“The Future of Arab Economic Integration in the New Global Trade Landscape"

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Session 3: The status of Integration in North African countries

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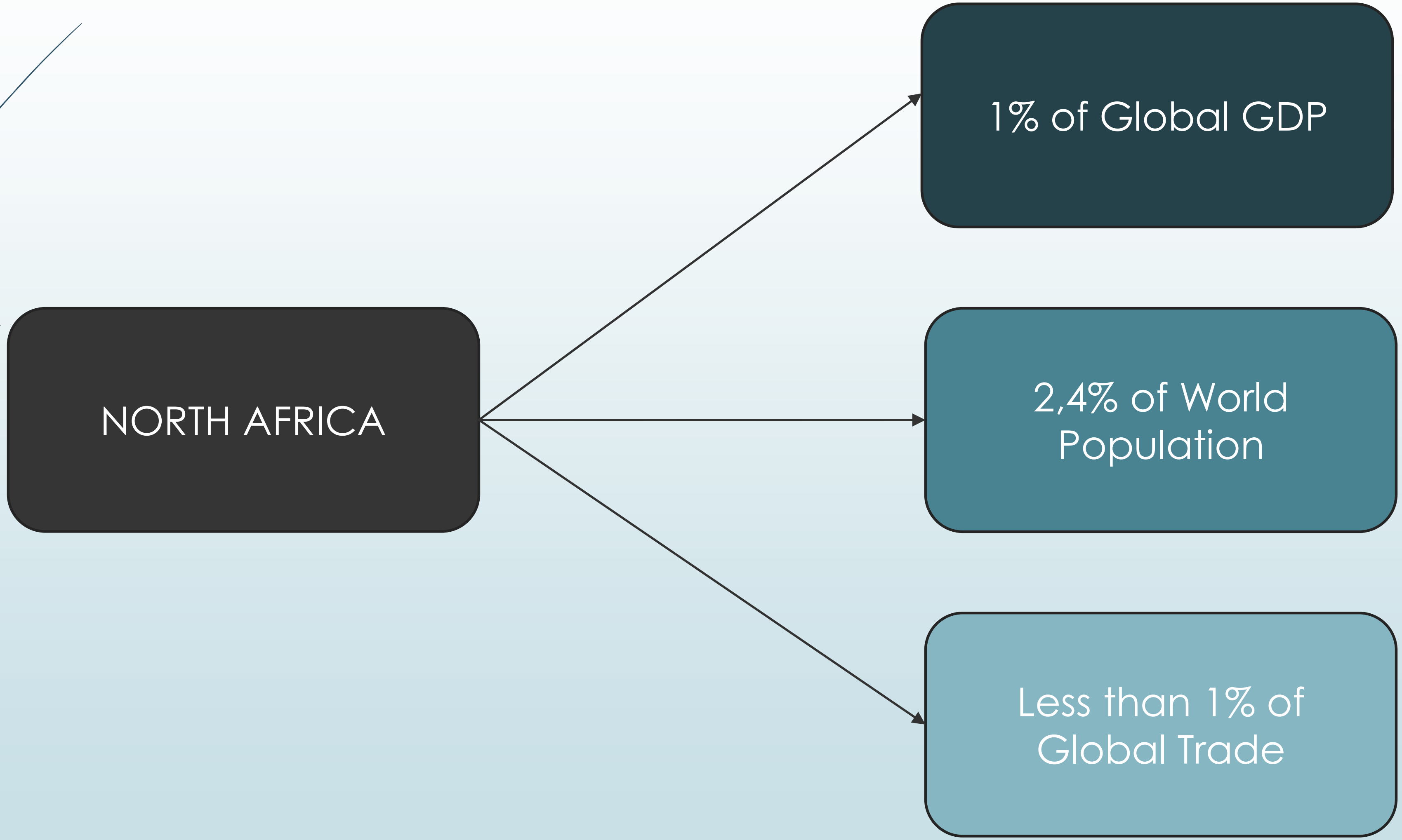
Context

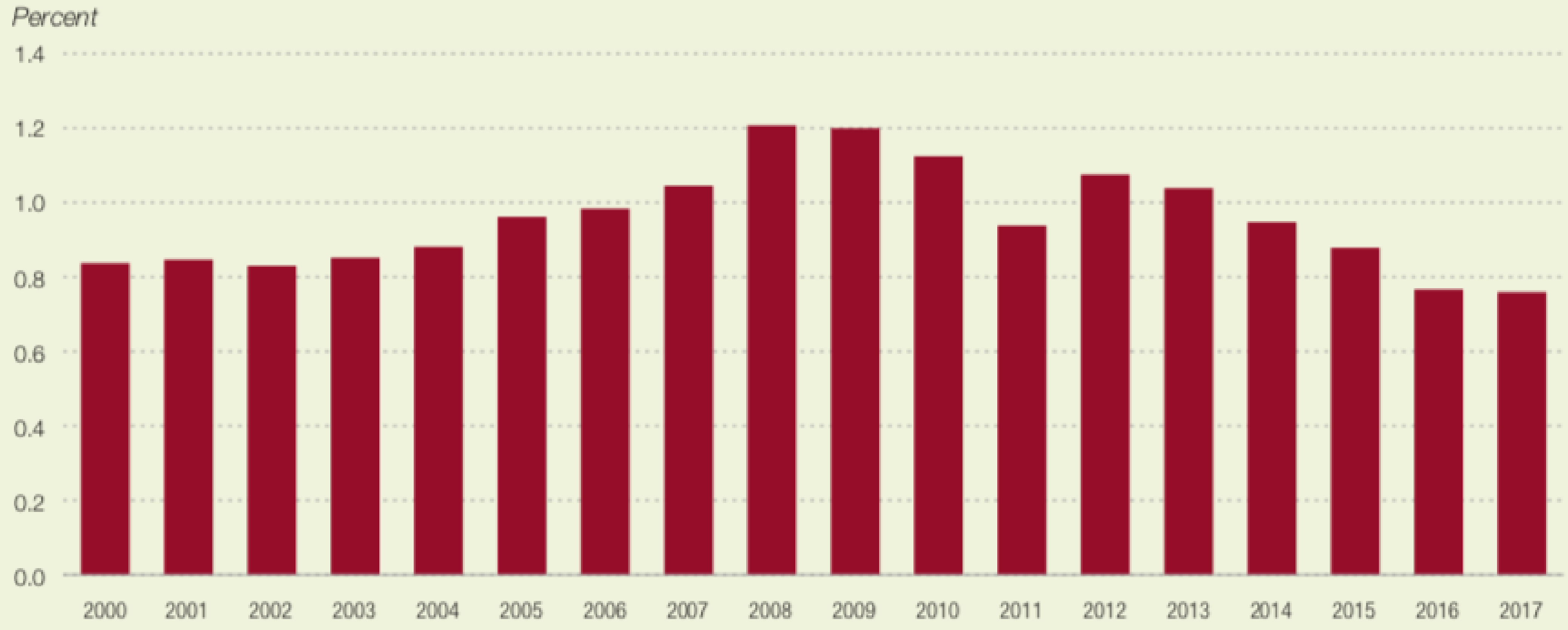
- Regional Economic Outlook – North Africa 2019 on the **economic policy of regional integration in North Africa** (Part 2) – African Development Bank
- Identifying **reasons for the weak integration** in North Africa
- Highlighting **challenges**
- Reviewing **political economy** theories
- Identifying **actors** and their **strategies**.

1 - Stylized Facts



1 - Stylized Facts - Trade

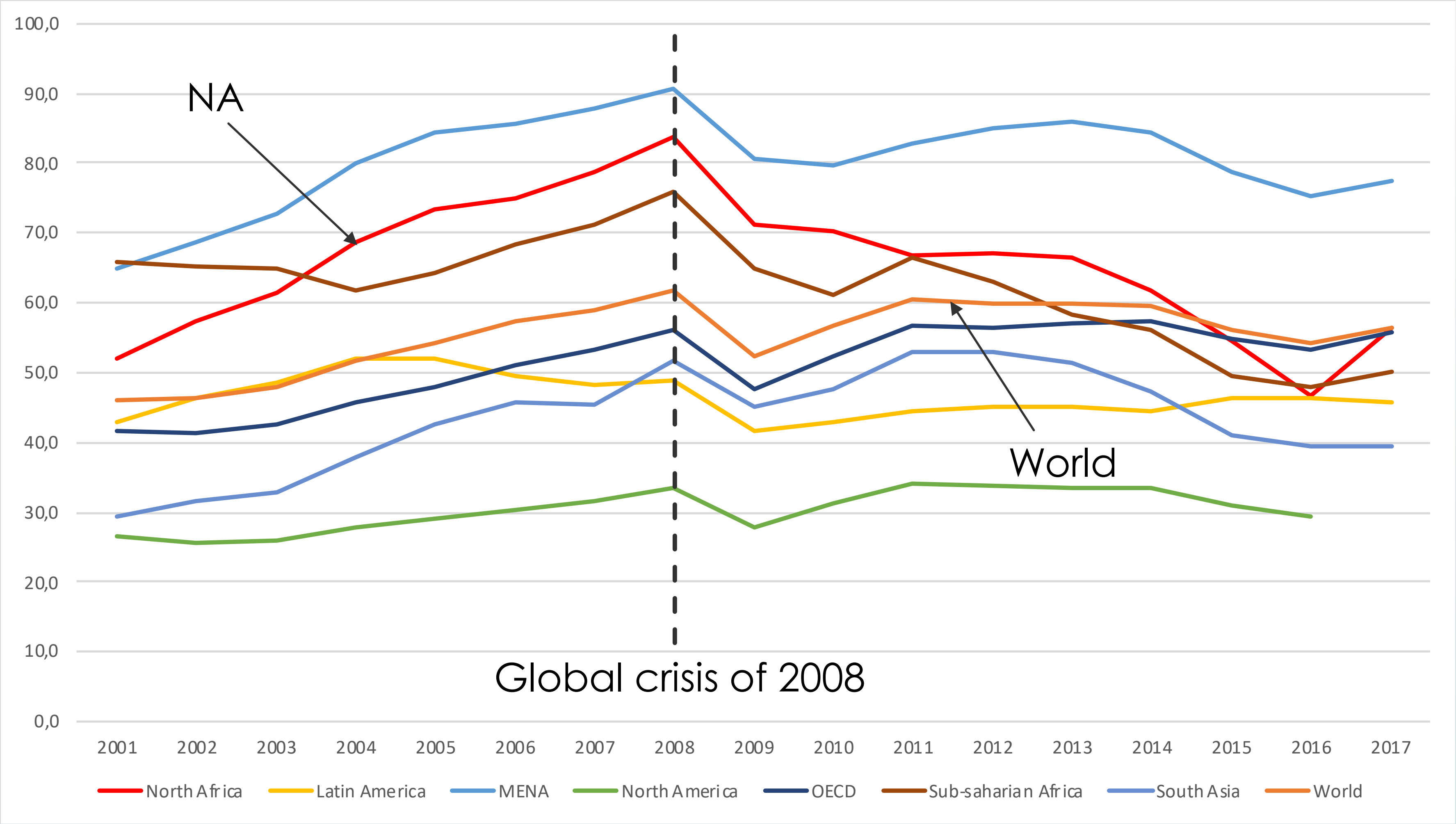
North Africa's share of global trade, 2000 - 2017



Source: Based on World Bank, World Development Indicators, 2018.

1 - Stylized Facts - Trade

Openess Rate, North Africa and World Regions, 2001-2017



1 - Stylized Facts

Openess rate North Africa in 2017: 56,3%

Openess rates by north african country - 2017

- Mauritania : 109,3%
- Libya : 108,7%
- Tunisia : 99,9%
- Morocco : 83,5%
- Algeria : 60,4%
- Egypt : 44,8%

1 - Stylized Facts - Trade

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TABLE 1 North Africa's intraregional trade, 2001 and 2017

	Exports to North Africa (% of total exports)		Imports from North Africa (% of total imports)	
	2001	2017	2001	2017
Algeria	2.0	4.9	1.0	2.2
Egypt	2.8	4.9	1.0	1.4
Libya	3.3	4.1	7.5	7.4
Mauritania	1.2	0.2	5.2	6.5
Morocco	1.9	2.5	3.2	2.8
Tunisia	6.0	7.8	5.5	6.1

Source: United Nations Comtrade data.

1 - Stylized Facts - Trade

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TABLE 2 **Share of world trading partners in North Africa's trade, 2001 and 2017**

	Exports to North Africa (% of total exports)		Imports from North Africa (% of total imports)	
	2001	**2017**	**2001**	**2017**
EU-28	69.4	55.8	55.0	43.1
United States	7.4	6.3	8.5	5.1
Africa	3.8	8.3	4.3	3.8
Association of Southeast Asian Nations	1.1	2.0	1.8	2.8
GCC	1.0	5.2	3.6	6.6
Turkey	3.7	4.0	2.0	4.4
China	0.5	2.8	2.6	12.5
North Africa	2.9	4.6	3.0	2.8

Note: The members of the European Union are Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Germany, Estonia, Finland, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden, and United Kingdom.
Source: Based on United Nations Comtrade data.

1 - Stylized Facts - Trade

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TABLE 3 Exports to each country as a share of total exports to the region, 2017 *(%)*

	Exports to					
	Algeria	**Egypt**	**Libya**	**Mauritania**	**Morocco**	**Tunisia**
Algeria	na	26.4	1.1	2.9	26.0	43.6
Egypt	28.3	na	17.4	1.0	27.4	25.9
Libya	0.7	90.4	na	0.0	5.2	3.6
Mauritania	5.4	26.2	4.8	na	7.0	56.7
Morocco	33.1	8.6	12.2	30.9	na	15.2
Tunisia	42.1	3.8	35.5	2.0	16.7	na

na is not applicable.

Source: United Nations Comtrade database.

TABLE 4 Imports from each country as a share of total imports from the region, 2017 *(%)*

	Imports from					
	Algeria	**Egypt**	**Libya**	**Mauritania**	**Morocco**	**Tunisia**
Algeria	na	41.6	0.0	0.0	25.8	32.6
Egypt	44.4	na	43.4	0.1	7.2	4.9
Libya	3.3	39.6	na	0.0	7.4	49.7
Mauritania	17.7	4.8	0.1	na	69.8	7.7
Morocco	43.8	37.2	1.6	0.0	na	17.3
Tunisia	59.8	27.5	2.9	0.2	9.6	na

na is not applicable.

Source: United Nations Comtrade database.

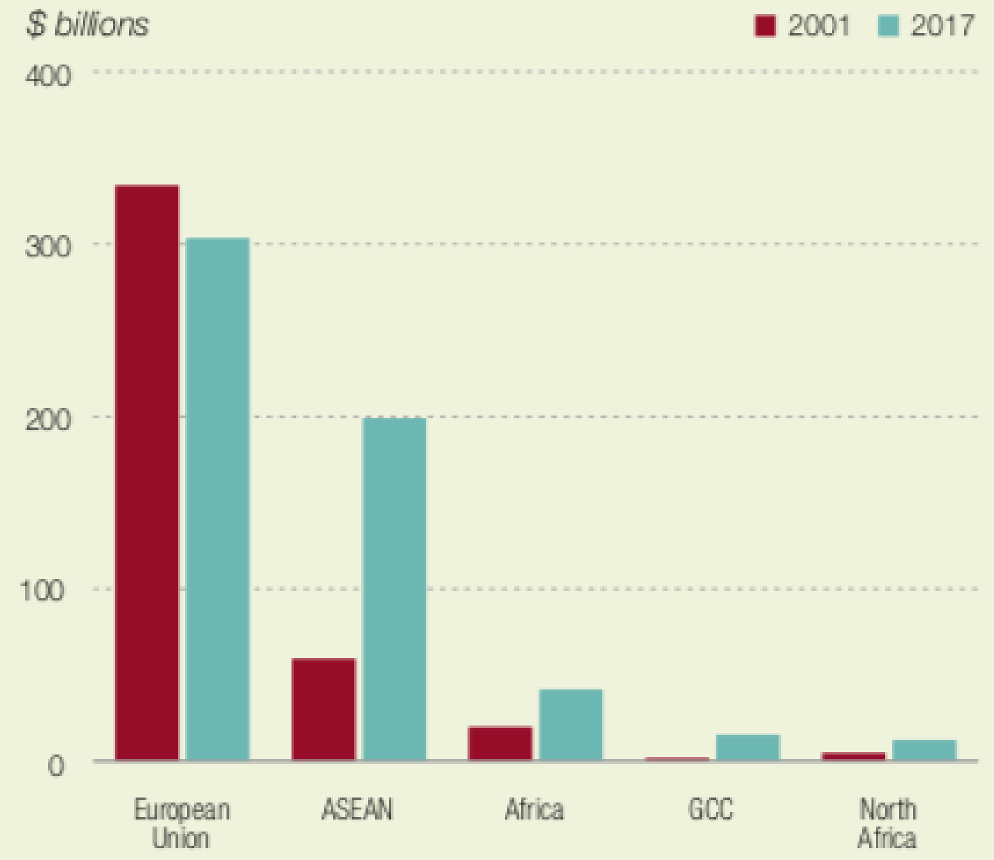
1 - Stylized Facts - FDI

TABLE 5 **Inflows and outflows of foreign direct investment, 2001–17**

	2001	2005	2010	2015	2017
Inflows, $ millions (FDI as a % of total North Africa FDI)					
Algeria	1,113 (22.8)	1,145 (10.6)	2,301 (16.7)	–584 (–5.3)	1,203 (9.7)
Egypt	510 (10.5)	5,376 (49.7)	6,386 (46.2)	6,925 (62.4)	7,392 (59.3)
Libya	–133 (–2.7)	1,038 (9.6)	1,909 (13.8)	...	...
Morocco	2,807 (57.7)	1,654 (15.3)	1,574 (11.4)	3,255 (29.3)	2,651 (21.3)
Mauritania	77 (1.6)	812 (7.5)	131 (0.9)	502 (4.5)	330 (2.6)
Tunisia	487 (10)	783 (7.2)	15,135 (11.0)	1,003 (9.0)	880 (7.1)
North Africa	4,861 (100)	10,808 (100)	13,814 (100)	11,101 (100)	12,456 (100)
Outflows, $ millions (FDI as a % of total North Africa FDI)					
Algeria	9 (3.0)	–20 (–6.9)	2,215 (4.6)	103 (7.6)	–4 (–0.3)
Egypt	12 (4.0)	92 (31.8)	1,176 (24.5)	182 (13.3)	199 (14.9)
Libya	175 (58.5)	128 (44.3)	2,722 (56.7)	395 (29.0)	110 (8.3)
Morocco	97 (32.4)	75 (26.0)	589 (12.3)	653 (47.9)	960 (72.1)
Mauritania	...	2 (0.7)	17 (0.4)	0 (0.0)	10 (0.8)
Tunisia	6 [illegible]	12 [illegible]	74 [illegible]	31 [illegible]	57 [illegible]
North Africa	299 (100)	289 (100)	4,798 (100)	1,364 (100)	1,332 (100)

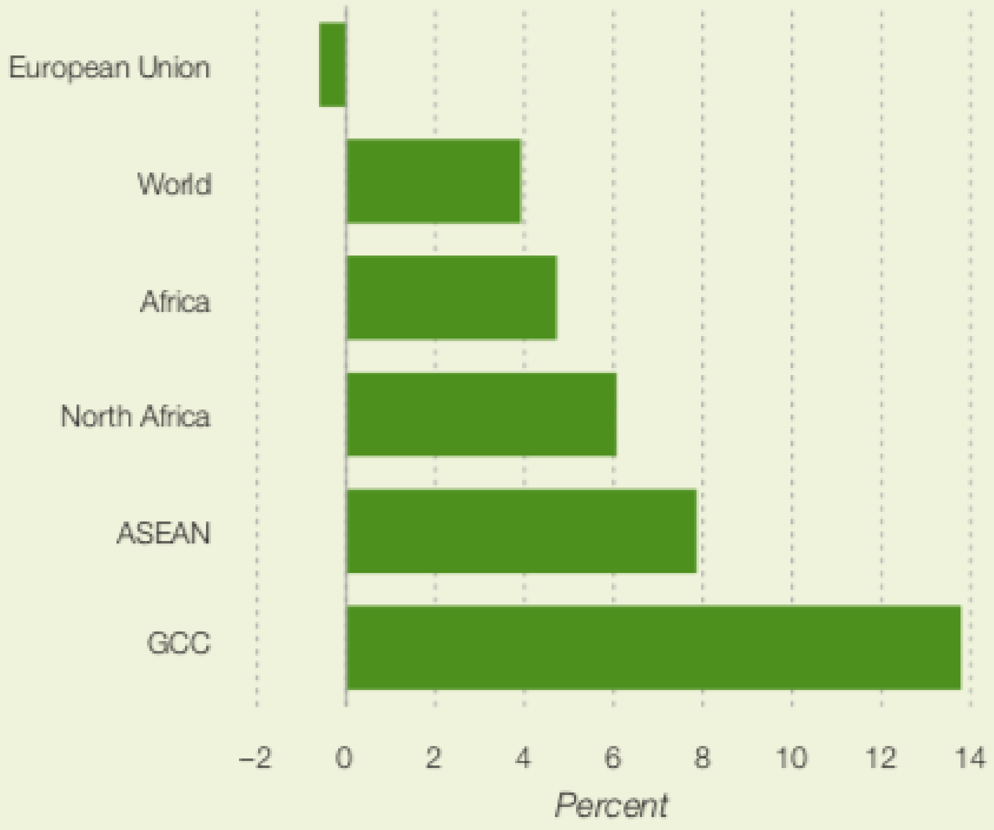
1 - Stylized Facts - FDI

FDI inflows by world region



Source: Based on United Nations Conference on Trade and Development data.

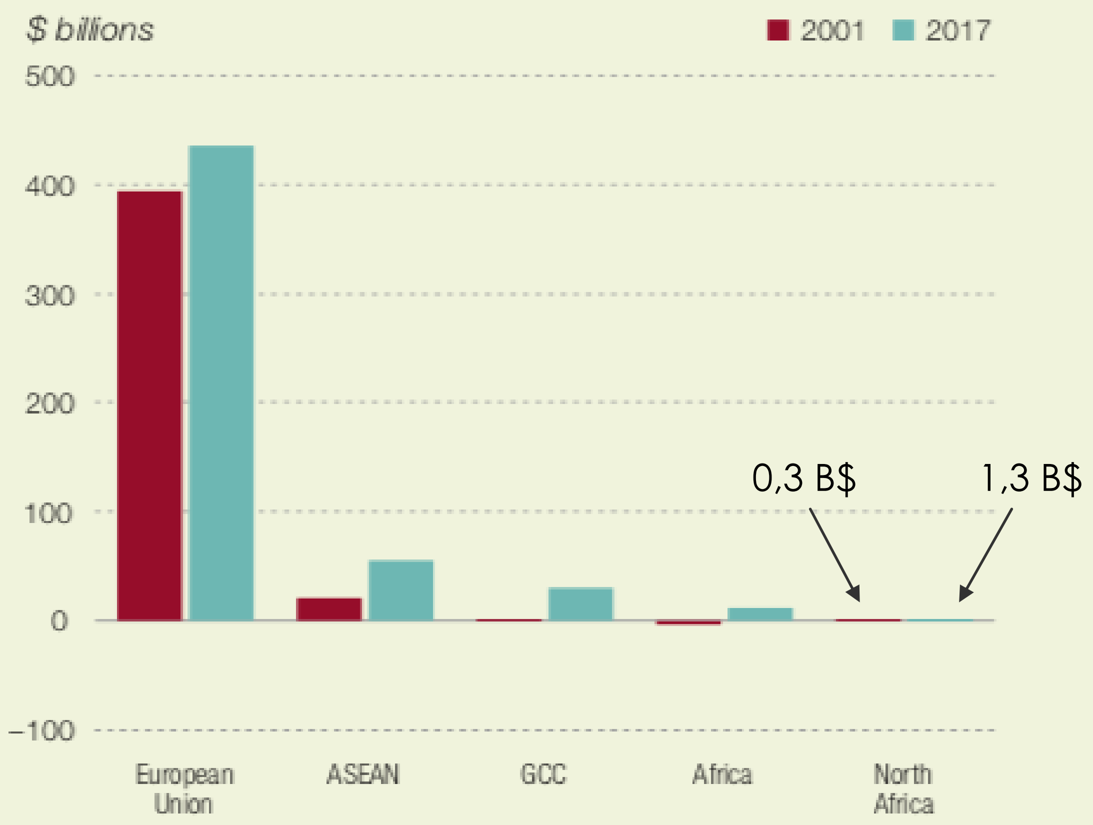
Average annual growth of FDI inflows by world region



Source: Based on United Nations Conference on Trade and Development data.

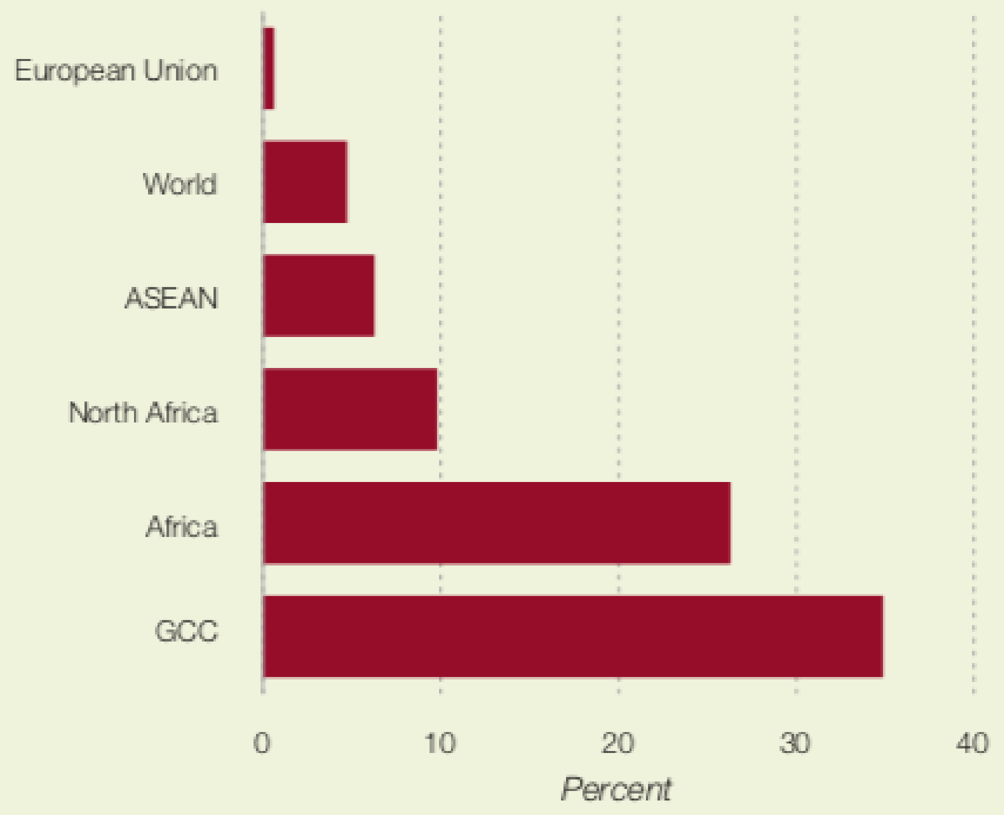
1 - Stylized Facts - FDI

FDI outflows by world region



Source: Based on United Nations Conference on Trade and Development data.

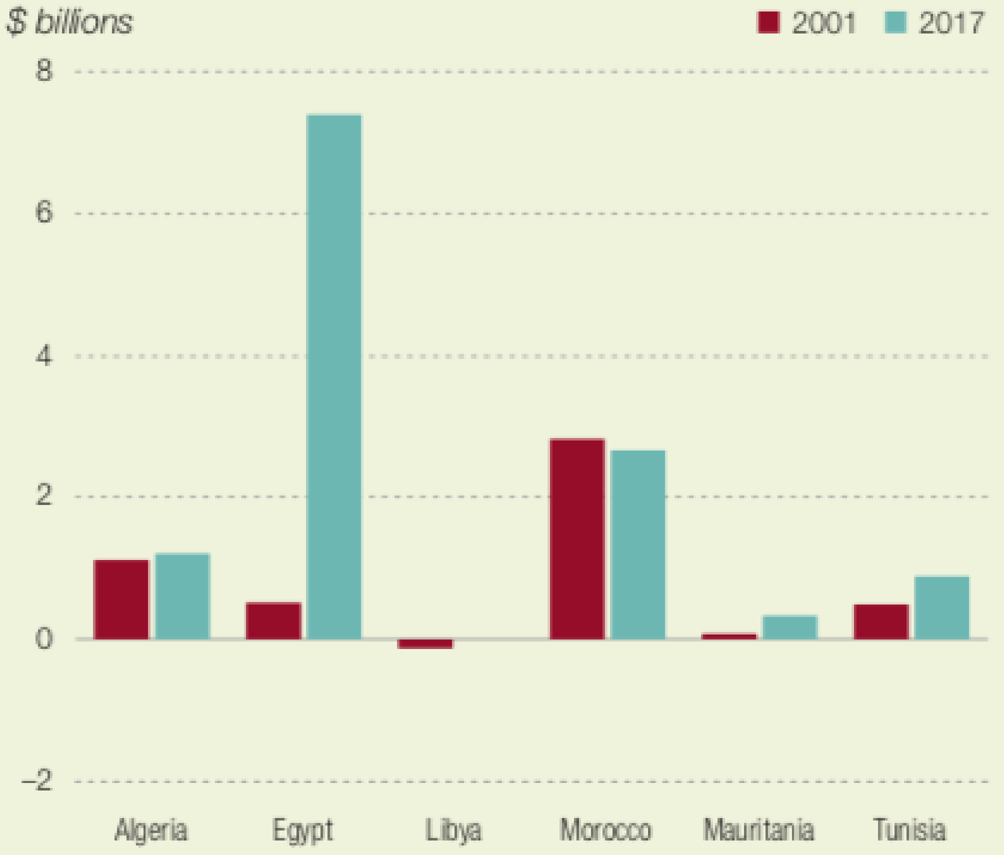
Average annual growth of FDI outflows by world region



Source: Based on United Nations Conference on Trade and Development data.

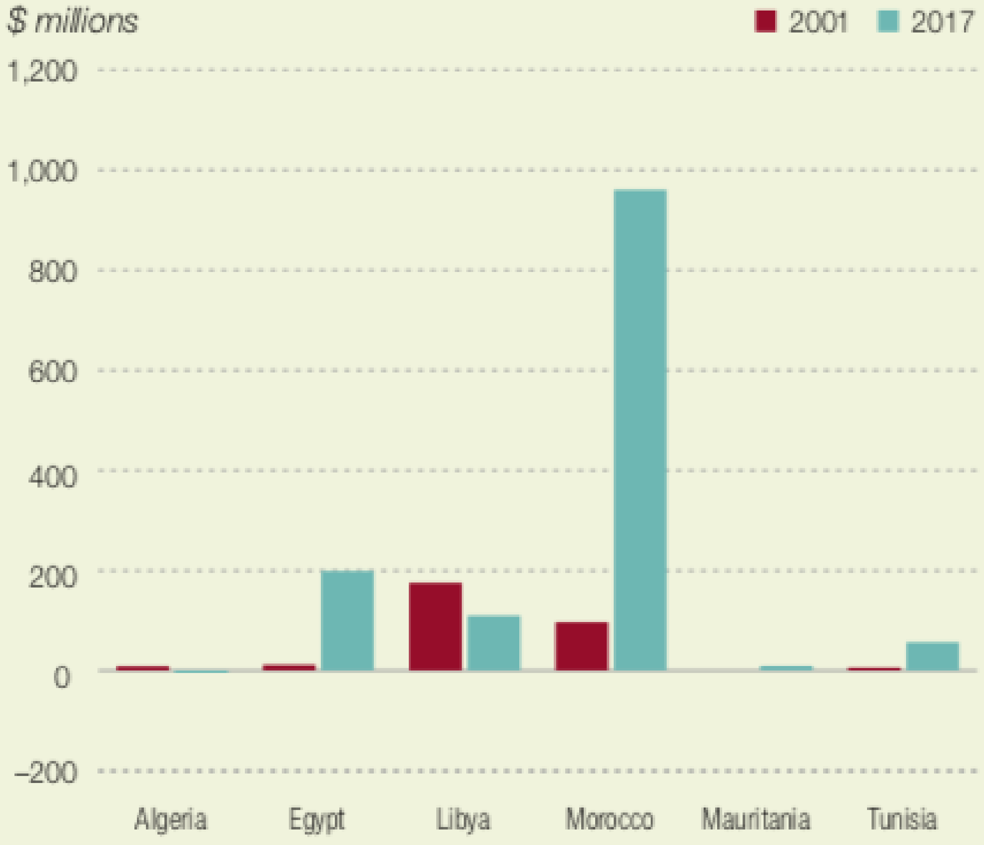
1 - Stylized Facts - FDI

FDI inflows by NA country 2001 vs 2017 ($ billions)



Source: Based on United Nations Conference on Trade and Development data.

FDI outflows by NA country 2001 vs 2017 ($ billions)



Source: Based on United Nations Conference on Trade and Development data.

1 - Stylized Facts – Financial integration

- Financial integration in North Africa is **lower than in other world regions**.
- **4** deficiencies:

1. **Banking system's predominance** in financing the economy, especially public banks
2. **Regulatory frameworks** that prevent foreign banks from operating in some countries.
3. **Underdeveloped** financial markets.
4. Virtual **absence of alternative forms** of financing such as microfinance.

1 - Stylized Facts – Financial integration

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Indicators of Financial Development

	Financial Freedom Index, the Heritage Foundation 2018 (0–100)	Bank assets, IMF 2016 (% of GDP)	Financial system deposits, IMF 2016 (% of GDP)	Liquid liabilities, IMF 2016 (% of GDP)	Credit Information Sharing Index, World Bank 2017 (0–8: low to high)
Algeria	30	57.2	47.8	72.8	0
Egypt	50	84.0	69.5	81.9	8
Mauritania	40	23.8	18.5	25.6	3
Morocco	70	85.4	88.6	110.8	7
Libya	20	72.9	197.9	293.3	0
Tunisia	30	86.0	57.1	68.9	6

Note: Data for Mauritania are from 2012.

1 - Stylized Facts – Financial integration

- Financial integration in North Africa is **a long process**.

- Success will depend on:

1. Establishing a **stable macroeconomic** framework
2. A **stable and robust banking and financial system** with adequate regulation and supervision
3. **Reforms** further modernizing payment and financing capabilities
4. A more responsive **legal system**.

1 - Stylized Facts - Migration

Destination	Year	Origin: Algeria	Egypt	Libya	Morocco	Mauritania	Tunisia
Algeria	2000	na	169	35	41,770	1	5,426
	2010	na	...	...	...	...	...
	2017	na	0	4,665	1,087	0	685
Egypt	2000	1,695	na	3,122	1,149	159	711
	2010	1,246	na	7,285	...	0	0
	2017	1,478	na	8,648	2,018	147	1,269
Libya	2000	6,234	318,394	na	3,298	15	67,943
	2010	0	397,064	na	...	0	84,585
	2017	3,669	21,474	na	5,008	364	3,153
Morocco	2000	13,233	185	37	na	1	60
	2010	...	...	...	na	...	...
	2017	17,637	1,904	1,569	na	1,632	2,643
Mauritania	2000	1,722	240	147	364	na	262
	2010	2,744	383	235	...	na	418
	2017	3,505	489	300	740	na	534
Tunisia	2000	15,846	5	2,120	7,165	1	na
	2010	12,176	0	1,083	...	0	na
	2017	11,775	1,159	9,302	6,218	538	na

... is not available.

na is not applicable.

Source: World Bank Global Bilateral Migration Database 2018.

1 - Stylized Facts - Remittances

Destination	Year	Origin: Algeria	Egypt	Libya	Morocco	Mauritania	Tunisia
Algeria	2010	na	2	0	0	4	17
	2017	na	2	4	18	4	12
Egypt	2010	0	na	1,098	0	1	0
	2017	0	na	101	0	2	0
Libya	2010	...	...	na	...	...	...
	2017	0	0	na	0	0	0
Morocco	2010	0	3	0	na	1	10
	2017	2	4	10	na	1	12
Mauritania	2010	...	...	...	...	na	...
	2017	0	0	0	0	na	0
Tunisia	2010	0	0	225	0	1	na
	2017	2	3	7	0	1	na

... is not available.

na is not applicable.

Source: World Bank, Bilateral Remittances Matrix 2010 and 2017.

1 - Stylized Facts – Infrastructure and trade facilitation

- The low trade and migration in North Africa often reflect **barriers beyond politics and trade**.

- **Barriers:** Transport infrastructure, the business environment, logistics and foreign trade regulations, the information and telecommunication network, and institutions and government services (procedures, bureaucracy, and so on).

- 1990s: North African countries have initiated **reforms to facilitate trade**.

- The record on intraregional trade and migration shows that **these reforms have not strengthened economic relations** much between countries in the region. Instead, they have facilitated bilateral trade **outside the continent**.

1 - Stylized Facts – Infrastructure and trade facilitation

TABLE 9 Logistics Performance Index, 2018

Country	LPI rank	LPI score	Customs		Infrastructure		International shipment		Competence and quality of logistics		Tracking and tracing		Timeliness	
			Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Egypt	60	2.95	**65**	**2.67**	**55**	**2.91**	**59**	**2.94**	**55**	**2.95**	**64**	**2.91**	**67**	**3.30**
Morocco	67	2.67	**114**	**2.36**	**80**	**2.58**	**75**	**2.80**	**92**	**2.59**	104	2.57	**93**	**3.09**
Tunisia	104	2.59	130	2.27	117	2.27	115	2.53	113	2.45	**80**	**2.78**	**76**	**3.20**
Algeria	107	2.56	**127**	**2.28**	**95**	**2.45**	**113**	**2.54**	**101**	**2.53**	**91**	**2.65**	117	2.89
Libya	155	2.21	156	2.00	136	2.17	158	2.18	148	2.21	166	1.90	128	2.78
Mauritania	157	2.20	142	2.16	147	2.09	161	2.15	162	2.06	156	2.18	156	2.54

Note: Numbers in bold show the top three for that subcriterion. The rankings covered 160 countries.

Source: World Bank 2018.

1 - Stylized Facts – Infrastructure and trade facilitation

TABLE 10 Global Competitiveness Index, 2018

				Subcriterion rank 2018							
Country	GCI	GCI rank 2018	GCI rank 2017	Enabling environment composite	Institutions	Infra-structure	Macro-economic stability	Human capital composite	Markets composite	Market size	Innovation ecosystem composite
Morocco	**58.5**	**75**	**77**	**58**	**54**	**53**	**47**	100	**59**	53	88
Tunisia	**55.6**	**87**	**86**	**88**	**75**	84	118	**67**	100	70	**84**
Algeria	53.8	92	92	93	120	88	111	**78**	104	**38**	106
Egypt	53.6	94	94	105	102	**56**	135	99	**82**	**24**	**81**
Mauritania	40.8	131	128	127	133	135	**97**	112	140	130	134

Note: Numbers in bold show the top two for that subcriterion. The rankings covered 140 countries. Data on Libya are not provided in the report.

Source: World Economic Forum 2018.

1 - Stylized Facts - Conclusion

- Regional integration in North Africa remains **modest despite numerous efforts** to strengthen transport infrastructure, improve the quality of institutions, relax foreign trade procedures, and facilitate the movement of goods and people.

- Intraregional trade falls short of the possibilities, and more migrants move from the region to destinations outside it and outside the continent than within the region.

2 – Adressing the political economy for integration

- Regional integration depends on **political will** and the participation of stakeholders from **institutions**, the **private sector**, **civil society**, and **public authorities**.

- A **political economy analysis** of economic integration.

- An analysis of factors explaining the deep-seated reasons for integration’s delay.

- **Political, economic, and social actors** had a **weak formal presence**, and they failed to create enough pressure to foster greater integration and open borders.

2 – Adressing the political economy for integration

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PHASE 1	→	**POST – INDEPENDENCE / 2ND HALF OF 1960s** **A political will to embark on regional construction**
PHASE 2	→	**1970s : A growing divergence and the will to strengthen national sovereignties, sidelining regional integration.**
PHASE 3	→	**Mid-1980s: Political and economic sovereignty crisis, renewed the interest in integration.**
PHASE 4	→	**Mid-1990s: Rise of competing plans and difficulties in achieving integration.**

3 – Conclusion &…

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- North Africa's delayed integration, compared with other African regions, reflects nontariff barriers and weak infrastructure.

- The delay is explained by weak institutions, the dominant role of state and bureaucratic actors, the sidelining of other actors, and competition with extra-regional integration projects.

3 - … Recommandations

1. Strong and determined **leadership** for integration must emerge.
2. Economic, political, and social actors must **participate**, especially champions for integration.
3. **Institutions** responsible for integration must be strengthened, especially those for financial integration.
4. Intraregional trade must accelerate and strengthen, especially through **reduced non-tariff barriers** and **improved infrastructure** connecting countries.
5. **Movement of people** must be fostered by facilitating migrant settlement across the region.


North Africa
Economic
Outlook
2019
Macroeconomic
performance
and prospects
Political economy of
regional integration

THANK YOU