provides a cost-effective outlet for Iraqi products through the Mediterranean. Relations between Damascus and Baghdad were broken when Syria sided with Iran during its 1980-1988 war against Iraq. But in 1997 the two neighboring states reopened their borders and started economic cooperation within the framework of Baghdad's 1996 oil-for-food deal with the United Nations (UN). The Syrian economy has grown heavily dependent on Iraq. Trade between Syria and Iraq, through the UN oil-for-food program, is estimated to have achieved $1 billion in 2001[33], double the amount from the previous year.

Jordanian and Syrian trade relations constitute the third bilateral trade relations. Economic links between Jordan and Syria are extensive, despite the fact that political differences had kept the two economies relatively distant during the 1980s and for most of the 1990s. However, a rapprochement came about at various levels, including the economic one as a result of a new leadership in Amman in 1999 and Damascus in 2000. Let us summarize both countries trade situation over the last few years. Globally, major Jordanian exports in the year 2000 include potash, pharmaceuticals and other medical products, phosphates, garments and phosphoric acid. Major imports include vehicles and parts thereof, crude oil, various machines, textiles and garments, pharmaceuticals and medicaments. Major Arab partners during the same year were Saudi Arabia, Iraq, and the U.A.E. On the other hand, Syrian trade exports are dominated by raw materials. Oil, mainly unrefined, in 1999 made up 61 percent of the total value of exports,[34] with raw cotton coming second in recent years. Major Syrian imports by the end of the 1990s include chemicals, processed foodstuffs, metal products, agricultural raw materials and vehicles. Major Arab trade partners in the same period were Saudi Arabia and Lebanon. Major Jordanian exports to Syria in 1999 were white cement, aluminum cans, industrial fatty acids, various resins and pipes of iron or steel used for oil or gas. These made up 58

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[33] *Syria and Iraq*. 2002. P.3.
[34] *Better Economic Relations between Jordan and Syria*. 2001.

percent of Jordanian exports to Syria in that year. Major Syrian exports to Jordan by value for 1999 were textiles, which made up 51 percent of Syrian exports to Jordan in that year. Vegetable, as well as textiles, became more important exports in 1996-1999. In this regard, Syria had in the year 1999 around 230 products subject to total import prohibition, and Jordan had around 35 products in its exception list, which are not to be subject to the tariff reduction. Most of the excluded products are goods that compete with domestic production. They consist largely of processed foodstuffs, as well as other semi-manufactured and consumer goods, with garments being especially important for both Jordan and Syria. Since that period, some custom duties were abolished on hundreds of items, but still trade relations between the two countries increased slightly over the last few years.

In the context of Levant trade, Jordan occupies a strategic location and is an important crossroads in the Middle East. Jordan's economy has been experiencing strong growth. The country's GDP grew by 4 percent in 2001, and 4.2 percent year-on-year since that period.[35] Such growth was the result of the contribution of a number of factors, such as Jordan's admission to membership of the World Trade Organization (WTO) in April 2000, after agreeing to a package of trade and investment liberalization measures, as well as improvement in protections for foreign-owned intellectual property. Since that time, the stone industry has received a lot of attention and is expanding in order to reach new markets. The remarkable fact is that Jordan's volume of trade with other Arab countries is high. The end of the year 2001, Jordan's exports to the Arab states constituted 37.5 percent of the total national exports, while Jordanian imports from the Arab states reached 24.4 percent of the of its total import. Jordan's exports to the Arab states scored

[35] World Fact Book. 2003. P.7.

during the year 2002 a growth of 21 percent. The country's exports to other Arab countries during the first half of 2003 formed some 44 percent of its total exports ($2 billion), against 52 per cent in the same period of last year. At the same time, Jordan's imports from other Arab countries exceeded 21.5 percent of all its imports ($4 billion), against 24.4 percent in the corresponding period of 2002.[36] During the same year, exports to non-Arab Asian countries constituted 23 percent of total exports, whereas imports from these countries stood at 22 percent of the total imports.[37] Major non-Arab markets for local products are India, South East Asia, Israel, China and South Korea. To appreciate these numbers, one has to keep in mind that inter-Arab trade in general makes no more than 8 per cent of total external trade of the Arab world.

Table 4: Geographical Distribution of Domestic Exports 1999

(Domestic Exports $1.48 billion)

Countries	Percentage
US	0.90%
China	2.40%
Europe	6.50%
India	17.20%
South East Asia	6.70%
Arab countries	40.60%
Other	25.70%

Source: Central Bank of Jordan, Monthly Statistical Bulletin, July 2000

Iraq occupied the first position concerning Jordanian exports and then Saudi Arabia the second to be followed consequently by Lebanon, Kuwait and Syria. As for Jordan's imports, Jordan had in 2001 an increase of 6 percent in total imports, and the imports

[36] *Jordan's Exports and Imports*. 2002. P.2.
[37] Jordan Times. *Jordan's share of total exports to Arab countries 52% in 1st 4 months of 2002*. 2002.

from the Arab states increased by 24 percent and Iraq ranked first among the Arab states from which imports came followed by Saudi Arabia and Syria. The imports partners besides Iraq, Saudi Arabia, and Syria, were the U.A.E, Egypt, Lebanon, Kuwait and Sudan, respectively. A fact that needs to be mentioned is that the volume of trade exchange between Syria and Jordan increased drastically in 2001. Syria the fourth Arab trading partner with Jordan increased its imports from Jordan by 60 percent during the same period of time, while the Jordanian imports from Syria increased at 45 percent. And, exports between the two countries increased by 50 percent.[38]

The final discussion in this chapter deals with the effects of the most recent American-led war on Iraq, launched in March 2003, specifically on trade exchange between Arab countries. During the 1980s and 1990s, Iraq experienced two major wars: the Iran-Iraq war and the Kuwait war of 1990-1991, plus more than a decade of economic sanctions. As a result, the country's economy, infrastructure, environment, health care system, and other social indicators all deteriorated sharply. In the aftermath of war in March and April 2003, Iraq is passing through a period of uncertainty and transition after more than three decades of Ba'ath party rule.

Before the American-led war on Iraq, Jordan's most important trade partner used to be Iraq, because Jordan imported all its petroleum needs as well as some other items from Iraq, which, in turn, absorbed around 20 percent of all Jordanian exports.[39] Jordanian-Iraqi trade relationships have been very strong and well established for the last quarter of a century or so. As a result of the war, the share of Jordan's exports and imports within the Arab world dropped following the abrupt suspension of imports of

[38] *Syrian - Jordanian trade exchange volume increases by 50%.* 2002. P.2.
[39] *War on Iraq.* 2003. P.14.

Iraqi oil and the reduction of Jordanian exports to Iraq by two thirds. The war affected Jordanian industrial products, especially pharmaceuticals, because they are well known and trusted by the majority of Iraqi consumers. Experts say that after the U.S. war on Iraq, Jordan needs to look for an alternative market to make up for the total or partial loss of the Iraqi market. The Iraqi market could not be replaced since there are no ready markets to be tapped for exporting products that would have been shipped to the Iraqi market. The argument relies on the fact that if Jordan had been able to find more markets in Europe, America, the Far East or the Arab countries, it would have readily done so. In other words, the trade relationship with Iraq was not developing at the expense of Jordan's trade relations with other countries. In addition, with Iraqi oil supplies to Jordan halted since the war started, Jordan has been receiving oil from Kuwait, Saudi Arabia, and the U.A.E at a discounted price. The Jordanian minister of commerce and industry Salah al-Bashir announced that 20 percent of the Jordanian exports go to the American market and 20 percent others to Iraq. The value of the Jordanian exports to the U.S. has been increasing since the year 1999.[40] Jordan's foreign trade during the first 11 months of 2003 increased 5.7 percent from the same period of 2001, according to a report released by the Ministry of Planning.[41] The report showed that national exports rose by 15.5 percent while imports edged up by 1.9 percent. Despite a slowdown in the export momentum of phosphates, this product ranked second at a 6.5 percent growth when compared the year 2001. Fertilizers recorded a 28.3 percent growth. Exports of potash dropped by 5.1 percent, due to lower demand in external markets and lower international prices. By the end of November last year, there had been an increase in exports of fruits

[40] *Jordan uses Haifa port to transport its exports.*2003. P.2.
[41] *Jordan boosts national exports by 15.5%, narrows trade deficit by 15.2 %Exports depend to a great extent on Iraq and US markets.* Jordan Times. 2003. P.1.

and vegetables by 29.4 percent, pharmaceuticals by 10.4 percent, fats and oils by 84.7 per cent, and soap and washing materials by 78.8 per cent. Geographically, Iraq topped the list of exporters to Jordan with a share of 15.4 percent, while Germany and the U.S. came second and third. [42]Jordan significant trade ties with Iraq (subsidized oil imports, foreign direct investment and tourism) were affected by the war on Iraq. Jordan's economy was expected to grow by up to 6 percent in 2003 before the war, but the result was downward to negative growth.[43]

In addition, the effect of the war in Iraq hit many countries. In Lebanon, tourism has been severely hit, forcing a wave of layoffs in the hotel industry. On the other hand, Gulf States are expected to benefit as the reconstruction of Iraq gets underway. U.S. and British companies will need to coordinate their logistics through the region and the Gulf economies can be expected to share in the business.

Of all Iraq's neighbors, Syria is the more vulnerable to the new U.S. imposed environment. Having benefited over the past two years from considerable trade with Iraq, it must now cope with what it hopes will be only a temporary closure of the Iraqi market.

In brief, Iraq was Jordan's major export market, and it was one of Egypt's largest trading partners, and Iraqi oil was an underpinning of the Syrian economy. Egypt, Jordan, Lebanon, Tunisia, Morocco and Dubai, as well as other members of the UAE, are expected to suffer too because they are heavily dependent on tourism.

To conclude this chapter, table 5 shows trade relations of the Levant Arab countries with other Arab countries during the year 2002, which leads to the conclusion that trade exchange between those countries is not sufficient for an increase in inter-Arab trade.

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[42] *US replacing Iraq as Jordan's first trade partner.*2003. P.1.
[43] *Trade Concerns for the Middle East.* 2003. P.2.

Table 5: The Levant Arab States trade partners in 2002

Country	Imports - partners (%) (2002)	Country	Exports - partners (%) (2002)
Iraq	Jordan 11% France 8.8% China 8.4% Germany 7.6% Russia 7.3% Australia 7.2% Vietnam 6.6% Italy 6.4% Japan 5.6%	**Iraq**	US 40.9% Canada 8.2% France 8.2% Jordan 7.5% Netherlands 6.4% Italy 5.4% Morocco 4.7% Spain 4.4%
Lebanon	Italy 11.3% France 10.7% Germany 8.4% US 5.6% Syria 5.4% China 4.8% Belgium 4.5% UK 4.2%	**Lebanon**	Switzerland 10.8% Saudi Arabia 9% UAE 8.6% US 6.7% Jordan 4.6% Turkey 4.3%
Syria	Italy 8.3% Germany 7.4% China 5.7% South Korea 4.8% France 4.6% US 4.4% Turkey 4.1%	**Syria**	Germany 19.1% Italy 17.5% Turkey 7.8% France 7.5% Lebanon 5.2%
Jordan	Iraq 13.4% Germany 8.8% US 8% China 6% France 4.2% UK 4.1% Italy 4.1% Saudi Arabia, Japan, Turkey, Malaysia, Syria, China 10% France 4.2%	**Jordan**	Iraq 20.1% US 14.5% India 8.1% Saudi Arabia 5.4% Israel 4.4% Lebanon, Kuwait, Syria, UAE 12%

Source: The World Fact book. December 2003.

Chapter IV

Lebanon's Regional Trade

Since the beginning of the Lebanese civil war, the Lebanese economy had many pitfalls, which affected the country's trade relations with Arab and non-Arab countries. Major changes occurred over the past few years, and Lebanon has been trying to expand its exports. Both Lebanese imports and exports will be discussed in details in relation to other Arab countries and the foreign market. The focus, in this chapter, is the main sectors in the Lebanese economy: tourism, services, industry and agriculture. The chapter will be concluded by a glance to prospects for the year 2004 and beyond.

First of all, we need to point to the characteristics of the Lebanese economy. Lebanon's economy is liberal and open, and traditionally heavily oriented toward services, a trait that to some extent accounts for the prosperity that Lebanon had experienced prior to the war. Lebanon served historically as a safe place for Arab capital and as a Middle East transit point. In addition, its private sector could be described as vibrant and largely unregulated. Lebanon's banking and tourism sectors flourished between the Gulf oil boom of 1973 and the beginning of Lebanon's civil war in 1975 by serving regional needs. An explanation for the former economic prosperity of Lebanon is related to the effects of various political and economic developments in the region. Events such as the Palestinian occupation in 1948, the closure of the Suez Canal in 1967, the oil boom of 1973, and the nationalization and socialization of economies in several Arab countries have all contributed to the economic development of Lebanon, though to varying degrees. Real GDP growth was 6 percent per year from 1965 to 1975.[44] Human and material resources, as a result of the latter developments, were transformed to Lebanon, the fact that transformed the country into the banking, education, hospitalization and tourism center of the Middle East. Lebanon's success during this period is also attributed to the skills of the population. To explain more, the Lebanese labor force is educated and exposed to Arab and Western culture. These facilities, along with regional developments, attracted many Western firms to Beirut, which served as their base for regional and international trade and services. Before the war, the Lebanese economy was steady and relatively healthy. Events in the early 1980s, including the Israeli invasion of 1982, conspired against the Lebanese economy. The huge damage affected the Lebanese agriculture, industry, and service sector. The damaged consisted, as well, of the loss and destruction of human resources. The economy continued to collapse during the mid 1980s, when the army was split, and the state lost control of the capital and other areas of the country to the militias, which prevailed chaos, as a result, the economy was completely exhausted. By the early 1990s, the economic situation began to change. The main sources of foreign exchange were family remittances, banking transactions, manufactured and farm exports, as well as the narcotics trade. In the relatively settled year of 1991, industrial production, agricultural output, and exports showed substantial gains. With the end of hostilities during that period, there existed a short- term economic boom. Yet, this high level of activity proved unsustainable, mainly because of enormous state deficits, the government poor economic management, public

[44] The Bureau of Public Affairs U.S. Department of State. *Republic of Lebanon*. January1994. P.2.

sector corruption, and last but not least the collapse of public confidence in the nation's leadership.[45]

Before the civil war, Lebanon developed as a free-market economy with minimal government regulations. Because the country had a stable and open economy and strict laws regarding secrecy in banking, Beirut became the banking and investment center of the Middle East. As the war damaged Lebanon's economy, most of the rest of the Middle East experienced an economic boom, and businesses moved from Beirut to other Middle East economic centers. Lebanon's economy did not collapse completely during the war, however, largely because foreign aid to competing militias fueled the wartime economy. Since 1991 Lebanon's economy has begun to revive. Services, trade, manufacturing, and agriculture are now the leading sectors, and the booming construction sector is also significant. To better explain the leading sectors in the Lebanese economy, let us proceed by viewing the sectors before the 1990s. Before the civil war erupted in 1975, domestic, foreign, and transit trade (the re-export of products manufactured outside Lebanon but distributed through it) stimulated prosperity. Lebanon provided many services including financial services such as banking, investment, and insurance. Tourists, who support an industry of hotels, restaurants, casinos, and nightclubs, are attracted to Lebanon's scenery, climate, historical sites, and cultural activities. Superior educational and medical facilities attract thousands of clients and also add an important service element. The second sector in the Lebanese economy is manufacturing, which is a major employer, and constitutes a great share of GDP. Light industry is especially prominent and includes the production of cement, oil products, processed foods, printed material, textiles, clothing, chemicals (typically paints), and jewelry. As to the agricultural sector, one can say that agriculture

[45] *The Colombia Encyclopedia.* 2001. P.14.

was a key element in the country's economy. The main agricultural commodities are citrus, grapes, tomatoes, apples, potatoes, olives, and tobacco.[46]

Another discussion in this chapter is related to the 1990s and the way Lebanese trade evolved. In the early 1990's Lebanon emerged from a long and prolonged cycle of violence. The years of war and turmoil that began in 1975 had a devastating effect economically, politically and socially. In 1992, Lebanon commenced its reconstruction effort and began renovating its damaged economic, social and physical infrastructure. Lebanon's main comparative advantage, during that period as well, lies in its productive, educated, multi-lingual, and talented workforce. The disadvantage is the fact that Lebanon does not have any significant natural resources. There are minor deposits of high-grade iron ore, asphalt, coal, lignite, phosphate and salt and quarries for building stone, and sand and lime suitable for construction. The service sector is the main sector of the Lebanese economy. During the mid 1990s, it contributed 70 percent to GDP and employed around 76 percent of the total workforce in Lebanon. The most prominent services are trade, construction, tourism, and financial services. Industry and energy contributed around 18 percent to GDP and employed around 15 percent of total workforce.[47] Agriculture in Lebanon is an important sector, since agricultural land accounts for approximately one fourth of total area of Lebanon. The agriculture sector contributes approximately 12 percent to GDP and employs around 9 percent of total workforce (Table 6).

[46] *The CIA World Fact book*. October 28, 1994.
[47] Lebanon's Memorandum of Foreign Trade Regime. May 2001. P. 11.

Table 6: Breakdown by Sector of GDP (estimate in percentage)

Sector	1995
Industry	18
Agriculture	12
Services	70

Source: Lebanese Ministry of Trade and Economy

During the 1990s, growth in productive sectors of the economy has been insignificant. However, a remarkable growth in the service sector of the economy took place, especially in tourism, trade, and construction. The Lebanese economy, during that period, depended primarily on services. The annual cost of Lebanon's imports during the 1990s was much greater than its earnings from exports, and this is the case nowadays too. The country exports paper and paper products, foodstuffs, textiles, jewelry, metals, electrical equipment, and chemicals, largely to other Arab countries. Imports include machinery and transport equipment, grain and other foodstuffs, consumer goods, machinery, and fuels, chiefly from Italy, the United States, Germany, and France (Tables 7 and 8).

Table 7: Main Imported and Exported Products, 1996

Main imported products	Main exported products
Electric Items	Paper and Paper Products
Equipment and Transport	Textiles and Ready-made Garments
Metallic Products	Metallic Products
Processed Agro-food Products	Processed Agro-food Products
Textiles and Ready-made Garments	Plants and Vegetables Products
Chemicals	

Source: Lebanon Trade Structure. 1996.

Table 8: Lebanon's Trading Partners, 1996

Main Importers	Main Exporters
United Arab Emirates	Italy
Saudi Arabia	United States of America
Kuwait	Germany
Syria	France
Jordan	Syria
France	United Kingdom

Source: Lebanon Trade Structure. 1996.

By taking into consideration the last two tables, one cannot but notice that Lebanon relies in a major way on non-Arab imports. Many Arab countries have the ability to supply Lebanon with some of its needs, instead of turning to foreign markets especially Europe. One of the major Lebanese problems is related to the fact that despite increase in exports, Lebanon continues to have substantial trade deficit. During the period 1997-2000, the value of imports decreased by 16 percent, while exports rose by 0.42 percent. Tables 9 and 10 provide an overview on Lebanese trade during the late 1990s.

Table 9: Export of Lebanon (Million US$)

	1997	1998	1999
Export	642.3	660.95	676.78

Source: Lebanon's Memorandum of Foreign Trade Regime.2001. Page 108

Table 10: Import of Lebanon (Million US$)

	1997	1998	1999
Import	7,456.6	7,055.2	6,206.5

Source: Lebanon's Memorandum of Foreign Trade Regime.2001. Page 110

In the year 2000, imports share of GDP was 38 percent, whereas exports share of GDP was 4.4 percent.[48] During the same year, Saudi Arabia was ranked first in the list of main trading partners, with a share of 10.8 percent of total Lebanese exports, followed by United Arab Emirates (10.49 percent), France (5.15 percent), Switzerland (7.14 percent), and USA (6.5 percent).[49] Concerning imports, and during the same year, Italy ranked first in the list of main import partners with a share of 10.92 percent of total imports of Lebanon, followed by France (8.45 percent), Germany (8.34 percent), and USA (7.34 percent). Tables 11 and 12 maintains the main export and import partners during the years 1998 and 1999, which helps us compare the percentages between those years and the year 2000 with the percentages stated before.

Table 11: Main export partners (1998 and 1999)

	1998		1999	
Country	Exports (M US$)	% of total Exports	Exports (M US$)	% of total Exports
Saudi Arabia	86.96	12.15	70.95	10.48
UAE	70.92	9.91	53.92	7.97
France	62.62	8.75	52.12	7.70
Switzerland	24.36	3.40	44.55	6.58
USA	47.23	6.60	41.99	6.20
Syria	46.71	6.52	32.27	4.77
Kuwait	30.26	4.23	30.40	4.48
Jordan	26.11	3.65	26.96	3.98
Germany	23.28	3.25	24.47	3.62
UK	21.38	2.99	24.30	3.59
Iraq	19.79	1.13	21.75	3.21
Italy	18.77	2.62	19.01	2.81
Netherlands	16.66	2.33	15.30	2.26
Egypt	16.84	2.35	15.26	2.26

Source: Lebanese Customs. 2000.

[48] Reference Guides on Lebanon. 2003. P.2.
[49] Lebanese Economy of Trade. *Lebanon's Trade Partners for the year 2002.* P.3.

Table 12: Main Import Partners (1999)

Country imports	(Million US$)	% of total imports
Italy	679	10.9
France	595	9.6
Germany	553	8.9
USA	501	8.1
Switzerland	443	7.1
UK	272	4.4
China	261	4.2
Japan	259	4.2
Syria	223	3.6
Turkey	164	2.6
Spain	148	2.4
Belgium	116	1.9
Netherlands	114	1.8
Greece	112	1.8

Source: Lebanese Customs. 2000.

What we notice is that exports to Switzerland increased, from 1998 to 2000, and continued to increase reaching 13 percent of total Lebanese exports during the year 2002, and became Lebanese first exporter country. In addition, exports to France decreased, reaching 2 percent of total exports by 2002. By the end of the 1990s early 2000, other trade partners did not go through major changes concerning their trade with Lebanon (Table 13).

Table 13: Lebanon Trade Partners for the Year 2002

Imports			Exports		
Country	Value	Share (%)	Country	Value	Share (%)
1 Italy	1,045,218	11%	1 Switzerland	199,272	13%
2 Germany	878,364	9%	2 Saudi Arabia	144,786	9%
3 France	779,527	8%	3 United Arab Emirates	142,803	9%
4 USA	700,536	7%	4 Syria	113,998	7%
5 China	655,872	7%	5 Iraq	107,244	7%
6 Switzerland	402,777	4%	6 USA	80,727	5%
7 Turkey	390,046	4%	7 Jordan	53,286	3%

Imports			Exports		
Country	Value	Share (%)	Country	Value	Share (%)
8 Great Britain	380,927	4%	8 Kuwait	48,887	3%
9 Russia	370,801	4%	9 Turkey	48,451	3%
10 Japan	327,763	3%	10 Egypt	41,672	3%
11 Syria	312,516	3%	11 Italy	34,176	2%
12 Spain	263,275	3%	12 Belgium	33,697	2%
13 Holland	222,144	2%	13 Great Britain	31,225	2%
14 Saudi Arabia	209,430	2%	14 France	29,696	2%
15 Belgium	207,023	2%	15 Malta	27,028	2%
16 Egypt	202,610	2%	16 Algeria	26,111	2%
17 Ukraine	154,110	2%	17 Spain	25,251	2%
18 Korea (s)	116,025	1%	18 Tunis	24,019	2%

Source: Lebanese Economy of Trade. 2002.

The share of the European Union (EU) countries in 2000 was 27 percent of total exports accounting for $156 million, whereas Arab countries registered 46 percent of total exports.[50] As for breakdown of exports, pearl, stones and imitation jewelry amounted to 17.76 percent of total exports followed by products of chemical and allied industries (12.37 percent), and machinery and appliances (10.46 percent).[51] On the other hand, EU countries supplied 51 percent of total Lebanese imports, valued at $3 billion, in 2000, whereas Arab countries accounted for only 12 percent of total imports. Mineral products represent the main component of Lebanese imports (17.59 percent), followed by machinery and appliance (12.85 percent), and vehicle and transport equipment (8.92 percent).[52]

Foreign trade plays a major role in the Lebanese economy. Traditionally, Lebanon's balance of trade has been overwhelmingly unfavorable. In 2000 exports

[50] *Lebanese Economy*. 2002. P.2.
[51] U.S. Dept. of Commerce, Country Commercial: Lebanon. *International Trade Administration*. 2002.
[52] *The Euro-Mediterranean agreement between the European Union and Lebanon.* Economics. 2002.

totaled $714 million, while imports totaled $6.2 billion.[53] Tables 14 and 15 provide a detailed illustration of the share of Arab countries and European of the total Lebanese trade by the end of the 1990s. The EU is Lebanon's main trading partner.

Table 14: Lebanon's Trade with Arab-Countries (thousands US$) and Share of Total Trade (In Percent) 1999

	Turnover	Share	Export	Import
Arab-countries	794,916.00	11.56%	271,465	523,451.00
Syria	255,723.70	3.72%	32,268.60	223,455.10
Saudi Arabia	173,512.50	2.52%	70,940.70	102,571.80
UAE	109,530.90	1.59%	53,923.90	55,607.00
Egypt	64,759.20	0.94%	15,263.20	49,496.00
Jordan	62,278.80	0.90%	26,957.80	35,321.00
Kuwait	44,196.60	0.64%	30,349.60	13,847.00
Iraq	21,793.50	0.32%	21,745.50	48.00
Libya	15,347.50	0.22%	11,258.50	4,089.00
Morocco	9,574.00	0.14%	2,414.00	7,160.00
Algeria	9,558.00	0.14%	1,590.00	7,968.00
Tunisia	8,912.00	0.13%	1,436.00	7,476.00

Source: Lebanon's Memorandum of Foreign Trade Regime. 2001. Page 111

Table 15: Trade with Europe (thousands US$) and Share of Total Trade (In Percent) 1999

	Turnover	Share	Export	Import
Europe	3,544,872.90	51.50%	216,307.8	3,328,565.1
Italy	697,986.80	10.14%	19,008.8	678,978.0
France	646,906.10	9.40%	52,117.6	594,788.5
Germany	577,124.30	8.38%	24,466.8	552,657.5
Switzerland	487,527.10	7.08%	44,552.5	442,974.6
UK	296,037.60	4.30%	24,296.5	271,741.1
Spain	159,903.40	2.32%	12,194.1	147,709.3
Belgium	127,296.50	1.85%	10,927.6	116,368.9
Netherlands	129,608.90	1.88%	15,295.8	114,313.1
Greece	122,821.40	1.78%	11,122.1	111,699.3
Ukraine	110,111.40	1.60%	1,167	108,944.4
Russia	99,037.00	1.44%	550.0	98,487.0
Ireland	90,512.40	1.31%	609.0	89,903.4

Source: Lebanon's Memorandum of Foreign Trade Regime. 2001. Page 112

[53] *Reference Guides on Lebanon.* 2003.

By the year 2003, Lebanon continued to have an open, service-oriented economy. Services, mainly banking and tourism, account for 65 to 70 percent of GDP. In 2002, GDP growth was 1.5 percent, and in 2003 it recorded a growth of 2.5 percent, and GDP per capita was around $4,800, significantly higher than many neighbouring countries.[54] Yet, economic growth has been moderate in recent years. Lebanon's main economic challenge is addressing the enormous public debt which was primarily accumulated in the immediate post-war period and continues to grow. Since 1998, the Government has undertaken significant reforms with the support of the World Bank, including reduced tariffs and introducing a consumption tax (VAT).[55] Stalled reforms that were intended to ameliorate the debt situation include privatization and administrative restructuring. But the question to be asked is whether government steps are serving the growth of the economy or not. Lebanon's economic conditions in 2003 were characterized by a moderate growth in real sector output, a reinforced overall monetary situation, a favorable banking sector activity and a stagnant public finance performance.

During the last few years, Lebanon's vision to build a powerful economy based on exports trade, a thriving service industry, and its emergence as a luxury travel destination, has moved closer to reality. Tourism in Lebanon got revived as a result of the reconstruction of Beirut, the re-development of its international airport and the arrival of more airlines bringing growing numbers of visitors. The country's progress towards a bright economic future is being accelerated by the large number of tourists, from the Gulf countries and a sustained recovery from civil war, which is now attracting investment. Over the past two years, tourists from the Gulf countries, particularly wealthy customers

[54] The Daily Star. *Economy is Improving, but Growth Rate are still Well below Potential.* 2004. P.1.
[55] Australian Government, Economy of Foreign Affairs and Trade. *Country Brief Lebanon*. 2004.

from Saudi Arabia, Kuwait, Qatar and the UAE, were interested in investing big projects in Lebanon due to its location, climate, culture, great food, European architecture, tradition of hospitality and nightlife, casinos, international hotels, a growing skiing destination, and the fact that their own language was spoken as well.

To illustrate more, arrivals in Lebanon grew from 741,648 in 2000 to 1,015,793 last year (Table 16). The first time the one million mark had been broken since 1974 when there were 1,423,950 tourists. The only other year to break the million barriers was 1972, with 1,028,798 visitors.[56] The number of passengers at the Beirut International Airport, according to statistics from the Directorate of Civil Aviation, increased by a significant 8.1 percent in 2003 compared to the year before, to reach a total of 2,717,684 passengers in 2003.

Table 16: Number of Tourists in Lebanon for the year 2003

Number of Tourists in 2003 by Source

	Jan-Feb-Mar	Apr-May-Jun	Jul-Aug-Sept	Oct-Nov-Dec	Total
Africa	4,520	5,211	7,176	5,491	22,398
America	15,670	33,992	46,249	24,338	120,249
Arab Countries	60,175	63,684	246,062	68,282	438,203
Asia	26,619	25,446	53,496	28,603	134,164
Europe	40,121	60,627	103,372	62,571	266,691
Okiania	4,658	7,181	13,168	7,840	32,847
Other	81	467	579	114	1,241
Total	151,844	196,608	470,102	197,239	1,015,793

Source: Lebanese Newspaper Addiar. January20, 2004, p. 10.

[56] *Lebanon Tourism Booming.* Trade Arabia News Service. 2004.

By the beginning of the year 2004, the Lebanese tourism sector witnessed an impressive activity. The number of tourists coming to Lebanon reached 69,353 up by 35.5 percent in January 2004 from the same month of 2003.[57] Arab countries tourists accounted for 49.2 percent followed by Europe 22.8 percent, America 11.3 percent, Asia 11 percent, Oceania 3.1 percent and Africa 2.6 percent.

A very important point to add, in relation to Lebanese economy, is that the agriculture sector in Lebanon faces a number of problems, ranging from the means of production to marketing strategies. The agricultural sector has been given less concern compared to sectors such as banking and other services, due to the fact that agriculture does not generate income as quickly as other sectors of the economy. Agriculture has long been neglected to the advantage of the hotel and restaurant industries. Lack of planning is a major problem, especially when over-production goes without the government's intervention in the form of subsidies. In addition, Lebanon's agricultural products face cruel competition from neighboring countries because of Lebanon's high labor costs and the fact that farmers tend to leave their land to pursue other more rewarding jobs. The Ministry of Agriculture has to formulate agricultural policies, and find new ways for dealing with the problem, since Lebanon's natural resources such as water availability, soil fertility and mild climate, needs to be managed seriously. Good planning and marketing strategies are a major requirement to avoid losing such valuable sector and source of income.

Lebanon is a signatory to at least 30 trade and economic agreements with many countries, whether Arab, European, Asian, African or others, that primarily deal with trade in goods. In addition to services, some of the bilateral trade and economic

[57] Bank Audi Research Department. *The Weekly Economic and Market Report.* Week 8. 2004.

agreements include general provisions that call for improving and increasing cooperation with regard to trade in services between Lebanon and the other countries. In addition, Lebanon is a signatory to at least 120 sector-specific bilateral agreements, including tourism, post, culture, telecommunications, and transport (air, land, and sea transport), with many countries including Armenia, Bulgaria, Egypt, Greece, Italy, Iran, Russia, Turkey, United Arab Emirates, United Kingdom, Yemen.[58] These agreements contain general provisions on facilitating trade in services without reference to any specific preferences. Lebanon is not a member of any customs union but has bilateral free-trade area agreements with many Arab countries including Egypt, Kuwait, Syria, and United Arab Emirates, Jordan, Bahrain, and Saudi Arabia. The Lebanese government is committed to economic integration among Arab states. In an effort to eliminate trade between Arab countries, Lebanon became a signatory to the Arab League's Arab Free Trade Area agreement in 1997.[59]

The U.S. is an important trade partner for Lebanon, it is its fourth largest import and export partner. According to U.S. Department of Commerce data, and as shown in Table 17, the U.S. exported to Lebanon $356.5 million in 1999, $418 million in 2001, and $314 million in 2003. It imported from Lebanon $52 million in 1999, $77 million in 2000, and $92 million in 2003.

[58] *Lebanon Trade Regulations* .Lebanese Trade Guidelines. 2003. P.1.
[59] *Bilateral Agreement Related to Foreign Trade in Goods and Trade in Services.*2002. P.1.

Table 17: U.S. Trade with Lebanon (Million of U.S. Dollar)

Year	Exports	Imports	Balance
2003	314.3	92.3	222
2002	317.6	61.8	255
2001	418.2	89.6	328
2000	354.7	76.8	277
1999	356.4	51.5	304.9
1998	513.9	82.5	431.4
1997	552	77.6	474.4
1996	627	41.4	585.6
1995	592.2	35	557.2
1994	442	25.3	416.7
1993	377.2	26.7	350.5
1992	310.9	27.8	283.1

Source: U.S. Census Bureau, Foreign Trade Statistics. February 2004.

During the year 2003, the trade balance of Lebanon did not show much change from the year before. Imports to Lebanon were worth at least five times more than the country's exports, even though exports rose by over 30 percent during the period 2000-2003. In addition, the US-led war in Iraq had a huge impact on Lebanon's trade. However, Lebanese exporters, soon after the war, re-entered the Iraqi market relying on the fact that Iraqis' familiarity with Lebanese goods and the high quality of their exports would win a share of the Iraqi market. Since the end of the war on Iraq, transit trade to Iraq has increased as Lebanese traders and industrialists kept going to Iraq. The US-led war on Iraq could cost as much as 1,000 billion dollars in lost production in Arab countries, on top of the 600 billion dollars lost due to the last Gulf war 12 years ago.[60] US warmongering has the effect of sabotaging the cultures and economies of the entire Middle East.

[60] *Iraq Invasion Could Cost Arab Countries $1 Trillion.* Arabic News Online. 2003. P.2.

Moreover, by the year 2003, a free trade agreement lowering tariffs on industrial goods traded between Lebanon and Syria came into force, but the balance of trade still remained in Syria's favor. Lebanese exports to Syria in the first ten months of the year 2003 reached $78 million, compared with $76 million for the whole of last year. Syrian exports to Lebanon in the first ten months of 2003 reached $229 million, compared with $207 million for the whole of last year.[61]

Concerning Lebanese foreign trade by the year 2003, Lebanese imports amounted to $7,168 million versus $6,445 million in 2002, while exports rose to $1,524 versus $1,045 million in 2002.[62]

Table 18: Lebanese External Sector

In millions of US $	2002	2003	%
Exports	1,045	1,524	45.8%
Imports	6,445	7,168	11.2%
Trade Balance	5,400	5,644	4.5%

Source: Bank Audi, Quarterly Economic Report. 4th Quarter. 2003.

Lebanese exports, in 2003, went to Switzerland accounting for around 25 percent, followed by Saudi Arabia 6.8 percent, UAE 6.8 percent, Syria 6.6 percent, US 4.3 percent, Turkey 4.1 percent, Kuwait 3.3 percent, and Jordan 3.1 percent. The main exporters to Lebanon, during the same year, were Italy 9.4 percent, France 8.1 percent, Germany 8.1 percent, China 7.4 percent, US 6 percent, Russia 4.5 percent, UK 4.4 percent, and Japan 3.8 percent. In addition, the structure by product shows that jewelry captured 30 percent of the total, electrical products 11.7 percent, food products 9.8

[61] *Lebanon. German Arab Chamber for Industry and Commerce*. 2004.
[62] The Weekly Economic and Market Report. *Trade Deficit Rises by 18.8% in December* Week 6.

percent, basic metals 7.5 percent, chemical products 7.5 percent, and paper and paper products 50.8 percent. As to imports, mineral products represented 16.6 percent of the total, electrical equipment 12.2 percent, chemical products 10 percent, transport equipment 9.7 percent, basic metals 6.6 percent, and food products 6 percent.[63]

To conclude, the question is related to the reasons the Lebanese economy trade with non-Arab countries more than it does with Arab countries, when the commodities needed may be found in the latter countries. Is it a lack of confidence in neighboring countries' products or a policy led by Lebanese governors?

Since Arab economies' share in the global trade for commodities is not improving, Arab countries need to pursue a plan supporting trade and investment among them i.e. the free exchange of goods, services and the free movement of labor. Arab countries have different economic sectors, which could help them enhance the possibilities of establishing joint investment projects.

[63] *The Weekly Economic and Market Report*. February, 2003. P.3.

Chapter V

Gulf Cooperation Council Countries

In 1981, six countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) formed the Gulf Cooperation Council GCC. These Arab Gulf States have shared interests as well as common social, cultural, political, and economic characteristics.[64] The GCC countries have maintained a common trade policy in their dealings with international and regional organizations and a unified oil-pricing policy within the Organization of Petroleum Exporting Countries (OPEC). The GCC countries depend on exports of crude oil and other hydrocarbon products, have a limited availability of other natural resources. Their agricultural and mineral resources are very minimal, and the natural water supply is scarce.

The Gulf countries began their domestic efforts towards modern economic development in the early 1960s, achieving fast economic growth since the 1970s, by mainly relying on oil revenues. Even though the small size of these economies hindered the process of economic development, the GCC countries manage to achieve high living standards and considerable wealth, in part due to the oil revenues, and in another part due to their relatively small populations.

In this chapter, we deal with both foreign and domestic trade of the Gulf region over the last fifteen years. Oil dominates the economies and politics of the Gulf countries. Prior to the early 1990s Gulf Crisis, production of crude oil in the region had reached around 14.2 million barrel per day. Saudi Arabia contributed 38 percent of the

[64] United Nations. *Economic Diversification in the Arab World.* 2002.P. 12.

production, Iraq 20 percent, United Arab Emirates 13 percent, and Kuwait 12 percent. It is also worth noting that Saudi Arabia and Iraq consumed about 17 percent and 12 percent of their oil production, respectively.[65] For GCC countries, the total value of exports depends heavily on the prices of oil, which dominates these countries' exports, and affects their economies. The accumulation of oil revenues in the 1970s pushed the banking sector in the GCC countries to become a major financial activity. During that period, the number of banks and financial intermediaries and institutions increased sharply. Many international banks chose to operate in these countries, especially in Bahrain and Saudi Arabia, considering them as a base of operations for the Arab World. Moreover, in the 1980s, banks continued to increase their range of services, and increase the number of branches and total assets.

The Gulf Crisis seriously affected the oil sector. Prior to the crisis, impressive growth rates in oil production prevailed. As a result, trade was another area seriously affected by the Crisis. Successive resolutions adopted by the United Nations Security Council restricting trade with Iraq have adversely affected trade among Arab countries. The war caused tremendous damage that did not only affect Iraq and Kuwait, but went beyond the borders of the latter countries affecting as well other countries in the region and elsewhere. The worst damage was certainly in Kuwait, where the fully integrated petroleum facilities, incorporating all facets of exploration, drilling, production, and refining were badly damaged.

The GCC countries are the less diversified economies of the Arab countries. They have been predominantly dependent on their natural resources. The question that presents itself therefore is to what extent Arab countries compete with each other and to what

[65] ESCWA. *The Impact of the Gulf Crisis on the Economies of Western Asia*. 1999. P.3.

extent they complement one another. Inter-GCC exports represent only seven percent of the total regional exports because of the dominance of oil as the main item of export.[66] But, countries of the GCC have some differences in their export commodities. For example, among Bahrain's exports aluminum plays its role, and Saudi Arabia exports textiles and foodstuff. The major obstacle GCC states are facing, for integrating regional economies, is the lack in applying mechanism to coordinate their efforts.

The first part of this chapter consists on the Gulf countries' trade between the period prior to the 1990s and during the 1990s. Again, oil commodities are the most important sectors for the export of GCC countries. In the 1980s, the ratio of oil exports to GDP averaged around 75 percent, while oil exports accounted for an average of more than 90 percent of total exports, with the ratio rising to 95 percent in Qatar and nearly 99 percent in Saudi Arabia.[67]

The political instability of the Gulf region, during the last two decades or more, was a major factor that held back the process of economic diversification in the region. The Iraq-Iran war of 1980-1988 and the Gulf war in 1990 forced the governments of the Gulf to shift a huge amount of funds to war efforts, instead of investing in project to develop their economies. A major sector the Gulf region focused on during the mid-1990s was the development of the service sector, which followed different patterns and occurred at a varying pace in those countries. Bahrain and Dubai having limited hydrocarbon resources were forerunners in this prospect by promoting themselves as regional and banking services centers.

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[66] United Nations. *Economic and Social Commission for Western Asia.* 2001. P.10.
[67] United Nations. *Economic Diversification in the Arab World*. 2002. P. 13.

To begin with, Saudi Arabia's oil reserves are the largest in the world, and the country is the world's leading oil producer and exporter. Saudi Arabia is highly dependent on the export of the single crude petroleum commodity, which makes it an open economy that has a low degree of diversification in the productive sector of the economy. Oil exports traditionally represent 90 to 95 percent of the country's total exports.[68] Yet, the country has been focusing on diversifying its economy in order to decrease its dependence on oil commodities. Other major commodities exported by Saudi Arabia are ceramic products, glass, machinery, mechanical and electrical equipment, as well as optical, precision and surgical categories. The following table shows the exports of commodity groupings during the 1990s and the way they evolved.

Table 19: Saudi Arabia's Exports of commodity groupings

Year	Food, Beverages and Tobacco	Textiles	Paper Products	Chemical and Petroleum Products	Machinery
1990	12.8	1.5	3.2	50.2	18.4
1994	12.0	1.7	3.3	45.2	20.4
1998	11.2	1.8	3.5	40.0	22.6

Source: United Nations. Economic Diversification in the Arab World. 2001. P.88.

Diversification is very much beneficial to the economy since it lowers the risks and uncertainties the economy may face, and in return, provides a better economic stability. The major sectors the Saudi economy was focusing on are: natural gas, mining, and, increasingly religious tourism. The first additional sector of the Saudi economy is natural gas. Saudi Arabia's natural gas reserves are ranked four in the world after Russia,

[68] United Nations. *Economic Diversification in the Arab World*. 2002. P.80.

Iran, and Qatar.[69] The country has been trying to increase its production since the early 1990s when new gas reserves were discovered. Another sector of great potential for the Saudi economy is mining. The country has large mineral resources including precious and base minerals, as well as industrial minerals. For example, the country holds some of the largest phosphate deposits in the world, and is rich in marble which has a growing market related to the construction industry. As for tourism, it is a significant sector in the economy, and religious tourists' arrival to Saudi Arabia rose from 3,230,000 in 1994 to 3,600,000 in 1997. [70]

To provide a better illustration of Saudi Arabia's trade during the specified years, and in relation to other Arab countries, the following data gives more details. The Kingdom's exports have expanded steadily since 1987 and achieved a noticeable improvement in 1990. Total exports in 1990 increased by 56.5 percent to $44,417 million from $28,330.9 million in 1989 due to the rise in exports resulting from the sharp increase in oil production to help maintain international supplies and stabilize prices during the 1990 Gulf crisis.[71] Only $4,647 million of Saudi Arabia's total exports, in 1990, were exported to Arab countries. Most of the other exports went to industrial and developed countries. The main categories of Saudi exports during the same year were 74.11 percent crude oil, 16.9 percent refined oil, 5.71 percent petrochemical products and plastics and 3.99 percent other commodities. The value of the kingdom's exports increased during 1992 by about 5 percent, decreased by about 15 percent in 1993, and then edged up again slightly by 0.5 percent in 1994 to reach $42,614 million. Yet, Saudi

[69] *Saudi Arabia, Country Analysis Brief.* eia. 2003. P. 5.
[70] World tourism Organization. Online Information. 2001. P. 2.
[71] *Saudi Arabian Economy.* Abacci Atlas. 2003. P.3.

exports to Arab countries increased to $4,852 million.[72] Table 20 provides details in relation to Saudi Arabia's trade with other Arab Countries from the period 1989-2000, showing that throughout those years trade relations did not increase as required for enhancing inter-Arab trade. Moreover, table 21 shows the Kingdom's trade with Gulf countries as well as other Arab countries, in 2002, in relation to Saudi Arabia's total trade.

Table 20: Saudi Arabia's Trade with Arab Countries (Million Saudi Riyals)

Year	Exports	Imports	Total Trade	Trade Balance
1989	3,139	2,159	5,298	980
1990	6,539	2,579	9,108	3,950
1991	5,198	2,908	8,106	2,290
1992	3,339	3,085	6,624	545
1993	6,347	3,250	6,897	397
1994	4,408	2,876	6,284	523
1995	4,802	3,255	8,057	1,547
1996	6,106	3,710	9,816	2,396
1997	7,714	3,383	11,097	4,331
1998	6,051	3,657	9,708	2,394
1999	5,425	4,186	9,611	1,239
2000	6,230	3,251	9,481	2,979

1 Saudi Riyal = 0.26 US Dollar

Source: Saudi Arabia Ministry of Trade and Commerce. 2002.

[72] *The Journal of the Arab Banker Association*. MENA Overview. 2004. P.4.

Table 21: Saudi Arabia's Trade with Arab Countries in 2002 (Million Riyals)

Countries	Exports	Imports	Total Trade	Trade Balance
GCC Countries	**14,761**	**4,550**	**19,311**	**10,211**
Kuwait	1565	413	1,978	1,152
Bahrain	5304	746	6,050	4,558
Qatar	743	507	1,250	236
Oman	573	509	1,082	64
UAE	6,576	2,375	8,951	4,201
Other Arab Countries	**8,239**	**3,516**	**11,755**	**4,723**
Syria	392	1,018	1,410	-626
Lebanon	1,121	471	1,592	650
Jordan	569	531	1,100	38
Iraq	264	0	264	264
Yemen	888	280	1,168	608
Morocco	1,649	270	1,919	1,379
Algeria	48	4	52	44
Tunisia	151	95	246	56
Libya	34	2	36	32
Egypt	1,768	696	2,464	1,072
Sudan	483	108	591	375
Total Trade with Countries Of the World	**254,898**	**116,931**	**371,829**	**137,967**

1 Saudi Riyal = 0.26 US Dollar

Source: Saudi Arabia Ministry of Trade and Commerce. 2003.

Among other Gulf countries, the UAE is one that has been open for business for some time, especially, of transshipment trade and financial and insurance sectors. In this regard, the UAE has succeeded to a great extent. The increased activity related to trade and banking and finance in Dubai and in United Arab Emirates as a whole, have contributed to a satisfactory growth in the UAE. In addition, the country has been one of the more careful countries in terms of passing legislation and enforcing anti-money laundering and the integrity of its financial and banking system.[73] To be more specific, the Emirates' exports by the beginning of the 1990s were $21,917 million and rose to $28,907 million in 1995. The UAE exports to Arab countries by the mid-1990s constituted $1,916 million of the county's total exports, while exports to the European Union countries were about $895 million. Exports to industrial countries such as Japan, the US, Canada, and Australia constituted $10,198 million.[74] Concerning its imports, and in 1990 as shown in table 22, the UAE imported $951 million from Arab countries ($414 million from Saudi Arabia, and $129 million from Qatar), $6,913 million from industrial countries ($1,631 million from Japan, and $1,049 from the US), in addition to $3,577 million from the EU ($1,144 million from the UK, $876 million from Germany, and $522 million from Italy). There were other major imports from countries such as China, which constituted $572 million, and India $466 million.[75]

Table 22: UAE Imports from other Arab Countries 1990-2000
(Figures in Millions of Dollars)

From	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Arab Countries	922	780	846	1,047	1,072	1,340	1,368	1,376	1,518	2,252	3,250
Jordan	69	48	55	62	66	84	96	98	94	91	74
Bahrain	133	113	83	130	106	111	123	82	112	109	136
Tunisia	0	0	0	0	2	3	4	5	6	9	10
Algeria	0	0	0	0	0	1	0	1	1	1	14
Saudi Arabia	415	362	416	490	564	751	743	796	843	918	1,191

[73] Economic Outlook in the Middle East and North Africa. 2003.
[74] *Merchandise Exports of the United Arab Emirates*. Arab Monetary Fund. 2002. P.2.
[75] *Merchandise Imports of the United Arab Emirates*. Arab Monetary Fund. 2002. P.3.

From	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Syria	26	22	26	35	28	40	34	34	43	64	80
Iraq	25	0	0	0	0	0	1	1	0	0	0
Oman	8	7	2	3	1	1	1	1	2	790	1,025
Qatar	129	123	111	123	129	151	121	111	139	151	564
Kuwait	39	9	29	58	60	55	73	99	104	0	0
Lebanon	54	62	74	84	66	55	59	55	60	58	82
Libya	2	1	1	2	2	1	0	0	0	0	0
Egypt	19	32	47	58	44	78	101	84	95	41	51
Morocco	3	1	2	2	2	5	5	5	10	10	12
Total	11,472	13,765	17,414	19,520	22,689	23,481	25,832	26,603	30,524	34,613	39,584

Source: Arab Monetary Fund. Merchandise Imports of UAE. 2002.

Kuwait is the third GCC country to be considered during the 1990s. Kuwait is a typical example of an-oil based economy. The Oil sector contributes over one-third of GDP and about 90 percent of exports.[76] The country's economy is small and open, and exports during the 1990s typically accounted for around 55 percent of GDP reaching $12,834 million in 1995.[77] Table 23 allows us to compare Gulf countries' trade by the year 2000.

Table 23: Economic indicators, Kuwait and other GCC countries (2000 in $ millions)

	Kuwait	Saudi Arabia	UAE	Oman
Exports of Goods	19,573	78,756	43,294	11,318
Imports of Goods	7,619	30,299	39,584	5,375

Source: Arab Unified Report, 2001.

[76] United Nations. *Economic Diversification in the Arab World*. 2002. P. 121.
[77] United Nations. *Economic Diversification in the Arab World*. 2002. P. 122.

Kuwait is an open country with few restrictions on external trade. The oil trade dominates Kuwait's exports. Crude Oil and Oil Products together accounted for about 91 percent of total exports in 1999. By the beginning of the 1990s, Kuwait exported $6,238 million of mineral fuels, and $11,139 million in 1999.[78] As to Kuwaiti imports, by the 1990, they consisted of food and beverages $640 million, crude materials $70 million, chemicals $287 million, machinery and transports $1,292 million, as well as manufacturers $1,533 million. [79] Table 24 shows the percentages of Kuwait's export and import commodities by the end of the 1990s.

Table 24: Value and Quantity of Exports and Imports by Commodity Sections, Including Oil Exports and Its Extracts – 1998

Commodity Sections	Export %	Import %
Food and live animals	0.03	14.03
	0.39	13.57
Beverages and Tobacco	0.01	0.79
	0.07	1.00
Crude materials, except fuels	0.24	44.04
	0.42	1.78
Mineral fuels and lubricants	96.98	0.42
	89.13	0.44
Animal and vegetable oils and fats	0.01	0.35
	0.06	0.49
Chemicals	2.52	2.58
	6.25	7.75
Manufactured goods	0.14	33.88
	1.19	18.30
Machinery and transport equipment	0.04	2.76
	1.93	41.19
Miscellaneous manufactured articles	0.02	1.15
	0.52	13.70
Unclassified commodities	0.01	0.00
	0.04	1.78
Total	100.00	100.00
	100.00	100.00

Source: Kuwait Ministry of Planning, Annual Statistical Abstract, 1998

[78] United Nations. Economic Diversification in the Arab World. 2002. P. 125
[79] *Kuwait, Commodity Structure of Imports, Arab Monetary Fund*. 2002. P.2.

Concerning Kuwait's trade partners, the country imported $804 million from the Arab countries in 1994, and increased to $1,018 in 1999. Yet, Kuwait depends on non-Arab countries for both its imports and exports. Kuwait's imports from the EU, by the early 1990s, accounted for $1,352 million (Germany $362million, UK $338 million, and Italy $ 247 million), imports from Japan accounted for $460 million, and the US $441 million.[80] By the end of the 1990's, Kuwait's imports from the EU collectively ($2,136 million) continued to be greater than those either from the US ($935 million) or Japan ($974 million). As to the exports of Kuwait, exports to Arab countries' have been decreasing over the years (from $533 million in 1990, to $272 million in 1999). Kuwait exports to the EU decreased from $1,952 million to $1,214 million during the same period, yet exports to Japan increased (from $1,557 million to $2,782 million), as well as to the US (from $568 million to $1,410 million).[81] Kuwait's top five exports partners take more than 80 percent of its exports. The US and Japan together accounted for more than 40 percent of Kuwaiti exports and imports in 1999.[82] Kuwait is highly vulnerable to external shocks since it has a small domestic and un-diversified economy as well as a heavy reliance on the outside world regarding oil revenues and investments income and imports. Kuwait has tried to decrease its dependence on oil by developing the non-oil sectors, but its success has been modest even if economic diversification is at the top of the agenda for economic reform. The following table provides an overview of Kuwaiti trading partners during the late 1990s.

[80] *Merchandise Imports of Kuwait.* Arab Monetary Fund. 2002. P.1.
[81] Merchandise Exports of Kuwait. Arab Monetary Fund. 2002. P.1.
[82] *Bilateral Trade Relations Gulf Cooperation Council.* 2003. P.3.

Table 25: Kuwait's Main Trading Partners, 1999

Exports to	%	Imports to	%
Japan	27.2	Japan	12.8
US	16.1	US	12.3
Korea	15.2	Germany	7.7
Netherlands	12.5	Saudi Arabia	6.2
Singapore	12.3	Italy	5.8
Pakistan	5.4	UK	5.7
Taiwan	5.0	India	3.7
UK	3.5	France	3.7
France	1.6	China	3.2
India	1.2	Australia	3.2

Source: Annual Statistical Abstract, Ministry of Planning, Central statistical Office, 1999.

The next country of the Gulf area to be studied is Qatar. The export and import of goods and services play a major role in the structure of Qatar's GDP, since export revenues are the main source of public spending and development financing, while imports are the only means for obtaining various required commodities. As a result, one could notice that foreign trade is essential to the economy. The country has focused on increasing its industrial activity over the past few years with the development of natural gas production, there has been a corresponding increase in import and export activities. During the 1990s, Qatar's main export market was Asia, in particular Japan which buys most of the exported crude oil ($1,960 million in 1990, $1,974 million in 1995, and $3,125 million in 1999), in addition to China and India, which import substantial quantities of fertilizers and petrochemicals. Arab countries imported only $249million from Qatar by the late 1990s.[83] Table 26 provides an overview on Qatar's exports with other Arab countries.

[83] Merchandise Exports of Qatar. Arab Monetary Fund. 2002. P.2.

Table 26: Qatar's Exports to other Arab Countries 1990-2000 (Millions of Dollars)

TO	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Arab Countries	187.9	198.9	221.8	206.5	217.5	250.5	235.3	228.8	244.5	249.6	686.0
Jordan	7.1	8.7	6.8	4.3	4.9	7.0	8.0	9.1	9.4	9.3	10.0
UAE	117.3	111.8	100.9	111.8	117.3	137.3	110.0	100.9	126.4	137.5	513.0
Bahrain	6.2	5.6	6.2	6.7	8.5	8.8	7.5	8.6	6.9	6.7	17.0
Saudi Arabia	47.4	51.1	90.0	75.9	63.2	60.0	69.3	74.7	72.3	65.5	115.0
Oman	9.5	12.5	8.5	7.4	5.3	13.5	13.8	7.4	8.8	10.4	7.0
Kuwait	0.0	0.0	0.0	0.0	18.0	23.2	24.3	23.0	16.1	12.4	10.0
Egypt	0.4	9.2	9.5	0.4	0.3	0.8	2.4	5.1	4.6	7.8	14.0
Total	3293.0	3246.8	3623.6	3324.7	2933.2	3680.0	4470.0	5581.3	5031.0	7213.7	11527.0

Source: Arab Monetary Fund. Merchandise Exports of Qatar. 2002.

On the other hand, Qatar's import from Arab countries combined together accounted for \$197 million in 1990 out of \$1,694 of total import, and in 1999 they accounted for \$470 million out of \$2,839 million (Table 27). The main sources of imports are the U.S., Japan, and the United Kingdom. By the late 1990s, they accounted for \$389 million, \$590 million, and \$533 million.[84] Significant imports include vehicles, foodstuffs, electronic equipment and manufactured goods that support the population and industries of the country. Protection of domestic products is applied to products competing with locally produced items, resulting in tariffs, for example, imported steel is subject to 20 percent import duty, and tobacco is subject to 50 percent.[85] However, an exemption from customs duties exists for goods manufactured in GCC countries. At the present time, crude oil continues to dominate the pattern of exports. In 1996, for example,

[84] Merchandise Imports of Qatar. Arab Monetary Fund. 2002. P.3.
[85] *Qatar Trade Information*. 2000.

oil export revenues constituted over 90 percent of the country's total export earnings. In 1990, mineral fuels exports accounted for $2,697 million, and crude oil $2,783 million out of $3,641 million of the total exports of Qatar, and in 1999 they accounted for $6,517 million and $4,166 million respectively, out of $7,213 million total exports.[86]

Table 27: Qatar's Imports from other Arab Countries 1990-2000 (Millions of Dollars)

FROM	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Arab Countries	197.66	222.39	275.38	323.90	319.12	318.68	380.19	388.30	434.79	470.24	539.00
Jordan	9.31	19.40	20.27	18.57	13.14	13.08	8.68	10.16	10.98	10.68	12.00
UAE	50.30	73.19	101.73	136.04	133.92	133.71	139.59	128.05	125.49	136.58	225.00
Bahrain	16.21	23.24	27.42	18.08	30.91	30.85	33.32	33.19	35.84	34.87	40.00
Saudi Arabia	68.87	70.11	72.45	100.55	95.51	95.41	150.58	172.03	216.48	235.62	183.00
Syria	27.31	11.13	10.99	9.78	9.07	9.09	9.40	5.14	12.27	17.44	25.00
Oman	3.93	5.19	6.07	7.42	8.51	8.52	10.25	10.44	17.98	18.47	18.00
Kuwait	6.90	1.07	6.76	9.97	9.35	9.31	13.02	14.04	0.00	0.00	17.00
Lebanon	8.82	10.91	12.03	10.38	9.81	9.84	6.62	6.32	10.30	10.21	8.00
Egypt	6.02	8.16	17.66	13.10	8.88	8.87	8.74	8.93	5.45	6.36	11.00
Total	1,694.89	1,720.11	2,020.83	1,890.69	1,991.00	1,929.33	3,402.87	2,871.96	3,716.52	2,839.70	3,252.00

Source: Arab Monetary Fund. Imports of Qatar. 2002.

Concerning Bahrain, it is worth mentioning the role of the banking service. Offshore banking based in the Arab world coincided with the boom in oil revenues from 1973 through 1982. The banks were concentrated in the Gulf region, and particularly in the State of Bahrain, which had established itself as a regional financial center in the mid-

[86] Commodity Structure of Trade. Qatar Merchandise Exports. Arab Monetary Fund. 2002.

1970s.[87] In Addition, the commodity structure of merchandise exports of Bahrain consists mainly of mineral fuels, which accounted for $3,977 million in 2000, when the country's total exports were $5,700 million.[88] The main export partners, at that time, were the U.S. with $295 million, Japan $246 million, Saudi Arabia $271 million and the EU $316 million.[89]

Table 28: Bahrain's Exports to Arab Countries, 1990-2000 (Millions of Dollars)

To	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Arab Countries	224.3	255.1	253.9	366.3	403.7	475.4	477.9	424.2	502.9	478.5	605.0
Jordan	0.0	14.4	4.0	15.0	21.7	36.3	20.1	22.2	25.3	26.7	6.0
UAE	25.5	102.7	75.5	118.2	58.5	74.2	83.0	74.5	101.8	99.1	124.0
Tunisia	3.2	3.2	3.8	7.9	4.8	6.8	6.6	7.7	10.5	7.5	7.0
Saudi Arabia	108.1	94.7	119.1	143.8	219.5	251.2	247.6	196.1	247.2	218.6	271.0
Syria	0.0	0.4	0.3	0.3	1.4	1.0	1.6	0.0	5.3	3.1	4.0
Oman	4.4	17.6	25.4	64.2	20.7	11.0	17.3	35.3	17.4	20.2	25.0
Qatar	67.5	21.1	24.9	16.4	27.9	31.6	42.4	30.2	32.6	31.7	36.0
Kuwait	15.5	0.0	0.0	0.0	42.1	58.3	48.2	45.8	50.8	45.0	62.0
Lebanon	0.1	0.1	0.1	0.1	1.6	2.1	3.5	3.8	5.1	5.3	45.0
Libya	0.0	0.2	0.2	0.2	2.8	1.3	0.6	0.7	2.2	2.2	3.0
Egypt	0.0	0.8	0.6	0.1	2.7	1.8	7.0	8.0	4.8	19.1	22.0
Total	3,836.3	3,513.0	3,464.4	3,723.4	3,616.8	4,114.4	4,702.1	4,383.0	3,270.2	4,140.4	5,700.3

Source: Arab Monetary Fund. Exports of Bahrain. 2002.

Bahrain's total imports by the early 1990s were $3,711 million, Arab countries accounted for $1,978 million (Saudi Arabia $1,886 million), European countries $602 million, Japan $187 million, and the U.S. $264 million. By the year 2000, Bahrain's

[87] *Regional Financial Services through Offshore Banking.* Ghazi Abdel Jawad. 2000. P.1.
[88] Commodity Structure of Trade. Bahrain Merchandise Exports. Arab Monetary Fund. 2002.
[89] *Merchandise Exports of Bahrain.* Arab Monetary Fund. 2002. P.1.

import partners did not change. Total imports were $4,611 million, Arab countries accounted for $1,229 million (Saudi Arabia $1,035 million), European countries $1,415 million, Japan $181 million, and the US $488 million.[90]

Table 29: Bahrain's Imports from Arab Countries, 1990-2000
(Millions of Dollars)

FROM	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Arab Countries	1978.7	1815.7	1868.2	1604.3	1526.2	1690.9	1957.2	2013.9	375.0	360.6	1229.0
Jordan	0.0	19.0	12.8	22.5	15.7	18.0	15.4	16.9	15.0	15.9	16.0
UAE	58.8	52.9	58.2	63.5	97.5	97.8	93.8	104.1	94.6	93.9	116.0
Tunisia	0.0	2.3	6.8	11.5	9.4	6.4	11.1	10.0	7.7	8.0	8.0
Algeria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Arabia	1886.6	1714.1	1760.8	1466.1	1353.8	1515.0	1780.8	1842.2	203.1	201.5	1035.0
Syria	0.0	6.2	1.4	8.1	4.4	4.5	8.9	0.0	5.9	9.8	11.0
Oman	3.9	3.5	7.6	8.3	7.5	9.2	9.1	11.8	10.5	12.3	15.0
Qatar	6.8	6.2	6.8	7.4	9.3	9.6	8.3	9.2	7.6	7.5	19.0
Kuwait	14.2	0.0	0.0	0.0	11.3	14.9	13.5	0.0	12.4	0.0	0.0
Lebanon	8.3	9.2	10.1	12.0	8.4	7.8	7.4	17.2	8.5	9.0	6.0
Egypt	0.0	2.4	3.7	4.9	8.9	7.8	9.0	2.5	9.7	2.7	3.0
Total	3711.1	4236.5	4556.1	4315.6	3761.8	3715.7	4272.9	4174.6	3566.2	3697.6	4611.7

Source: Arab Monetary Fund. Imports of Bahrain. 2002.

Oman is the last GCC country to be studied in relation to its foreign trade. Oman has a foreign trade oriented economy, with external trade in goods accounting for more than three-fourths of GDP. Oman enjoys a liberal trade regime with no significant

[90] *Merchandise Imports of Bahrain.* Arab Monetary Fund. 2002. P.2.

commercial restrictions on exports and imports. Oman's exports consist of three parts: oil exports, non-oil exports, and re-exports. Like any other country in the region, oil accounts for the major part of export receipts, though the share of non-oil exports has been rising over the years. Oil exports earnings, between the year 1998 and 1999, rose by around 48.7 percent, from \$3,587 million to \$5,384 million.[91] Both volume and price of oil exports improved during the year. Non- oil exports dropped in 1999 as oil exports rose significantly. For example, food and beverages exports decreased from \$348 million in 1998 to \$311 million in 1999, and cereals decreased from \$44.9 million to \$31.73 million.[92] As to Oman re-export, they consist mainly of machinery and transport equipment as well as motor vehicles for transport, in addition to other commodities. Machinery and transport constituted \$188.82 million by the beginning of the 1990s, to reach \$902.83 million. Direction wise and by the end of the 1990s, those items were exported to the UAE \$932 million, Saudi Arabia \$151 million, the U.S. \$135.3 million, and Japan \$2,566 million out of \$11,318 million as the total exports of Oman.[93] Concerning Oman's imports, they consist of food and live animals, beverages and tobacco, mineral fuels, chemicals, manufactured goods, and machinery and transport equipment. By the end of the 1990s, the UAE with \$1,314 million, Japan \$712 million, UK \$319 million, the U.S. \$299 million, and countries of the EU \$1,044 million were the import partners of Oman, and still are today.[94]

The question lies beyond the fact that even if Gulf countries' trade may compliment other Arab countries' trade, inter-trade between those countries is still low.

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[91] *Oman Country Guide and Study*. Online Information. 2000.
[92] Commodity Structure of Trade. Oman. Arab Monetary Fund. 2002.
[93] Merchandise Exports of Oman. Arab Monetary Fund. 2002. P.2.
[94] Merchandise Imports of Oman. Arab Monetary Fund. 2002. P.1.

GCC countries have the ability to supply other Arab countries with the mineral fuels and oil they need, while Levant and North African Arab countries could supply Gulf countries with many of their needs. Instead, they turn to countries of the EU, as well as industrial and developed countries. This is the case since Arab countries face many political problems that prevent cooperation concerning economic issues between them. Table 30 shows the main export partners of GCC countries during the mid-1980s and the year 1997.

Table 30: Main Export Partners of Gulf Countries

Country	1985	1997
Bahrain	Saudi Arabia Japan United States	Saudi Arabia Japan Asia
Kuwait	Saudi Arabia Iraq	Saudi Arabia UAE
Oman	UAE United States Iran	Japan Thailand China
Qatar	Japan UAE	UAE Japan
Saudi Arabia	Not Specified	United States Japan

Source: UNCOMTRADE database. 1999.

Nowadays, the six member states of the GCC continue to constitute a regional group of global strategic importance, as a result of the crude oil reserves of over 478 billion barrels which they have, in addition to natural gas reserves of about 29,323 billion cubic meters, and a combined income of about $325 billion by the year 2003.[95] More importantly, the Gulf States represent a vital center of trade and transit services, linking several continents. For example, GCC trade with the EU currently amounts to about $50

[95] *Promising Steps towards Integration.* 2003. Organization of Arab Petroleum Exporting Countries.

billion and it is expected to rise now that ten East European countries contributed to the admission of to the EU.[96]

On the other hand, GCC countries have trade relations with India. India has at least one major joint venture in most Arab countries, and is the second largest trading partner of the GCC region after the U.S., and to be more specific, the trade between India and the GCC countries increased from $5.6 billion in 2000-01 to $6.8 billion in 2002-2003.[97]

In 2002, the Arabian Gulf countries produced about 25 percent of the world's oil, while holding nearly two-thirds of the world's crude oil reserves. Besides oil, the Arabian Gulf region also has huge reserves of natural gas, accounting for 36 percent of total proven world gas reserves. At the end of 2002, Arabian Gulf countries maintained 32 percent of the world total oil production capacity.[98]

The Kingdom of Saudi Arabia has one of the largest economies in the MENA region. In the year 2000, its GDP reached $185.3 billion.[99] Merchandise exports were valued at $69.5 billion in 2000, and were composed mainly of crude oil and petroleum products. And merchandise imports were $33.4 billion[100], composed of industrial goods, metal, and food products. The major trading partners in 2000 were Japan, U.S., and the EU. The U.S. relies on the Arabian Gulf for its oil supply, and the vast majority of Arabian Gulf oil imported by the United States came from Saudi Arabia (69 percent), with significant amounts also coming from Kuwait (10 percent), and small amounts (less than 1percent) from Qatar and the UAE. At the same time, around 31 percent of Japan's

[96] *Bilateral Trade Relations*. GCC. 2003.
[97] *Summit Sees Great Potential for India-Arab Trade*. Mohammad Shafeeq. 2004.
[98] Persian Gulf Oil and Gas Exports. eia. 2003.
[99] *Saudi Arabia*. Jewish Virtual Library. 2004. P.5.
[100] United Nations. Economic Diversification in the Arab World. 2002. P. 80.

Arabian Gulf imports came from Saudi Arabia, 30 percent from the United Arab Emirates, 13 percent from Kuwait, 11 percent from Qatar, and less than 1 percent from Bahrain.[101]

In the United Arab Emirates economic growth had slowed sharply by the year 2001, although oil prices had by then declined from the relatively high levels of 1999 and 2000. Nominal GDP growth exceeded six percent in 1999 and increased to 14 percent in 2000 due to sustained, high oil prices.[102] One encouraging aspect of the recent expansion has been the performance of the non-oil sectors. Trade, tourism, the financial sector, real estate and agriculture have generally shown healthy growth during the last decade. Trade has played a major role in the country's economic growth and the free trade zones of Dubai and Sharjah have been large contributors. In recent years, the UAE has undertaken several projects to diversify its economy and to reduce its dependence on oil and natural gas revenues. The non-oil sectors of the UAE' s economy presently contribute around 70 percent of the country's total GDP, and about 30 percent of its total exports.[103] The government has invested heavily in sectors such as aluminum production, tourism, aviation, re-export commerce, and telecommunications. Dubai has become a central Middle East center for trade and finance, accounting for about 85 percent of the Emirates' re-export trade. Most importantly, the UAE has one of the most open economies in the region.

For most oil-producing countries, export diversification means moving away from oil. Some oil-exporting countries such as Oman, Qatar, UAE have relatively more

[101] *Persian Gulf Oil and Gas Exports*. eia. 2003. P.2.
[102] *Transcript of a Press Briefing on the Economic Outlook in the Middle East and North Africa*. United Arab Emirates. 2003.
[103] *United Arab Emirates, Country Analysis Brief*. eia. February 2004. P.1.

diversified non-oil exports than do others such as Bahrain, and Saudi Arabia. However, more diversified Gulf countries have a tendency to rely on re-exports rather than develop their own industrial base. This strategy may be easily displaced by competition. In fact, competition from within the GCC countries is already rising in the re-export market, which is mainly regional. Even if competition is healthy, there will be quick losers and gainers and thus a rising need to build these countries' non-oil export industry on more solid grounds. Oman, for example, appears to have made great improvements in its export diversification. However, more than half of its non-oil exports consist of re-exports and most of its technologically advanced exports also consist of re-exports. While Oman's re-exports are dominated by machinery and transport equipment, and more specifically cars (for example, 37 percent of total re-exports in 1998), non-oil exports of Oman origin are dominated by low-skill commodities such as food and live animals, although other categories such as chemicals, electrical equipment and machinery have increased in importance over the past few years. In addition to Oman, the UAE show high shares of re-exports (35 percent).[104]

To conclude, one could say that the Gulf Cooperation Council succeeded in the integration of Gulf countries' trade but the lack still exists in a trade cooperation among other Arab countries. If the Gulf countries rely on trade for their exports, other Arab countries have more diverse economy, which could lead to a successful Arab economic integration.

[104] *Export Competitiveness*. Mona Haddad. 2002. P.3.

Chapter VI

North African Arab Countries

North African Arab countries play their role in relation to inter-Arab trade. Yet, trade conditions in the North African Arab countries have not been different from that of Levant Arab countries nor GCC countries since the export sectors have been lacking in recent years followed by an increase in imports. This chapter discusses trade in Egypt, Libya, Tunisia, Algeria, and Morocco. Some of these countries rely on oil for the growth of their economy, but agriculture has its share, too, in the countries' economies.

To begin with, Egypt's location between the continents of Africa and Asia remains, till the day, the crossroads between the East and the West, and Egypt has been the center of trade and enterprise in the Middle East for centuries. In addition, the Suez Canal and its central location in the Middle East at the crossroads of Europe, Africa, and Asia, give the country vast strategic importance. With a population of over 72 million,[105] Egypt makes up for the largest domestic market in the region. To give an overview on Egypt's economy, one could say that Egypt's main agricultural products are cotton, rice, corn, wheat and beans. Egypt is one of the major producers of high-quality cotton. The Government of Egypt places great importance on the agricultural sector, recognizing its significant role in the national economy. Over the last few years, it accounted for about 20 percent of both GDP and total exports. The agricultural sector contributes to the overall food needs of the country. In addition, Egypt's natural resources include

[105] International Monetary Fund. *Egypt Fact Sheet*. 2004. P.1.

petroleum, natural gas, iron ore, phosphates, manganese, limestone, gypsum, talc, and zinc. In 1991, the petroleum and natural gas sector accounted for approximately 10 percent of GDP, and about 45 percent of export earnings.[106] To limit the domestic consumption of oil, Egypt has been encouraging the production of natural gas. The development of the hydrocarbon industry has a major impact on the economy. Domestic industry ranges from food processing, textiles, vehicle assembly, to aluminum and steel processing.

Transportation and tourism also play a major role. Concerning Egypt's trade, in 1992 exports reached $3.4 billion, constituting of petroleum, cotton, and manufactured goods. Major export partners were Japan, Italy, Germany, France, and the U.K, while the Arab countries' share was minimal. On the other hand, imports reached $10.7 billion, constituting of foodstuffs, machinery and transport equipment, paper and wood products. Most of these commodities were supplied from the U.S., Germany, France, Japan, Netherlands, U.K., and Italy.[107] As to imports from Arab countries they totaled $140.9 million in the mid-1980s. Of these, 93 percent were from three countries: Saudi Arabia ($52.1 million), Sudan ($43.1 million) and Lebanon ($35.6 million). While Egyptian exports to Arab countries in the same period were worth $200 million, with more than 86 percent of the exports taken by Saudi Arabia ($85.9 million), Sudan ($66.8 million) and Lebanon ($20.9 million).[108] Still by the late 1990s, Egypt's trade with Arab countries did not develop in a remarkable way. The EU, during the same period, was the leading destination for Egypt's exports (46 percent), with 14 percent going to the U.S. and 8

[106] US Department of State. *Bureau of Foreign Affairs. Egypt's Economy*. 1995. P.3.
[107] US Department of State. *Bureau of Foreign Affairs. Egypt's Economy*. 1995. P.5.
[108] Washington Report. Arab Egypt Trade. 1984. P. 4.

percent to Turkey. Egypt also imports more from the EU than from anywhere else. Tables 31 and 32 show trade figures for Egypt for the period 1990-1999.

Table 31: Egypt's Imports 1990-1999
(Million of $)

From	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Arab Countries	191	270	251	215	340	448	509	687	896	1004
Jordan	0.9	0.2	8.2	1.3	8.4	10.2	15.1	16.6	18.6	23.5
UAE	7.2	2.7	4.7	6.8	13.1	14.8	24.2	43.3	63.8	61.0
Bahrain	3.8	0.9	0.7	0.1	1.5	0.7	1.8	8.8	5.3	21.0
Tunisia	4.4	5.4	3.5	4.6	13.7	12.4	19.9	14.0	11.7	16.1
Algeria	8.9	5.3	0.3	0.1	6.9	7.1	2.1	2.2	6.6	14.6
Saudi Arabia	76.4	135.2	103.8	132.8	194.2	248.9	290.5	440.3	612.7	698.4
Syria	12.6	11.1	19.1	7.5	16.9	11.8	15.3	18.4	30.6	24.7
Iraq	7.4	0.2	0.0	0.1	0.2	0.1	0.2	2.2	0.0	0.3
Oman	0.2	0.0	0.1	0.3	0.2	0.1	0.6	0.5	0.5	0.4
Qatar	0.4	10.1	10.4	0.4	0.3	0.9	2.6	5.6	5.1	8.6
Kuwait	6.3	44.7	7.5	4.7	7.2	8.6	6.0	7.2	10.8	16.4
Lebanon	14.6	18.0	16.9	14.6	21.1	24.7	25.4	17.5	17.6	17.9
Libya	12.2	20.8	51.0	27.6	48.0	99.6	76.8	75.2	90.5	57.4
Morocco	0.9	3.4	0.3	1.1	3.8	4.2	6.8	6.9	6.0	6.7
Other Arab Countries	42.4	11	24.5	13.1	147.6	218.4	45.5	33.9	11.2	164.5
Industrial Countries	6377.0	5497.1	5901.5	5820.9	6552.5	7632.1	8555.4	8177.6	9294.2	9432.4
European Countries	3619	3004	3009	3321	3468	4037	4112	4265	5051	4881
GERMANY	1013.6	820.5	861.2	889.2	913.9	1044.6	1089.2	1141.8	1468.0	1382.1
U.S.A.	1300.6	1264.8	1455.1	1229.6	1616.9	2211.1	2608.8	1719.8	2073.9	2295.8
Total	9215.5	7861.9	8291.1	8187.8	9451.6	11738.6	13019.2	13168.0	16478.7	15961.9

Source: Arab Monetary Fund. Merchandise Imports of Egypt. 2002

Table 32: Egypt's Exports 1990-1999
(Million of $)

TO	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Arab Countries	289	437	540	530	512	475	488	480	546	558
JORDAN	15.7	36.4	33.6	14.5	21.0	30.9	44.6	26.1	25.4	21.5
UAE	13.3	12.8	19.6	24.8	40.8	41.0	44.4	34.2	40.5	37.4
BAHRAIN	1.5	2.2	3.4	4.4	3.7	2.4	2.6	2.3	3.0	2.4
TUNISIA	18.4	15.3	19.8	20.5	23.5	27.5	24.1	18.8	20.0	20.3
ALGERIA	4.6	7.1	28.4	24.5	32.8	31.3	15.8	6.9	10.1	11.7
SAUDI ARABIA	76.7	113.9	202.4	196.6	155.1	113.1	122.7	138.5	197.4	120.9
SYRIA	11.7	17.6	36.3	49.2	57.5	56.1	55.0	34.6	45.5	41.7
IRAQ	31.3	3.6	0.0	0.2	1.0	0.1	0.1	20.0	38.5	59.9
OMAN	1.3	4.2	2.4	1.5	2.3	2.8	2.9	2.7	4.6	4.5
QATAR	4.2	7.7	9.1	8.7	6.0	5.1	5.7	5.3	5.0	5.8
KUWAIT	11.4	14.6	36.4	35.5	26.1	16.9	19.3	19.0	22.1	14.8
LEBANON	9.2	15.5	21.4	26.7	35.1	43.5	33.0	32.3	25.9	23.1
LIBYA	43.6	119.4	58.2	62.5	44.1	52.9	51.7	69.6	75.0	42.1
Morocco	6.0	19.7	6.1	10.1	12.7	15.2	8.1	11.4	12.9	13.3
Other Arab Countries	85.7	22.3	1702.2	50.3	143.2	36.2	182.3	58.3	20.1	136.6
Industrial Countries	1,341.7	1,947.1	1,610.1	1,769.9	1,982.5	2,172.8	2,129.4	2,177.0	1,665.7	1,736.9
European Countries	993	1,560	1,200	1,233	1,507	1,563	1,599	1,549	1,123	1,196
France	103.5	216.3	129.3	155.7	138.3	144.3	144.1	150.2	124.8	134.4
Germany	156.5	136.7	126.9	131.7	209.8	207.1	162.9	265.6	127.6	108.5
Italy	315.8	542.3	432.9	400.4	426.7	458.8	438.4	438.0	319.9	352.5
Netherlands	163.6	139.9	175.1	172.4	207.2	166.7	364.8	264.4	249.3	249.4
JAPAN	70.3	51.4	74.2	54.6	49.8	43.7	41.4	90.8	55.6	44.5
U.S.A.	221.8	278.3	286.4	431.1	364.7	522.1	459.9	447.2	389.7	435.7
Total	2,585.2	3,659.4	3,049.9	3,109.8	3,447.5	3,441.4	3,534.5	3,908.0	3,194.6	3,535.4

Source: Arab Monetary Fund. Merchandise Exports of Egypt. 2002.

Imports of machinery, transportation equipment, and foodstuffs have reached almost half of Egypt's total imports. Arab countries may not have the potential to supply Egypt with machinery or transportation equipment, but they have the ability to increase their foodstuff supplies. Concerning Egypt's exports by the year 1999, cotton contributed 40 percent ($240 million) of agricultural exports. Yet, industrial commodities remained Egypt's major export contributors, with the petroleum industry constituting 62 percent ($1,296 million).[109] The late 1990s were, in economic terms, a turning point period for Egypt. Economic growth increased to reach an average of 5.6 percent per year during 1996-2000.[110] The growth took place as a result of the service and industry sectors, and a strong demand for domestic products, especially in tourism, construction, and import substituting manufactured goods. In the years 1997 and 1998, Egypt foreign trade witnessed a narrowing of the gap between exports and imports as a result of an increase in exports by 21 percent over the previous year and the increase in imports by about only 1.5 percent.[111] In 1997, Egyptian goods made their way to many new markets. Egyptian exports to unconventional markets, such as South America and Australia, increased as well as the case for the Arab countries (for example, Egyptian exports to Iraq increased from $1 million in 1994 to $20 million in 1997). In addition, Egypt's exports to Africa also increased (Egypt's exports to Libya rose from $44 million in 1994 to $70 million in 1997).[112] The Government has been focusing on reducing trade balance deficit by removing all export obstacles especially with regard to agricultural products, stimulate

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[109] *Investing in Egypt: A Land of Opportunity*. 1999. P. 3.
[110] *Poverty and Economic Growth in Egypt*. 2003. P. 15.
[111] *Foreign Trade of Egypt*. Sis Government. 2003.
[112] Arab Monetary Fund. *Egypt's Exports*. P.1.

Egyptian producers to upgrade the quality of Egyptian products and reduce their production costs so as to be competitive in foreign markets.

By the year 2001, Lebanon, Iraq and Syria were major importers of Egyptian products, about $60 million. As to Libya, Syria, Saudi Arabia, and the UAE they were major Arab exporters to Egypt.[113]

The second North African Arab country to be studied in this chapter is Libya. Libya was a very poor agricultural country with bleak economic prospects until 1958, when petroleum was discovered. The economy has been very much linked to world oil prices. Although petroleum production has dropped since the 1970s, oil exports continue to generate a substantial percentage of the country's GDP.[114] Libya is also a major exporter of natural gas. In addition, gypsum, salt, and limestone are produced in significant quantities. Libya has little industry, and the principal manufactures are refined petroleum, liquefied natural gas, construction materials (especially cement), textiles, and processed food. The following table provides an overview on Libya's trade by the mid-1990s.

Table 33: Libya's Economy

Imports:	$4,386 million (1994).
Exports:	$7,826 million (1994).
Main Trading Partners: Italy, Germany, France, Spain and Turkey. **Main Primary Products:** Barley, Citrus Fruits, Dates, Ground Nuts, Livestock, Olives, Oil and Natural Gas, Tobacco, Wheat. **Major Industries:** Agriculture, Cement, Fishing, Food Processing, Handicrafts, Oil and Gas Production and Refining, Textiles. **Main Exports:** Natural Gas and Petroleum Products.	

Source: Atlapedia Online Encyclopedia. 1998.

[113] Arabic News. *Exports to Arab states healthy, trade surplus up.* 2002. P.1.
[114] The Colombia Encyclopedia. Sixth Edition. Libya. 2001.

Libya's trade with other Arab countries is minimal. Concerning the country's exports, it totaled $13,878 in 1990, with only $458 million exported to Arab countries. Libyan exports to Turkey reached $506 million, and Italy $6,642 million.[115] The country's mineral fuels and crude oil market destination was the European countries even though many other Arab countries are in need of such resources. And by the year 2000, the situation remained stable. Libyan total exports reached $12,000 million, while exports to Arab countries decreased to $433 million, increased to $690 million for Turkey, and reached $4,503 million for Italy.[116] Libya is a major oil exporter, particularly to Europe, and is hoping to reduce its dependency on oil as the country's major source of income, and to increase investment in agriculture, tourism, fisheries, mining, and natural gas. Nowadays, oil accounts for 94 percent of Libyan exports. The government undertook different steps in the benefit of its economy. In May 2002, Libya announced that it would allow foreigners to invest directly in the country as part of an effort to reduce the government's dominant role in production and services.[117]

Over the last few years, Libya imported about 75 percent of its food. Within the last couple of years, crude petroleum and natural gas were the leading exports. The main imports were machinery, transport equipment, foodstuffs, and manufactured consumer goods.[118] The country's total imports decreased from $5,633 million in 1990 to $4,095 million in 2000. European countries were the main suppliers, with Italy supplying $956 million in 2000. Imports from Arab countries slightly increased from $334 million in

[115] Arab Monetary Fund. *Merchandise Exports of Libya.* 2003. P. 4.
[116] Arab Monetary Fund. *Merchandise Exports of Libya.* 2003. P. 7.
[117] *Arabic News Online. Libya.* 2003.
[118] Arab Monetary Fund. *Commodity Structure of Trade. Merchandise Imports of Libya.* 2003.

1990 to $606 million in 2000 with Libya's neighboring countries Morocco and Tunisia as the main Arab import partners.[119]

Several EU Member States, by the year 2001, continued to have extensive trade relations with Libya. Italy, Germany, the United Kingdom and France were Libya's four leading suppliers of manufactured goods, energy and food products and raw materials, amounting to roughly 50 percent of her total imports. While Libya's major export markets, in 2001, were Italy, Germany, Spain, France and Greece, absorbing about 78 percent of Libya's energy and raw materials.[120]

The study now turns to Tunisia as the third North African Arab country. Tunisia's economy, traditionally based on agriculture, now has important mining, energy, tourism, and manufacturing sectors. Agricultural production varies widely according to rainfall. Tunisia has large phosphate reserves and iron ore is found in quantity. Tunisia's manufacturing industries include textile factories, leather, food processing, paper, wood products, and construction materials. Tourism is also an important economic activity. Tunisia is generally considered as a well-managed economy that derives its income from tourism, remittance from those working abroad, agriculture and light industrial manufacturing. Growth in tourism coupled with an increase in trade has been key elements in the economic growth of the country for the last few years. Tourism is the principal source of foreign exchange, accounting for around 17 percent of currency revenue and is the country's second largest employer.[121] The government is trying to increase its domestic and foreign investment, as well as liberalize trade and diversifies its economy. Petroleum, phosphates, textiles, and olive oil are the country's leading exports.

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119 Arab Monetary Fund. *Merchandise Imports of Libya*. 2003. P.3.
120 Economist Intelligence Unit. *Libya Trade and the Economy*. 2003. P.11.
121 The Columbia Encyclopedia, Sixth Edition. Tunisia. 2001. P.3.

Meanwhile, domestic petroleum demand is increasing rapidly, and Tunisia became a net oil importer in 2000 for the first time in over 20 years. Since Tunisia's refining capacity is low, the country exports crude oil and imports refined products. Tunisia's imports consist of machinery, metal products, chemicals, food (particularly cereals), and transportation equipment. France and other European Union countries, as well as North African countries, are the main trade partners.[122] The following table illustrates Tunisian trade between 1996 and 1998.

Table 34: Tunisian Trade ($ Millions)

	1996	1997	1998
Total Goods Exported	5388.2	5640.3	5886.6
Total Goods Imported	7521.4	8033.0	8348.2

Major Trading Partners			**1997**	
	Imports	**%**	**Exports**	**%**
France	1922.0	23.9	1435.9	25.4
Italy	1577.8	19.6	1203.7	21.3
Germany	1089.9	13.6	819.3	14.5
Belgium	314.7	3.9	343.1	6.1
U.S.A.	347.1	4.3	37.9	0.7

Source: the Bureau of Economic and Business Affairs U.S. Department of State, March 2000

[122] The Bureau of Economic and Business Affairs. U.S. Department of State. *Country Report on Economic Policy and Trade Practices: Tunisia* 2000.

Concerning Algeria, the country has the fifth-largest reserves of natural gas in the world and is the second largest gas exporter, and ranks fourteenth in oil reserves.[123] The principal crops are wheat, barley, oats, citrus fruit, wine grapes, olives, tobacco, figs, and dates. Large numbers of sheep, poultry, goats, and cattle are raised and there is a small fishing industry. Yet, petroleum and natural gas are Algeria's most important mineral resources and its leading exports. The Algerian economy depends on the hydrocarbons sector. This sector accounts for over 95 percent of export earnings.[124] Other minerals extracted in significant quantities include iron ore, lead, phosphates, uranium, zinc, salt, and coal. The country's leading manufactures are processed food, beverages, tobacco products, construction materials, chemicals, metals, textiles, and clothing. In recent years the annual earnings from Algeria's exports have been somewhat higher than the cost of its imports. The chief imports are food and beverages, machinery, iron and steel, and transport equipment. The principal exports besides petroleum and natural gas are wine and agricultural goods (especially fruit). Algeria's main trade partners are France, Italy, the United States, Germany, and Spain. Trade with other Arab countries is not significant. Almost two-thirds of all Algeria's export trade is with European Union countries. The United States and Japan take much of the remainder. Annual exports for the year 1991 amounted to about $11.8 billion, mostly in the form of petroleum, natural gas and lubricants, while imports totaled about $7.6 billion.[125] In 1999, Algerian exports reached $12,452 million with only $198 million going to Arab countries (mainly Tunisia $49 million, and Morocco $69 million). While exports to European countries reached

[123] The Bureau of Economic and Business Affairs U.S. Department of State. *Economic Policy and Trade Practices: Algeria.* 2000. P.1.
[124] The Columbia Encyclopedia. *Algeria.* Sixth Edition. 2001.
[125] Arab Net. Algeria: *Trade and Industry.* 2002. P.2.

$6,987 million, to Brazil were $986 million, and to the U.S. $1,806 million.[126] Algerian mineral fuels go to non-Arab countries, while in fact many Arab countries import mineral fuels. On the other hand, Algeria imports most of its commodities from countries of the EU ($5,573 million in 1999). Overall imports by the same period consisted of $9,716 million, with only $173 million coming from Arab countries ($47.5 million from Tunisia, and $35.6 million from Syria).[127] Table 35 gives a glance on Algeria's trade since the early 1980s.

Table 35: Algerian Trade ($ Millions)

	1982	1992	2001	2002
Total exports	13,509	11,510	19,090	18,700
Crude oil	2,977	2,089	3,994	5,056
Condensate	2,807	2,928	3,170	3,055
Manufactures	69	251	439	430
Total imports	10,735	9,085	9,480	11,300
Food	2,023	2,127	2,350	2,520
Fuel and energy	....	147	133	159

Source: World Bank Group. Algerian Trade. April 2003.

The final North African Arab country in this chapter is Morocco. Morocco boasts the world's largest phosphate reserves. The export of phosphates and its derivatives account for about 18.5 percent of Moroccan exports. The export earnings of phosphate and phosphate derivatives reached $1.4 billion in 1999.[128] Morocco's other mineral resources include copper, fluorine, lead, barite, iron, and anthracite. Globally, Morocco is a significant producer and exporter of industrial minerals. It is also a significant regional producer of base metals, primarily for Europe. Morocco also has a diverse agricultural

[126] Arab Monetary Fund. Merchandise Exports of Algeria. 2002. P. 6.
[127] Arab Monetary Fund. Merchandise Imports of Algeria. 2002. P. 3.
[128] US Department of State. *Country Commercial Guide: Morocco.* 2000. P. 12.

sector, rich fisheries (the fishing industry is a key sector of the Moroccan economy, accounting for over $600 million in export earnings), a sizeable and growing tourist industry (the number of tourists in Morocco increased by 18 percent in 1999, to 2.35 million visitors, and tourism receipts increased by 14.7 percent), a growing manufacturing sector (especially clothing which is done under contract with European companies that provide the inputs and receive the finished garments), and a dynamic, deregulated telecommunications sector.[129] By considering Tables 36 and 37, one could notice that Morocco's trade with Arab countries is not significant, unlike trade with both industrialized and European Countries. To be more specific, Morocco's imports from European countries were $4,132 million, in 1995, while imports from Arab countries were only $699 million out of total imports of $8,532 million. In 2000, imports from Arab countries decreased to $625 million, while that from European countries increased reaching $7,989 million out of $12,412 million.[130] On the other hand, Morocco's exports to Arab countries are not better than the imports. In the mid-1990s, Arab countries imported $330 million out of $4,712 million as Morocco's total exports, yet European countries imported a larger share of $1,976 million. In 2000, Arab countries' share was $303 million, while European countries' share increased to $3,958 million out of $7,963 million as Morocco's total exports.[131]

[129] US Department of State. *The Bureau of Economic and Business Affairs. Country Report on Economic Policy and Trade Practices*. 2000. P. 6.
[130] Arab Monetary Fund. *Merchandise Imports of Morocco*. 2003. P.2.
[131] Arab Monetary Fund. *Merchandise Exports of Morocco*. 2003. P.1.

Table 36: Imports of Morocco 1990-2000 (Million Dollars)

FROM	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Arab Countries	877.2	879.7	987.9	775.1	755.9	757.8	791.5	890	442	539.3	642.01
UAE	367.1	260.7	259.8	114.2	86.2	16.7	3.3	8.7	0.0	0.0	0.0
TUNISIA	27.2	35.5	50.8	37.6	28.9	31.2	1.5	38.2	0.0	42.8	28.0
ALGERIA	38.2	55.1	91.2	111.1	118.9	111.1	102.2	115.1	76.7	76.1	130.0
SAUDI ARABIA	184.9	336.2	405.1	384.8	383.6	448.6	491.4	541.3	340.5	337.7	419.0
LIBYA	128.6	139.6	101.9	17.8	82.4	55.5	139.2	32.5	25.0	24.8	31.0
Other Arab Countries	131.2	52.6	79.1	109.6	120.5	94.7	53.9	154.2	0.2	57.9	34
Industrial Countries	4,783	4,913	5,078	4,939	5,003	5,764	5,582	5,132	5,679	8,772	9,274
European Countries	3,465	3,829	3,964	3,735	3,874	4,524	4,277	3,759	4,267	7,194	7,159
FRANCE	1,584	1,659	1,750	1,574	1,622	1,863	1,721	1,632	1,841	3,466	3,981
GERMANY	438.6	405.3	436.5	407.0	506.8	534.3	502.0	393.7	529.4	650.8	747.5
ITALY	469.5	477.0	457.0	430.5	484.6	488.7	590.5	480.9	526.6	705.0	809.9
SPAIN	579.3	567.4	627.9	720.0	629.8	727.7	723.5	710.9	817.7	1,216	1,397
SWEDEN	153.0	138.1	132.9	122.7	125.7	175.3	119.0	120.5	150.1	144.7	166.3
U.K.	243.0	237.2	201.5	186.5	201.5	311.2	232.0	222.4	234.1	641.2	736.6
CANADA	163.8	225.8	156.8	105.6	63.0	162.5	179.4	168.7	170.4	115.3	132.4
U.S.A.	434.1	400.3	435.0	692.2	618.2	558.5	612.2	513.1	612.6	577.0	662.8
Total	7,915	7,519	8,020	6,858	5,063	8,532	8,256	7,879	10274	10,804	12,412

Source: Arab Monetary Fund. Merchandise Imports of Morocco. 2003.

Table 37: Exports of Morocco 1990-2000 (Million of Dollars)

TO	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Arab Countries	332.8	466.4	339.6	338.7	371.6	386.6	368.4	331.3	214.7	295.6	317.8
Tunisia	61.8	62.4	49.5	40.4	41.7	52.9	59.3	40.0	41.4	43.7	58.0
Algeria	57.4	73.5	71.7	80.0	96.3	55.9	35.5	3.4	10.7	10.4	8.0
Saudi Arabia	95.2	114.2	65.4	49.6	52.0	60.5	62.1	67.9	60.6	91.4	113.0
Libya	118.4	196.4	131.2	140.8	98.7	161.2	125.3	130.4	101.9	99.2	124.0
Other Arab Countries	0	19.9	21.8	27.8	82.9	56.1	86.2	89.6	0.1	50.9	14.8
European Countries	2,437	2,671	2,547	2,372	2,529	2,888	2,878	2,642	2,546	5,114	4,808
France	1,335	1,363	1,304	1,262	1,276	1,401	1,345	1,262	1,927	2,705	2,868
Germany	224.7	209.1	188.0	168.0	171.7	193.7	185.2	161.3	246.4	494.4	524.3
Italy	292.8	265.2	221.8	198.7	230.0	268.3	299.1	298.8	456.5	358.5	380.2
Japan	163.7	223.9	196.5	223.4	267.1	361.2	329.7	259.3	396.0	289.3	306.8
Total	4,229	4,282	3,977	3,696	3,971	4,712	4,745	4,677	7,144	7,509	7,963

Source: Arab Monetary Fund. Merchandise Exports of Morocco. 2003.

By the year 2001, most of Morocco's trade was still with Europe. Morocco's trade with France alone accounted for about a quarter of Morocco's imports and a third of its exports. Morocco is a net exporter of fruits and vegetables, and a net importer of cereals. Agriculture accounts for between 15 and 20 percent of GDP (depending on the harvest). The insufficient rainfall has resulted in poor pasture conditions that are forcing the government to take several drought relief measures including larger imports of feed. As to trade between Morocco and the United States, over the past six years, U.S. exports to Morocco averaged $475 million annually, with leading exports including aircraft, corn and machinery. Morocco exported $450 million worth of goods to the U.S. in 2001.[132] Phosphates and other minerals make up a large share of Moroccan exports to the U.S. It is true that Arab countries cannot supply Morocco with its machinery and equipment needs but there are many other commodities Morocco should seek to import from other Arab countries (such as food, beverages, and tobacco).

Morocco's exports in 2001 earned $7.1 billion. Morocco's leading exports consisted of phosphates and phosphoric acid. Other exports include citrus fruit, wheat, fish, and minerals. Imports were valued at $11 billion.[133] Imports typically consist of industrial equipment, food products, manufactured goods, and fuels. The principal purchasers of Morocco's exports, during 2001, were France, Spain, Japan, India, Italy, the United States, and Libya. Major sources of imports were France, Spain, the United States, Germany, Saudi Arabia, and Brazil. All of the proceeding data, shows that Morocco's trade with Arab countries did not improve from the early 1990s, but reliance on the EU, Japan, the U.S., and other non-Arab countries remained. Moroccan major

[132] *United States –Morocco Trade.* 2002. P. 2.
[133] Encarta Encyclopedia. *Morocco Foreign Trade.* 2003.

sources of profit are the results of remittances by Moroccans working abroad and from the expenditures of the large number of tourists who visit the country each year.

In August 2000, the discovery of an oil deposit was announced. Such discovery helps the country makes major saving on oil import costs from other Arab countries, estimated at $1300 million in 1999. In addition, the development of the field will attract major foreign investments, which leads to economic boost for the Moroccan economy. The main weakness of the Moroccan economy lies on its reliance on the volatile agriculture sector.

In the year 2003, Morocco's foreign trade amounted to $25 billion including $15.5 billion of imports and $9.5 billion of exports.[134] Except for food, beverages and tobacco imports, which dropped by 24 percent compared to 2002, all other imported products experienced a rise in value. Imports of finished food products rose by equipment goods 22 percent. Exports totaled around $9.5 billion in 2003. Only phosphates and derived products exports remained relatively stable.

To conclude, by considering table 38 one could notice that North African Arab countries' trade depends on European countries, the U.S., and China. Throughout the last fifteen years, trade with other Arab countries did not improve even though Arab countries' commodities could complement each other. There need to be greater political involvement and better economic reforms for a significant inter-Arab trade to take place.

[134] Arabic News Online. *Morocco's trade deficit worsened by 18.7% in 2003.* 2004. P.1.

Table 38: North African Arab Countries' Top Five Trade Partners for the Year 2002

Egypt's principal exports destinations	Egypt's principal import sources
1 United States 18.4% 2 Italy 13.7% 3 United Kingdom 8.4% 4 France 3.9% 5 India 3.9%	1 United States 17.0% 2 Germany 8.0% 3 Italy 6.8% 4 France 6.6% 5 China 5.1%
Algeria's principal export destinations	**Algeria's principal import sources**
1 Italy 18.9% 2 Spain 13.1% 3 France 13.0% 4 United States 12.1% 5 Netherlands 6.0%	1 France 31.0% 2 Italy 10.0% 3 United States 8.3% 4 Germany 6.6% 5 Spain 6.0%
Libya's principal export destinations	**Libya's principal import sources**
1 Italy 42.8% 2 Germany 14.2% 3 Spain 13.6% 4 Turkey 6.9% 5 Switzerland 4.1%	1 Italy 25.5% 2 Germany 9.7% 3 Korea 6.6% 4 United Kingdom 6.5% 5 Tunisia 6.4%
Morocco's principal export destinations	**Morocco's principal import sources**
1 France 26.6% 2 Spain 14.4% 3 United Kingdom 8.0% 4 Germany 5.9% 5 Italy 5.6%	1 France 20.9% 2 Spain 12.6% 3 Italy 6.3% 4 Germany 5.5% 5 United States 4.6%
Tunisia's principal export destinations	**Tunisia's principal import sources**
1 France 26.3% 2 Italy 21.2% 3 Germany 14.5% 4 Belgium 5.5% 5 U.S. 1.2%	1 France 24.3% 2 Italy 18.6% 3 Germany 13.8% 4 Belgium 4.6% 5 U.S. 4.7%

Source: International Monetary Fund. North African Arab Countries Fact Sheets. 2003.

Now that all Arab countries in this study have been covered, we can have a better perspective on inter-Arab trade by considering the following tables.

Table 39: Total Inter-Arab Exports (Figures in Millions of Dollars)

COUNTRY	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Jordan	390.0	324.8	327.1	411.2	482.0	642.1	674.7	416.0	394.8	422.1	579.0
UAE	1285.2	1425.1	1799.6	1873.0	1970.5	1916.7	2084.1	2204.9	2531.9	2572.3	3346.7
Bahrain	224.3	260.4	272.5	376.7	406.2	477.4	480.0	435.4	510.3	491.2	617.0
Tunisia	369.1	404.3	396.5	379.5	381.4	499.0	422.1	415.8	367.9	423.6	485.3
Algeria	283.8	210.1	235.8	182.1	245.2	228.0	222.7	230.6	180.3	197.8	258.7
Saudi Arabia	4647.5	4568.9	3950.9	3659.3	3757.3	4851.8	5955.4	6507.4	4772.4	5036.5	6484.3
Syria	786.5	787.4	724.0	747.3	928.5	929.8	610.4	710.0	805.0	726.0	981.7
Iraq	652.2	271.0	408.8	402.9	379.3	410.7	461.0	104.1	0.2	15.6	651.5
Oman	2851.7	119.8	721.6	780.1	729.5	906.5	787.7	978.7	1106.9	1070.8	1316.5
Qatar	188.7	215.3	238.4	208.7	218.3	252.8	236.9	236.2	257.6	263.1	728.1
Kuwait	532.9	161.4	120.7	229.4	186.5	311.3	233.1	286.4	272.9	143.7	374.5
Lebanon	218.9	290.3	334.2	341.7	354.3	333.1	661.9	334.2	339.7	298.9	320.7
Libya	458.6	420.6	383.6	326.1	468.3	568.0	694.4	597.9	445.2	341.6	433.5
Egypt	289.1	437.4	540.1	530.7	512.4	475.9	487.9	480.0	546.3	458.9	659.9
Morocco	372.7	466.8	339.7	338.8	371.6	386.7	368.4	331.4	214.7	289.0	364.5
Total	13551.2	10363.7	10793.6	10787.7	11391.4	13189.8	14380.8	14268.9	12746.0	12751.2	17601.9

Source: Arab Monetary Fund. Inter-Arab Exports. 2002.

Table 40: Total Inter-Arab Imports (Figures in Millions of Dollars)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Jordan	665.6	522.2	679.5	720.0	749.1	854.1	1039.2	432.4	470.1	456.2	502.4
UAE	951.0	803.0	862.0	1061.0	1092.0	1374.0	1402.0	1404.0	1562.0	2294.9	3336.0
Bahrain	1978.7	1815.7	1874.7	1608.6	1527.0	1691.8	1960.0	2016.6	379.4	365.2	1350.1
Tunisia	406.0	268.9	369.4	290.2	351.1	492.3	580.9	486.0	432.6	519.8	665.9
Algeria	184.8	195.1	324.4	295.8	392.8	332.0	256.1	361.9	200.5	173.7	294.0
Saudi Arabia	1124.4	1182.0	1390.3	1498.2	1415.6	1621.8	1880.8	1783.8	1979.3	2205.0	2764.4
Syria	150.1	140.6	182.8	257.5	342.3	367.9	341.9	222.6	306.6	318.2	375.8
Iraq	925.6	150.4	79.4	130.9	170.2	303.4	155.4	72.4	73.5	104.1	398.7
Oman	729.7	937.8	1180.0	1344.8	1275.8	1235.4	1298.2	1481.8	1682.2	1581.3	2042.1
Qatar	197.7	222.4	275.4	323.9	321.8	318.7	380.2	388.3	435.6	471.2	541.2
Kuwait	2.0	1.2	2.8	571.8	804.2	951.4	1033.3	1079.7	1056.9	1018.1	1065.5
Lebanon	423.6	474.5	558.6	514.3	597.7	400.0	632.5	691.3	601.5	469.9	737.8
Libya	333.8	465.4	582.8	511.0	445.2	567.1	454.7	526.8	501.3	551.2	606.1
Egypt	191.5	269.3	251.0	214.9	340.0	448.5	509.3	687.0	895.7	1004.9	1259.4
Morocco	1031.9	879.7	987.9	775.1	756.0	757.8	791.6	890.9	442.2	504.3	644.0
Total	9296.5	8328.1	9601.1	10117.9	10580.9	11716.3	12716.0	12525.5	11019.4	12038.0	16583.2

Source: Arab Monetary Fund. Inter-Arab Imports. 2002.

Table 41: Total Inter-Arab Trade (Figures in Millions of Dollars)

COUNTRY	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
JORDAN	1055.6	847.0	1006.6	1131.2	1231.1	1496.2	1713.9	848.4	864.8	878.4	1081.4
UAE	2236.2	2228.1	2661.6	2934.0	3062.5	3290.7	3486.1	3608.9	4093.9	4867.2	6682.7
BAHRAIN	2202.9	2076.1	2147.3	1985.3	1933.2	2169.3	2440.0	2452.0	889.7	856.5	1967.1
TUNISIA	775.2	673.2	765.9	669.7	732.4	991.4	1003.1	901.7	800.5	943.3	1151.1
ALGERIA	468.6	405.3	560.2	477.9	638.0	560.0	478.8	592.5	380.8	371.5	552.7
SAUDI ARABIA	5771.9	5750.9	5341.3	5157.4	5173.0	6473.6	7836.2	8291.2	6751.7	7241.4	9248.7
SYRIA	936.6	928.0	906.8	1004.8	1270.8	1297.6	952.3	932.6	1111.6	1044.2	1357.5
IRAQ	1577.9	421.4	488.3	533.9	549.5	714.0	616.3	176.4	73.7	119.7	1050.1
OMAN	3581.4	1057.7	1901.6	2124.9	2005.3	2142.0	2085.9	2460.4	2789.2	2652.2	3358.6
QATAR	386.4	437.7	513.8	532.6	540.1	571.5	617.1	624.5	693.2	734.3	1269.3
KUWAIT	534.9	162.6	123.5	801.2	990.8	1262.8	1266.4	1366.2	1329.7	1161.7	1440.0
LEBANON	642.5	764.8	892.8	856.0	952.1	733.1	1294.4	1025.6	941.2	768.8	1058.5
LIBYA	792.5	885.9	966.4	837.1	913.5	1135.1	1149.1	1124.7	946.6	892.8	1039.6
EGYPT	480.6	706.7	791.1	745.6	852.4	924.5	997.2	1167.0	1442.0	1463.8	1919.3
Morocco	1404.6	1346.5	1327.6	1114.0	1127.6	1144.5	1160.0	1222.3	656.9	793.3	1008.5
TOTAL	24072.7	19699.1	21627.8	22279.4	23355.2	26403.6	28387.7	28262.1	25108.5	26156.0	34107.0

Source: Arab Monetary Fund. Total Inter-Arab Trade. 2002.

Table 42: Total Exports for Arab Countries (Figures in Millions of Dollars)

COUNTRY	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Jordan	922	1,161	993	1,040	1,151	1,771	1,817	1,836	1,802	1,832	1,899
UAE	21,917	23,546	24,271	23,645	27,385	28,908	33,596	34,013	31,084	35,093	43,295
Bahrain	3,836	3,513	3,464	3,723	3,617	4,114	4,702	4,383	3,270	4,140	5,700
Tunisia	3,556	4,085	4,044	3,804	4,643	5,785	5,519	5,764	5,748	7,267	5,840
Algeria	11,009	11,790	11,137	10,098	8,591	10,260	13,220	13,894	10,956	12,452	19,535
Saudi Arabia	44,417	47,816	50,287	42,395	42,614	50,041	60,461	60,732	38,822	50,757	78,756
SYRIA	4,210	3,432	3,083	3,150	3,314	3,886	4,165	4,057	3,142	3,806	5,146
IRAQ	10,314	487	609	471	384	424	503	2,348	4,649	9,080	14,097
Oman	5,508	4,871	5,555	5,365	5,542	6,065	7,391	7,657	5,521	7,238	11,319
Qatar	3,293	3,247	3,624	3,325	2,933	3,680	4,470	5,581	5,031	7,214	11,527
Kuwait	8,182	828	4,548	8,982	9,576	12,834	14,946	14,281	9,616	12,277	19,574
Lebanon	456	553	581	636	639	705	1,153	711	716	798	714
Libya	13,878	11,212	9,942	7,542	7,860	8,778	10,118	9,779	6,376	7,944	12,000
Egypt	2,585	3,659	3,050	3,110	3,448	3,441	3,534	3,908	3,195	3,535	4,620
Morocco	4,229	4,282	3,977	3,696	3,971	4,712	4,745	4,677	7,144	7,509	7,963
TOTAL	138,829	124,848	129,485	121,334	126,123	145,960	170,961	174,215	137,667	171,722	243,792

Source: Arab Monetary Fund. Total Exports for Arab Countries. 2002.

Table 43: Total Imports for Arab Countries (Figures in Millions of Dollars)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Jordan	2,581	2,618	3,258	3,621	3,391	3,696	4,293	4,101	3,828	3,717	4,597
UAE	11,472	13,765	17,414	19,520	22,689	23,481	25,832	26,603	30,524	34,613	39,584
Bahrain	3,711	4,237	4,556	4,316	3,762	3,716	4,273	4,175	3,566	3,698	4,612
Tunisia	6,127	5,526	6,457	6,213	6,571	7,892	7,705	7,951	8,354	8,069	8,389
Algeria	9,680	7,683	8,648	8,761	9,570	10,782	9,106	8,688	9,834	9,717	9,688
Saudi Arabia	24,081	29,074	33,273	28,202	23,343	28,087	27,765	28,743	30,013	28,033	30,299
Syria	2,392	2,743	3,454	4,143	5,251	4,709	5,380	4,028	3,895	3,887	3,926
Iraq	6,526	423	603	533	499	665	567	917	1,431	1,541	2,746
Oman	2,726	3,194	3,770	4,116	3,915	4,248	4,578	5,026	5,681	4,673	5,375
Qatar	1,695	1,720	2,021	1,891	1,991	1,929	3,403	2,872	3,717	2,840	3,252
Kuwait	4,049	3,491	7,259	7,032	6,726	7,782	8,374	8,248	8,616	7,616	7,619
Lebanon	2,515	3,752	4,120	4,572	5,414	6,671	7,560	7,457	7,060	5,703	6,230
Libya	5,663	5,339	5,165	5,550	4,158	4,920	5,106	5,358	5,600	4,335	4,095
Egypt	9,216	7,862	8,291	8,188	9,452	11,739	13,019	13,168	16,479	15,962	13,849
Morocco	7,913	7,520	8,020	6,858	8,063	8,533	8,256	7,879	10,274	10,805	12,412
TOTAL	101,653	100,347	117,570	114,667	115,912	130,084	136,719	136,793	150,796	146,700	158,225

Source: Arab Monetary Fund. Total Imports for Arab Countries. 2002.

Table 44: Total External Trade for Arab Countries (Figures in Millions of Dollars)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Jordan	3,504	3,779	4,252	4,661	4,541	5,467	6,110	5,937	5,630	5,549	6,496
UAE	33,389	37,311	41,685	43,165	50,074	52,389	59,428	60,616	61,608	69,706	82,879
Bahrain	7,547	7,750	8,020	8,039	7,379	7,830	8,975	8,558	6,836	7,838	10,312
Tunisia	9,684	9,612	10,501	10,017	11,214	13,677	13,224	13,715	14,102	15,335	14,229
Algeria	20,689	19,473	19,785	18,859	18,161	21,042	22,326	22,582	20,790	22,169	29,223
Saudi Arabia	68,498	76,890	83,560	70,598	65,957	78,128	88,226	89,476	68,834	78,790	109,055
SYRIA	6,603	6,175	6,538	7,292	8,565	8,595	9,545	8,085	7,037	7,693	9,072
IRAQ	16,839	910	1,212	1,004	882	1,089	1,070	3,265	6,080	10,621	16,843
OMAN	8,235	8,065	9,325	9,481	9,457	10,313	11,969	12,683	11,203	11,911	16,694
QATAR	4,988	4,967	5,644	5,215	4,924	5,609	7,873	8,453	8,748	10,053	14,779
Kuwait	12,231	4,318	11,807	16,014	16,302	20,616	23,320	22,529	18,232	19,894	27,193
Lebanon	2,972	4,304	4,700	5,208	6,053	7,376	8,713	8,168	7,775	6,501	6,944
LIBYA	19,541	16,551	15,106	13,092	12,018	13,697	15,223	15,138	11,976	12,279	16,095
EGYPT	11,801	11,521	11,341	11,298	12,899	15,180	16,554	17,076	19,673	19,497	18,469
Morocco	12,143	11,802	11,998	10,554	12,034	13,245	13,001	12,556	17,418	18,314	20,375
TOTAL	238,662	223,428	245,474	234,497	240,462	274,254	305,556	308,835	285,943	316,150	398,658

Source: Arab Monetary Fund. Total External Trade for Arab Countries. 2002.

Chapter VII

Conclusion
Evaluation of Arab Countries' Economies

This chapter consists of evaluating overall Arab trade after the preceding chapters provided a detailed study of each country's trade with other Arab countries, and foreign countries as well. In addition, this chapter covers recommendations on how Arab governments could work for the enhancement of inter-Arab trade. Arab countries could become full partners in the global economy, with a vision of development, which is very much related to policy-making in the region as well as the global market. Yet, the attempts taken for creating economic co-operation among Arab countries have been brief and unsuccessful.

The Arab common market faced many problems that affected its success. First of all, most Arab countries have not pursued policies to encourage inter-Arab trade, which has never surpassed 10 percent. Several factors that are structural to the economies of the individual Arab states have played a role in this low level of trade. One factor is the nature of oil-producing countries that is not improving in the creation of diverse value-added byproducts from raw materials and oil. Another factor is that many Arab countries have not been focusing on the fact that each country could develop its assets (such as fisheries, agriculture, and tourism) into strategic centers that can produce good quality products to be sold to local, regional and internal markets. Throughout the previous chapters, we have seen that strong economic relations bind Arab countries to the external world, while those that link them together are fragile. Major Arab trade partners are the European Union, the US, and Japan, while trade with other Arab countries is insignificant. The main reason beyond the fact that inter-Arab trade is poor is the fact that each state individually has failed in providing the environment, factors and tools to produce strong trade among the Arab states. Each country should focus first on domestic economic reform, then on the associated process of integrating into the world economy through multilateral trade. So far, inter-Arab trade has failed due to each country's weak implementation, or lack of will, or insincere will for reaching integration among the Arab countries. The expansion of inter-Arab trade would result in the improvement of the standard of living, in addition to many other benefits for the common good of Arab countries.

Although Arab countries share, to some extent, a common history, as far as economic and social development is concerned, they do not constitute a homogeneous group. There are many disparities between the economic policies of Arab governments, besides the differences in natural resources. Many Arab countries lack a diversified economy, and instead rely heavily on oil exports. Over the years, the few exceptions among non-exporters of oil were mainly Morocco, Tunisia and to some extent Egypt, while Lebanon and Jordan made particular progress in services.

Many factors have their share in the lack of intra-Arab trade exchange. Factors such as the differences in monetary and commercial policies, the instability of political relations between the Arab countries, the high trade costs, the big differences in individual incomes among various Arab countries, and the fact that Arab producers are not able to compete with foreign goods in terms of price and quality, which makes it more attractive to import from non-Arab countries. For the Arab countries, trade and private investment are needed to provide new engines of growth. With more trade and investment, countries in the region will be able to achieve faster growth, reduce poverty, create more jobs, and improve the knowledge, skills, and productivity of their work force. Given the region's favorable characteristics in terms of size, income, and geography, trade is not significant. Arab countries can attract more investment from abroad and encourage more private investment at home, both of which are essential for trade and development. Trade could become a key source of growth in the Arab region.

The Arab region needs to focus on improving its trade by applying a free trade area, customs union, a common market, and finally an economic union. A free trade area consists of a free movement of commodities, while custom unions consists of a unified customs barrier against external countries, i.e., non-members of this integration group, a common market is distinguished by free movement of factors of production (labor and capital in particular) and an economic union has the distinctive mark of unified economic policies and the issuance of a single currency. All of the above is a key to Arab economic integration, which is also a voluntary political process with a purpose of achieving economic gains for the member states that they cannot achieve individually. For this reason, economic integration cannot be reached without a political will.

Additional recommendations for a greater inter-Arab trade are as follows: oil exporters, less diversified economies need to attract non-oil export-oriented foreign investment, and concentrate on human capital resources to built a non-oil export base. On the other hand, for large and small non-oil exporting countries the challenge is to improve competitiveness and product quality in existing sectors and to develop high price export sectors. For the oil rich countries of the GCC, development needs to be focused on high technology exports, while at the same time continuing to develop their non-oil sectors through reliance on skilled workers and businesses from neighboring countries as well as regions to complement their resource bases. And finally, non-oil countries need to work on maintaining their natural resources and exploit them for supporting their needs as well as other Arab countries' needs. When each Arab country learns to work collectively for the purpose of benefiting other Arab countries as well, then the Arab economy could prosper. Inter-Arab trade is not unattainable, yet Arab countries have to change their views in handling their intra-trade.

Table 45: Inter- Arab Merchandise Exports in the Year 2000
(Figures in Millions of Dollars)

Partner Country	JORDAN	EMIRATES	BAHRAIN	TUNISIA	ALGERIA	SAUDI ARABIA	SYRIA	IRAQ	OMAN	QATAR	KUWAIT	LEBANON	LIBYA	EGYPT	MOROCCO	TOTAL
JORDAN		67	15	5	19	130	23	141	11	21	28	34	23	24	2	543
UAE	45		106	15	43	697	40	0	1,551	205	270	43	28	69	0	3,112
BAHRAIN	6	124		7	9	271	4	0	25	36	62	45	3	22	0	614
TUNISIA	10	9	7		61	24	5	31	1	1	2	4	264	34	25	478
ALGERIA	1	13	0	79		0	6	0	0	0	0	10	0	2	118	230
Saudi Arabia	136	1,853	1,440	55	30		114	0	188	167	665	150	4	794	459	6,055
SYRIA	41	73	10	4	44	363		0	0	23	70	258	31	40	9	966
IRAQ	621	0	0	29	0	0	0		0	0	0	1	0	0	0	651
OMAN	8	932	14	1	3	151	5	44		16	34	3	10	20	1	1,242
QATAR	10	513	17	3	0	115	6	0	7		10	7	0	14	4	706
KUWAIT	16	0	0	10	0	144	23	0	29	15		15	0	24	0	275
LEBANON	25	75	6	2	4	78	26	29	3	8	26		6	23	2	313
LIBYA	7	8	0	287	2	0	22	0	2	0	0	9		65	29	432
EGYPT	40	47	3	36	15	151	48	78	6	10	19	78	53		15	600
MOROCCO	4	0	0	58	8	113	34	0	4	1	5	6	124	7		364
TOTAL	970	3,714	1,618	591	238	2,238	356	323	1,827	503	1,192	663	546	1,138	664	16,581

Source: Arab Monetary Fund. Inter-Arab Merchandise Exports. 2002.

Table 46: Inter- Arab Merchandise Imports in the Year 2000
(Figures in Millions of Dollars)

PARTNER COUNTRY	JORDAN	UAE	BAHRAIN	TUNISIA	ALGERIA	SAUDI ARABIA	SYRIA	IRAQ	OMAN	QATAR	KUWAIT	LEBANON	LIBYA	EGYPT	MOROCCO	TOTAL
JORDAN		45	7	1	1	150	150	0	9	10	17	39	6	44	4	483
UAE	74		136	10	14	1,191	80	0	1,025	564	0	82	0	51	12	3,239
BAHRAIN	16	116		8	0	1,035	11	0	15	19	0	6	0	3	1	1,230
TUNISIA	5	16	8		87	61	8	32	1	4	11	6	316	40	63	658
ALGERIA	21	47	10	67		33	82	0	3	0	0	4	2	13	9	291
SAUDI ARABIA	143	767	301	27	0		442	0	113	126	108	85	0	257	126	2,495
SYRIA	26	43	4	5	4	124		0	0	6	16	28	24	50	33	363
IRAQ	155	0	0	35	0	0	0		55	0	0	32	0	117	0	395
OMAN	13	1,706	28	1	0	207	21	0		8	23	3	2	13	5	2,030
QATAR	12	225	40	1	0	183	25	0	18		17	8	0	11	1	541
KUWAIT	30	240	50	2	0	472	67	0	20	11		29	0	57	6	984
LEBANON	43	48	49	22	11	133	283	1	3	8	16		10	86	7	720
LIBYA	26	31	3	291	0	27	34	0	11	0	0	7		57	119	606
EGYPT	26	76	24	38	18	866	28	0	1	15	14	26	71		8	1,212
MOROCCO	2	0	0	28	130	419	9	0	1	4	0	3	31	17		644
TOTAL	592	3,360	660	536	266	4,901	1,240	33	1,275	775	221	358	463	817	394	15,891

Source: Arab Monetary Fund. Inter-Arab Merchandise Imports. 2002.

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