The Road to Integration among Arab Countries: Assessing the Political and Economic Barriers and Possibilities

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Abstract

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Arab countries attempts at regional integration started in the 1950s, but the goal of integration has produced very little substantive political or economic results. This lack of progress has blocked Arab countries from attaining benefits to their political and economic welfare that could accrue as a result. Arab Petro-states are reluctant to share the oil returns with other non-oil exporting countries, which have been struggling to develop their trade relations. Arab countries have not been able to develop their comparative advantages in trade due to historical problems, such as colonialism. Arab countries are also lacking effective supranational institutions that can balance the economic gains of integration among member states. This research outlines an implementation path that would ensure a realistic integration and application based on an assessment of past and current integration attempts with a special focus on the Greater Arab Free Trade Area (GAFTA), which is an Arab agreement that was signed in 1997. The assessment will determine the obstacles that have stinted past integration and how they relate to the status of integration in the Arab countries today. Unless Arab states have state-centric agreements, which share a common vision of developing industrial and agricultural bases that aims at developing states' dynamic comparative advantages, the total intra-trade impact on Arab countries will be slightly positive or even negative since integration will result in trade diversion. Arab states can accept short-term losses that can result from trade diversion or loss of tariff revenues on condition that their comparative advantages can be developed on the long term. Finally, this thesis highlights the economic and non-economic benefits and obstacles of integration using statistical analyses that simulate the economic benefits of Arab intra-regional cooperation.

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1.Chapter One: Introduction

Even though Arab countries attempts at regional integration started in the 1950s, the goal of Arab integration has produced very little substantive political or economic results. This lack of progress has blocked Arab countries from attaining benefits to their political and economic welfare that could accrue as a result. Rich oil-exporting Arab[1] countries are reluctant to share the oil returns with other non oil-oil exporting states. Arab intra-trade is very low when compared to other regions, such as the European Union (EU), because Arab countries are often competing on the same markets due to significant similarities in their dominant production lines. Arab countries also lack effective supranational institutions that can balance the economic gains among member states. This research outlines an implementation path that would ensure more realistic integration and application than previous attempts based on an assessment of past and current integration attempts. The assessment will determine the obstacles that have stunted past integration and how they relate to the status of integration in the Arab countries today. It will also highlight the economic and non-economic benefits of integration (both political and social) using statistical analyses that simulate the economic benefits of Arab intra-

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1The rich oil exporting countries are the 9 large members of the Organization of Arab Petroleum Exporting Countries (OAPEC), namely Saudi Arabia, Kuwait, United Arab Emirates, Iraq, Libya, Algeria, Qatar, Oman, and Bahrain. All these countries except Oman and Bahrain are also members of the Organization of Oil Petroleum Exporting Countries (OPEC).

regional cooperation with a special focus on the Greater Arab Free Trade Area (GAFTA)[2], which is a regional integration agreement that was signed in 1997.

Many theories have discussed regionalism and integration. There are two main classification approaches of integration theories, namely the economic approach, which is mainly concerned with assessing the economic gains of regional integration, and the political science approach that is concerned with governance of integration agreements. In the political science approach, I will emphasize on the theories of: functionalism, neofunctionalism, intergovernmentalism, and neoliberal institutionalism. Functionalism is a theory of international relations that views integration as an inevitable process between states, because it serves their "functional" interest mainly through technological and economic development. Functionalists argue that integration in one sector, for example the technological sector, will lead to a "spillover effect" across all other sectors as a result of integration, thus achieving better integration results (Mitrany, 1966). Neofunctionalists, on the other hand, argue that the "spillover effect" must be derived by political leaders and economic elites since spillovers will not be achieved inevitably (Haas, 1958). Intergovernmentalism, unlike functionalism and neofunctionalism, views integration as a state-driven process, where national governments are responsible for planning and developing their economies through effective utilization of state resources (Moravcsik, 1991).

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[2]The GAFTA member countries are: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen.

Neoliberal institutionalism emphasizes that the state serves as both the agent and structure of integration agreements, where states are the agents responsible for the negotiation and implementation of integration agreements. States are also responsible for providing the needed structural frameworks, for example providing the needed supranational institutions. Some politicians and political science scholars evaluate the success of an integration agreement by comparing the agreement's stated goals to its actual results. Having effectual supranational institutions that can direct member states to the effective implementation of agreements rules is a condition for achieving effective integration agreements (Mattli, 1999).

Before discussing Arab regional integration, it is worth mentioning that the European Union (EU) serves as one of the most successful integration models in the world, not only in terms of the economic aspects but also social dimensions. Comparing the EU to Arab integration is to have a benchmark of effectual integration agreement on both the economic and social planes. This comparison acknowledges the differences between the two regions, especially the historical and social dimensions that shape the democratic frameworks of the contemporary Europe.

Further, the EU intra-trade represents around 62% of the total EU trade, which is higher than the intra-trade results of the North American Free Trade Agreement (NAFTA), which is a trade agreement between The United States of America, Canada, and Mexico that witness an average of 49% of intra-trade as compared to the member states' total trade (NAFTA: Statistics, 2014). The EU member states have highly invested in the social welfare of their citizens, where the share of social benefits as a percentage of

the country's Gross Domestic Product (GDP) has ranged from 28% such as the case of Sweden to the highest contribution among all EU member states in the case of Germany, where the GDP share on social spending has reached almost 55% (European Report, 1997).

The EU model proves that integration agreements are pursued among states not only for economic reasons but also political dimensions (Galal and Hoekman, 1997). After the Second World War, EU states have developed a regional block that has enabled them to enjoy stronger negotiation capacities with international institutions such as the World Bank and the World Trade Organization (WTO) and better access to markets on both regional and global levels (Hosny, 2013).

Developmental states aim at achieving economic growth, yet, GDP growth is not the absolute target of development as argued by neoclassical economists, who only measure economic development in terms of GDP growth and ignore human development indices. The state should utilize this increase in GDP growth towards the development of human capabilities, mainly through provisioning the citizens' rights to education and healthcare services. Developing human capabilities by the state is both the "mean and end to development" since skilled labour, which is a result of improving people's capabilities, are the tools to develop states' agricultural and industrial bases, thus achieving multiples of economic growth (Sen, 2009, p. 3).

Arab countries are in need of 'real' regional integration that can enhance their economic performance, develop the human capabilities of the Arab people, especially

access to education and healthcare services, and establish a strong agricultural and industrial base that is sustainable, as opposed the vulnerable oil sector. Arab countries witness a large GDP discrepancy, where rich oil-exporting states are reluctant to pursue integration agreements with economically weaker non-oil exporting states. While this acts a prescription of the solution the actual status quo proves that Petro-states are reluctant to bear the economic costs of integration through sharing the economic returns with other states (Karl, 1997). Nevertheless, these oil-exporting states are suffering from a very poor industrial profile, which is threatening the sustainability of their economic growth. The sole dependence on oil is considered an economic disease, which is similar to the "Dutch disease", when Holland became highly dependent on natural gas returns (Hudson, 1999). United Arab Emirates has been an exceptional case among Arab oil-states, since the mid-1990s, as their political leaders have been developing other non-oil sectors to derive growth (WITS, 2015).

This thesis will focus on the trade relations among Arab states within the GAFTA agreement and how these countries can develop their industrial and agricultural bases aside from the vulnerable oil sector in order to have sustainable economic growth since oil reserve will end within twenty years given the current oil-extraction rates. Sen argues that economic growth is crucial to finance the projects needed to develop human capital. Due to space limitations, this thesis will only cover the economic growth pillar of trade integration without having an assessment of human development capital in the Arab region.

Another aspect that is not covered in this thesis, although crucial to understanding the future of Arab integration agreements is the role of social movements, especially after the Arab Spring, in opposing the corrupted regimes ruling these countries. Arab countries have been suffering from dictatorship regimes that have not responded to the needs of the people in Arab countries. In fact, the corrupted leaders have been rent seekers, who have no intention for real development for Arab economies or infrastructures. Arab states since the 2000s have witnessed social movements that have requested real economic and political development across Arab states that were crystallized after the Arab Spring. The results of these social movements are very minimal, especially with the corruption and the lack of transparency in the regimes in most Arab states. Arab countries, for example Egypt and Syria have hidden budgets and governmental provisions that cannot be reviewed by the public. These budgets are mainly abused by the corrupted elites and ruler, who have abused the system and legislations to serve their own interests, for example, the elections period law in Egypt which allowed the president to have infinite number of election rounds. Nevertheless, Arab states are struggling to take their first steps towards achieving welfare state, which results from tripartite governance formed from: the state, the social movements, and the private sector that should be governed by the state in order to avoid negative externalities, such as monopolistic acts (Arafat, 2009).

Further, in order to achieve sustainable economic growth that assures long-term results, Arab states should develop other non-oil sectors through assessing local and regional comparative advantages, which are dynamically developed through state-centric strategic plans. The targeted Arab integration necessitates a development of the Arab

infrastructure and communication facilities in order to lower transaction and transportation costs thus increase Arab intra-trade (Saidi, 2003). States also need to govern the operations of the private sector in a way that minimizes market externalities, such as monopolistic movements. The private sector can play a role in achieving economic growth, for example providing employment opportunities (Chauffor, 2013). Arab countries should strategically plan integration in a way that serves human development as well as economic growth, especially decreasing unemployment rates, increasing access to education, and providing better health services. Arab states should effectively engage in integration attempts after careful cost benefit analysis between the gains (economic and political) from cooperation and the cost of integration attempts, which should be governed by supranational institutions (Harders and Legrenzi, 2008).

This thesis aims at understanding the political and economic obstacles that have hindered Arab integration attempts through a comprehensive analysis of Arab integration and its legacy. This thesis will describe the existing situation of integration and problems and will prescribe a solution that hopefully can be implemented by the politicians and decision makers in the Arab region. The thesis will simulate the economic gains of Arab integration given the actual Arab bilateral and multilateral trade agreements and tariff structure in case of removing intra-tariffs and having a Pan-Arab economy. Pan-Arabism has been an ideology that espouses socialist principles against the Western intervention in the Middle East. Pan-Arabism was highly popular in the 1950s and 1960s, where Arab countries adopted Import Substitution Industrialization (ISI) policies, which advocate for replacing the imports of foreign goods by domestic products (Djoufelkit-Cottenet, 2008).

I argue that Arab economic integration can only be achieved through developmental states that have a vision to understand that "regional agreements are not merely about economics. They typically have political objectives, and political gains may offset or outweigh economic costs. While it is difficult to attach the appropriate weight to each side of the equation, the challenge is to ensure that regional integration results in the attainment of overall net gains" (Galal and Hoekman, 2003, p. 3). Having effective supranational institutions that can balance the economic gains among member states and compensate economically weaker member states is a condition to successful Arab integration (Hoekman and Messerlin, 2002, p. 2). Arab integration future attempts will only remain on paper unless the development of the existing supranational institutions that will take years of social struggles against the existing dictatorship regimes.

The majority of Arab countries share a number of factors that could lead to effective integration and enhance the scope and scale of trade relations, such as sharing a common language and having geographical proximity (Saidi, 2003). However, Arab countries integration results across all agreements have been very minimal. The GAFTA, since its formation in 1997 has not achieved significant intra-regional integration results, yet, the GAFTA has been one of the most successful agreements, when compared with past Arab integration agreements, since it entailed almost all Arab states, where the GAFTA was signed by 18 member states and has had 4 'candidate' states. The GAFTA was able to promote intra-Arab trade but on a very limited scale since its establishment in 1997. Renegotiating the GAFTA with the 18 member states can be the starting point for future Arab integration agreements (Zorob, 2008).

The methodology applied in this study is a comparative analysis that depends mainly on secondary materials and statistical databases. The methodology involved statistical analyses that simulate the economic benefits of Arab intra-regional cooperation, focusing on the eighteen member countries of the GAFTA using the World Integrated Trade Solution (WITS) software and the United Nations (UN) COMTRADE data. The economic simulation as a methodology can provide a realistic understanding of future scenarios since it is using the actual trade figures and tariff rates within states.

First, I analyzed the total intra-Arab trade data especially the non-oil products since most Arab countries have a high percentage of self-sufficiency in oil products. Further, I analyzed the ratio of the total intra-Arab trade to the total Arab external trade and demonstrated the gross exports and gross imports values at the bilateral levels. The collected data was the main input for a trade simulation, which demonstrated the incremental intra-trade in case of satisfying the imports gap via a 'pan Arab self-sufficiency', where Arab countries substitute imports from non-Arab states by commodities produced by the GAFTA members.

Further, the outcomes of the simulation were analyzed using the WITS Outcomes Indicators, which is a trade module that uses the UN COMTRADE data to construct indices that can assess the intra-Arab trade based on: 1) the growth opportunities of exports and imports given the composition and orientation factors and 2) the survival rate of export relationships through assessing the trade and tariff indicators along with other

economic indicators such as the complementarity index[3]. These indicators were extracted from the UN World Development Indicators database. The results of the simulation show that unless Arab states strategically plan for their comparative advantages and enhance their agricultural and industrial basis the output of integration will be very low or will cause "trade diversion," where imports are shifted from low cost non-member states to high-cost member states, thus negatively impacting the trade balances of importing countries. For example, Arab states are highly dependent on the Chinese market, and in case of Pan-Arabism, imports from other Arab states will be of less quality and higher price, at least on the short-term (Viner, 1950).

Having an Arab leader that motivates other states towards the full implementation of agreements is crucial for effectual Arab integration. Samiha Fawz (2003) analyzes the role of a leading state in integration and demonstrates how a leading state can direct other countries towards achieving integration. Germany played the leading role in the EU via Bundesbank's efforts in leading the European Monetary Union and the European Central Bank by formulating stable economic policies, which facilitated the integration results in the 1960s and 70s. Germany has captured the economic gains of integration through having a larger access to European markets, yet, other European states gained the benefits of integration, mainly better access to regional resources and markets and better negotiation power on the international level, through forming a regional economic and political block (Hosny, 2013).

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[3]"The *complementarity index* measures the degree to which the export pattern of one country matches the import pattern of another. A high degree of complementarity is assumed to indicate more favorable prospects for a successful trade arrangement"
source:http://www.unescap.org/tid/aptiad/index_cmpl_fm.aspx, accessed 7/12/2013.

The lack of a leader is negatively impacting integration attempts. Arab leadership is integration is not likely to happen given the rent-seeking Egyptian leaders, who have relied on the US-aid and ignored the development of their economy and infrastructure (Momani, 2003). Meanwhile, Arab petro-states are highly dependent on the US market for their oil exports. Saudi Arabia, for example, exports more than 25% of its oil to USA (WITS, 2015). In fact, analyzing Arab petro-states' trade profiles challenges the possibility of future Arab integration since they export mainly to Northern states and oil represents an average of 80% of Gulf countries exports (WITS, 2015). The Arab world is witnessing effectual social movements, which still have a long road to achieve their targeted welfare results, and these movements are the first step towards more democratic governments that can respond to social needs and work for real economic development that entail economic growth and human development (Acemoglu, Hassan and Tahoun, 2014).

Unlike the neoclassical trade liberalization, which calls for a sudden removal of all tariff barriers, trade liberalization in the GAFTA has been taken gradually on steps and not through a 'shock therapy', since infant industry protection is needed by states to develop comparative advantages. However, protectionism has to be for competitive reasons; otherwise, the industrial sector will lose its motives to develop (Lin, 2009). Additionally, the removal of tariffs is only granted for GAFTA members, which have very low intra-trade that barely reaches 7% of Arab total trade (Saidi, 2003). Arab states, especially the non-oil exporting countries, are highly dependent on tariff revenues. The loss in tariff revenues should be compensated on the short term through other progressive

tax forms by the state, and should be replaced by incremental trade revenues in the long term (Galal and Hoekman, 2003).

This thesis proceeds through five chapters. The next chapter will provide substantive review on integration theories, followed by a chapter on Arab integration politics, which mainly discusses the impact of Arab petro-states on the success potential of Arab integration attempts. The fourth chapter will be the economic simulation of Arab integration, which will be conducted through the World Bank's WITS simulation software. The last chapter of this thesis will conclude the future of Arab integration. In the end, I will argue that unless Arab states develop their "dynamic" comparative advantages, Arab integration will have a minimal or even a negative impact since it will result in trade diversion. States can accept short-term losses that can result from trade diversion on condition that trade creation will be the result of developing comparative advantages, thus achieving effective Arab integration.

2. Chapter Two: Literature Review

Since the 1950s, many theories have been developed by well-known scholars who have examined the concepts of economic and political integration and regionalization. In order to have a comprehensive understanding of regionalism and regional integration, this chapter will examine the main theories of regionalism that can be divided into two groups, namely political science and economics. Each group offers distinct general approaches, with multiple varieties within, that are of greatest importance to this thesis (Tavares, 2004; Cai 2010).

2.1 Political Science Approaches

Beginning first with the political science approaches to regionalism and regional integration, the Marxist theory of integration emphasizes how integration works for serving global capitalism mainly via ensuring an ideological climate that advocates for protecting private ownership of the means of production and trade. Integration would serve the bourgeoisies' interest in growth through "competition between capitals" in a way that ensures sustainability of trade between capitalist enterprises and their accumulation of capital. The role of the state is limited to securing an environment for commerce that assures private property protection, the provision of labour force, and the existence of domestic markets that serves the goals of capitalism (Cocks, 1980).

Analyzing the power relations in integration agreements necessitates an understanding of the work of Antonio Gramsci, the Italian Marxist theorist, whose concept of 'hegemony' and power relations within states is crucial to analyzing

integration agreements. Gramsci sheds light on how modern capitalism allowed bourgeoisies to maintain their economic dominance through power relations within economic and political parties within societies (Börzel, 2014). In the contemporary world, the hegemony of multinational capitalist corporations has influenced bilateral and multilateral agreements in a way that continue to serve capitalists interests. For example, chapter eleven in the North American Free Trade Agreement (NAFTA), which is a trade agreement between USA, Canada, and Mexico, allows multinational corporations to sue states in a way that benefits capitalism institutions and dismantles state sovereignty[4] (Grinspun and Mills, 2012).

Further, many theories within the discipline of International Relations have analyzed integration within states from different lenses. For examples, dependency theory emphasizes how resources of poor states "periphery" are transferred to a "core" of rich and developed states. The Marxist, Walter Rodney, in his book *How Europe Underdeveloped Africa*, emphasizes how Africa's resources were exploited by European colonialism. In the case of developing countries, regional integration can be a solution to decrease the dependency of the South on the North through economic and political integration (Hosny, 2013).

Moreover, another dominant theory within the discipline of International Relations is post-colonialism, which highlights the "important degree of continuity and persistence of colonial forms of power in contemporary power world politics". Post-

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4 Chapter 11 in the NAFTA establishes a framework of rules to investors from NAFTA by which they can use as settlement procedures. These rules are in fact providing a capital-centric climate that dismantles the state's authority.

colonialism provides a tool in understanding the power relations that shapes the global economy and how the North maintains its dominance on the South (Baylis, Smith, and Owens, 2008). Both Marxist and postcolonial approaches have tended to depict the state as a tool of capital in a way that downplays its ability to act autonomously for its socio-economic interests. Additionally, the previously mentioned theories have not significantly emphasized the state's role in leading integration, where they consider the state as a 'facilitator' not as the main agent in shaping and deriving integration agreements and economic development.

There are integration theories that mainly focused on the factors that shape regional integration agreements such 'functionalism', which is a theory of international relations that views economic integration as an *inevitable* process within states that develops as states integrate in certain functional economic, technological, and societal areas. David Mitrany, who is considered one of the founding thinkers of functionalism, emphasizes that integration in one of these sector will result in a "spillover effect" across other sectors. For example, integration in a specific technical sector will increase the momentum of integration in other industrial sectors (Mitrany, 1966). Neofunctionalism, another predominant theory of integration, is premised on the view that regional integration is an intentional process that is mainly driven by the political elites of involved states in an integration agreement aimed at maximizing their political and economic advantages. In contrast to Mitranty, Ernst Haas, a lead neofunctionalist, views the "spillover effect" as a contrived process rather than an inevitable route (Haas, 1958).

More recently, intergovernmentalism has emerged as a theory that rejects the core ideas of both functionalism and neofunctionalism, especially the "spillover effect", and

argues that integration is a "state-driven" process, where states and national governments determine the scope and scale of integration with other states, mainly through developing the required economic and political conditions. Andrew Moravcsik argues that neofunctionalism underestimates the state's role in deriving integration and emphasizes that governments control the speed of integration and balance states' power within supranational institutions (Moravcsik, 1991).

Moravcsik emphasizes that regional integration can be achieved most effectively through intergovernmental agreements, which mainly aim to maximize national powers through a set of political bargains among involved states (Tavares, 2004). In agreement with Moravcsik's understanding of regionalism, many scholars have argued that regional integration is best achieved through a state-driven process. For example, Jagdish Bhagwati, though a great advocate for free markets and minimum state intervention in the economy, emphasizes that the state plays a central role in achieving regional integration, where Bhagwati defines regionalism as a preferential trade agreement among a *subset of nations* (Bhagwati, 1999). Andrew Gamble and Anthony Payne also define regionalism as a "state-led project" that aims at maximizing the economic and political gains of member states (Gamble and Payne, 1996). Additionally, Joseph Nye (1968) defines international integration from a state-centric approach, where he defines regionalism as "a limited number of states linked together by a geographical relationship and by a degree of mutual interdependence" (Nye, 1968, p. VII).

Nevertheless, intergovernmentalism emphasizes the importance of national governments in integration agreements. Domestic policies might change, yet, a state-

centric vision of developing comparative dynamic advantages takes decades, which need a state-centric approach and an institutional approach not just a 'governmental' approach. Neoliberal institutionalism's core ideas emphasize the long term state-centric approach in leading international politics and regionalization, where states cooperate to avoid market failures of neoliberalism. Neoliberal institutionalism not only agrees with intergovernmentalism on the state's role but also acknowledges capitalism as a system that is dominating the global economy and sheds light on its limitations and failures, for example monopolistic act (Lin, 2009). Robert Keohane, whose widely-read book *After Hegemony* (1984) became associated with the theory of neoliberal institutionalism, emphasizes the relation among market-economies, where states can cooperate through institutional frameworks to maximize their economic and political benefits (Keohane, 1984).

Achieving effectual integration agreements necessitates the existence of supranational institutions that can ensure the implementation of agreements conditions. Supranationalism is a decision making process rather than an integration theory that aims at controlling the powers of states within an agreement by independent officials or elected representatives of member states in order to balance the states' economic and political gains from integration agreements. Supranationalism is a key issue to be considered when examining neoliberal institutionalism since many scholars argue that having effective supranational institutions is a pre-condition for the effective governance of states' agreements (Cai, 2010).

The failure and success of a regional integration agreement are mainly measured by politicians through a comparison of an agreement's stated goals to its actual achievements. The existence of strong supranational institutions that enforce the implementation of agreements conditions is argued by political science scholars to be crucial for the success of integration agreements. The success of the EU as an integration model has been attributed to the existence of effective supranational institutions, which govern and balance the outcomes of integration, especially economic gains (Mattli, 1999).The EU supranational institutions are primarily the European Parliament, which serves as the legislative entity; the European Commission, which serve as the executive agency; and the European Central Bank (ECB), which serves as the economic pillar of the EU, financing regional EU projects (Galal and Hoekman, 2003).

In this thesis, I argue that theorizing regional integration agreements is multidimensional, where multiple theories can be valid for theorizing a specific integration agreement. James Caporaso (1998) has stated that scholars should differentiate between the validity of an integration theory and whether the conditions needed for that theory has been met or not. "As the values of the explanatory variables become weak, the appropriate response is not to reject the theory; instead we should simply draw out the implications for variation in the phenomena to be explained-generally the smaller the values, the less the impact, all the way to the limiting case where the quantities of the explanatory variables approach zero" (Caporaso, 1998, p. 6). For example, the EU has witnessed a form of effective neoliberal institutionalism since the agreement was signed between the EU member states, yet, the EU can be theorized

from a neofunctionalist approach, where the 'positive spillover effect' in one economic sector has induced strong incentive for more integration across other sectors.

Additionally, Timothy Shaw and Fred Söderbaum (2003) agree with Caporaso in differentiating the conditionality of an integration theory from its validity. Shaw emphasizes that an integration agreement can be mainly shaped by states, yet, non-state actors, such as private institutions, also play a role in shaping and achieving integration agreements (Bøås, Marchand, and Shaw, 2005).

Certain integration theories only examine the political dimensions of integration while other theories only focus on the economic scope of integration. Nevertheless, I argue that neoliberal institutionalism provides the best understanding of integration theory since it significantly acknowledges the state as the main actor in the integration process, where states derive integration on a macro-level scale, both economic and political. Neoliberal institutionalism effectively describes the shortcomings of capitalism as a global economic system and provides an "emphasis on the effects of international institutions and practices of state behavior" in a way that can help to control market imperfections (Keohane, 1984, p. 25).

2.2 Economic Approaches

Economic approaches provide a different lens through which we can understand integration, where economic approaches are mainly concerned with analyzing the economic gains of integration. The failure of integration agreements, such as the GAFTA, has resulted mainly from the unequal balance of the distribution of the

economic gains that usually occur when large countries capture the major benefits of agreements, especially in the area of trade (Galal and Hoekman, 2003). The balance of economic gains, which is mainly done through supranational institutions and large member states, is crucial to the success of integration agreements. In fact, analyzing the economic dimension of integration is crucial to having a more robust understanding of integration agreements. This section will only focus on two dominant theories, which discuss the process and gains of economic integration and regionalism: 'regional economic integration' and 'optimal currency' theories.

Regional economic integration theory analyzes the progression of economic interdependence through a stage process that starts with a preferential trade area, then a free trade area, customs union, common market, and finally economic and political union (Balassa, 1962). Table 1 shows Balassa's progression of economic interdependence.

Table 1

	No tariff or quotas	Common external tariff	Free flow of factors	Harmonization of economic policies	Unification of policies, political institutions
1. Free trade area	x				
2. Customs Union	x	x			
3. Common market	x	x	x		
4. Economic union	x	x	x	x	
5. Total economic integration	x	x	x	x	X

Source: (Nye, 1968).

A well-known example of a custom union, where member countries apply common external tariffs on imported commodities, is the European Community (EC), which was founded in 1957 by France, Italy, West Germany, Netherlands, Belgium, and Luxembourg in order to bring economic prosperity to member countries and limit US economic hegemony. Moreover, the common market allows a higher level of integration among member states since it allows for the free movement of factors of production between member states, namely labour and capital. In 1993, the EU was established and has been able to achieve well performing common market among EU member states, where EU intra-trade reached almost 68 % of the EU member states' total trade. The EC has remained as an executive subsidiary of the EU that is responsible for EU integration legislations (Mattli, 1999).

Finally, according to Balasaa's theory of economic integration, the economic union represents the final and most advanced form of economic integration, where the monetary and fiscal policies of member countries are harmonized and in some cases unified. The EU serves as an ideal example of economic union, where the EU member countries have formed a monetary union through using the same currency, namely the Euro (Hosny, 2013).

The optimal currency theory, which was founded by the pioneer economist Robert Mundell, also demonstrates the socio-economic benefits of using a common currency, which are mainly achieving better labour and capital mobility and a lower degree of exchange rate volatility. These benefits, it is argued, should enhance the economic growth of member states (Mundell, 1961). The stability of exchange rates will result in

increasing trade volumes with other countries and synchronize the economic performance within member countries (Rose and Patrick, 2001; Rose and Wincoop, 2001; Fielding and Shields, 2005). The increase in trade volumes, which happens as a result of integration agreements, is referred to as "trade expansion" (Meade, 1955).

On the other hand, using a common currency has economic disadvantages such as limiting the state's power in controlling local economies through currency devaluation that can increase exports and decrease imports, thus enhancing balance of trade. However, the overall gains of having a common currency outweigh its negative implications since having a common currency can enhance intra-regional trade volumes (Mursa, 2014). The implications of regional integration can negatively impact sovereign authority of member states of an integration agreement. However, reaching a "permissive consensus" that can be governed through supranational institutions can maximize the economic and political welfare of member states of a regional integration agreement (Cai, 2010, p. 7).

In analyzing integration, the economic classification approach has been mainly concerned about analyzing the economic gains of integration agreements. One cannot analyze the possible positive and negative consequences of an economic integration agreement without referring to the pioneer work of Jacob Viner (1950), who developed the definition of "static gains" of economic integration, namely "trade creation" and "trade diversion." Trade creation occurs when countries engaged in a trade agreement shift their trade patterns in one or more commodities from a high-cost producing country to a low-cost supplying member country. On the other hand, trade diversion refers to the

case in which trade patterns shift from a low cost non-member country to a higher-cost member country. This usually results from a common tariff that protects that the high-cost supplier within the agreement (Viner, 1950).

Trade creation and trade diversion can be illustrated using the numerical example in the following table which sows the price of commodity X in three countries.

	Country A	Country B	Country C
Price of Commodity X	36	25	15

Suppose that county A enters an agreement with country B or C, in both cases, country A will be better off since the domestic price of commodity X in country A (36) is higher than in country B (25) or C (15). The direction of trade will shift from country A (the high cost member) to a low-cost member (Country B or C). Nevertheless, if country A levies a 100% tariff on commodity X then it would buy it from the country C, which is the lowest cost producer. If country A and B only enter a Free Trade Area (FTA) agreement , then country A will buy commodity X from country B selling at 25 and not from country C (selling at 30 due to the applied tariff). This case is known as trade diversion, where the direction of trade has shifted from an originally low cost non-member state (country C) to a high-cost member country (country B).

Additionally, the 'dynamic gains' of integration were identified by Balassa, where he states that economic integration will result in increased competition, better technology transfer, and improved productivity (Balassa 1962). The 'dynamic gains' of integration open the door for the discussion about 'New Regionalism', where scholars argue that

integration has some new forms compared to old forms of regionalism in the 1950s and 60s, as a result of the impact of globalization and 'free markets'.

Robert Lawrence (1997) summarizes the differences between old and new regionalism in a simple tabular chart:

Old Regionalism	New Regionalism
Import substitution	Export orientation
Planned allocation of resources	Market allocation of resources
Led by governments	Led by private firms
Mainly industrial products	All good, services, and investments

Source: Lawrence (1997)

In fact, in both 'old regionalism' and 'new regionalism', the state plays a role in driving economic growth, yet, 'new' regionalists argue that the state's role should be minimal as 'free trade' and 'free markets' are the main route to achieving economic growth. These neoliberal ideas diminish the role of the state in leading economic growth, yet, neoliberal institutionalists are proponents of developmental states and emphasize the state's role in correcting market imperfections and leading economic development. Both Keynesian economists and neoliberal institutionalists emphasize the importance of state intervention in the economy, especially for developing dynamic comparative advantages and correcting market imperfections such as monopolistic acts.

Ha-Joon Chang, who is a Keynesian economist, debunks the ideas of 'new regionalism' that argue that economic growth can only be achieved through free markets that has no or minimal state intervention (Chang, 2008). Unlike New Regionalism, which underestimates the state's role in deriving economic growth, neoliberal institutionalists emphasize the state's role in achieving economic growth while correcting market imperfections. Private firms can play a role in increasing trade relationships between countries, yet the state is the actual agent and structure in shaping integration agreements. The state is the agent that officially signs integration agreements with other states and provides the structural framework for the success of integration agreements through providing the needed governing supranational institutions.

Moreover, states are responsible for developing their economies in a way that can protect infant industries. Chang (2008) refutes the idea that 'free trade' and 'free markets' are the only way to development. Chang uses the South Korean model to illustrate his argument and states that: "As South Korea shows, active participation in international trade does not require free trade. Indeed, had South Korea pursued free trade and not promoted infant industries, it would not have become a major trading nation" (Chang, 2008, p. 58).

Further, Chang continues his critique of the neoliberal mantra, which advocate for the inefficiency of State Owned Enterprises (SOEs) and provides many successful examples of SOEs such as Singapore Airlines, Renault (car manufacturers) in France, and Petrobras in Brasil. Chang effectively argues that states have proven to be efficient in developing economies and shaping integration agreements. Like Keynesian economists,

neoliberal institutionalists agree that state's intervention in the economy is crucial to providing the needed infrastructure, financing infant domestic industries, and developing price controls and protective mechanisms that can enable infant industries to reach a level of maturity, where they can compete in international markets (Fridell, 2008). However, neoliberal institutionlists disagree with Keynesian economists on the 'scope and scale' of intervention. Lin argues that the state must protect infant industries to a certain limit in order to avoid devastating state's resources and to enhance the competitiveness of commodities through global competition. The state cannot subsidize all sectors and has to prioritize the sectors to subsidize based on an assessment of the market acceptance in order to minimize the financial risk (Lin and Chang, 2009).

Additionally, state's intervention in the economy is also crucial to govern integration agreements since 'free markets' do not result in fair integration agreements since stronger member states will capture most of the economic gains and weaker states will have a minimal share, if any, of the economic and political returns. In fact, many of failing integration agreements have resulted from the unbalanced split of economic gains, for example the case of the NAFTA, since the US captured the major benefits of the agreement, where the Mexican markets were flooded by American products, which has resulted in increasing the unemployment rates in Mexico (Hinojosa-Ojeda, Robinson, and De Paolis, 1999).

One of the main factors that have enabled the success of European integration has been the compensation mechanisms, also referred to as preferential terms of trade, enforced by the EC, where smaller countries are compensated in order to induce them

towards more integration that will achieve real growth among all member states. These redistribution mechanisms were administered through the EU supranational institutions, namely the ECB and the EC, and have led to achieving fair agreement outcomes (see Hoekman and Messerlin, 2002). Effective supranational administration was evident in the income redistribution mechanisms that were adopted by the European commission and the ECB after the "European Single Market Program", which was signed in 1992. These mechanisms offered compensations to smaller EU countries, for example Italy, which was relatively negatively impacted by integration, where these compensations took the forms of "exception to trade liberalization, long transition periods, transfers from the budget (subsidies), or issue linkage". For example, Germany was the largest contributor to EC intra-trade, where it contributed by around 30% of total intra-trade, meanwhile, Italy only contributed by 11%. Italy was compensated through special reduction schemes in tariffs on the agricultural products since Italy had a relative comparative advantage in agricultural commodities and was granted soft loans by by the European Investment Bank for infrastructure and related types of projects (Hoekman and Messerlin, 2002).

2.3 GDP growth and development

Achieving an increase in the Gross Domestic Product (GDP) of member countries of an integration agreement is usually one of the targets of integration, yet, GDP growth should not be the sole target of integration. States have to direct the GDP growth towards increasing the capabilities of people, mainly through developing welfare states that invest in education and healthcare systems. In fact, enhancing human capabilities is the mean to

achieve real economic development since people are the agents of change and development. This standpoint has been economist Amartya Sen's core argument since the 1980s. Rather than the traditional view of neoclassical economists, who mainly measure development in terms of absolute economic growth, Sen (1999) shows that increasing the capabilities of people, mainly through improved access to education and healthcare, is both the means and end to development. Sen also emphasizes that many low per capita income countries could have better development results than other wealthier countries. For example, the state of Kerala in India has a higher life expectancy rate and more access to education and healthcare services than other countries with her per capita income. Kerala in India, as well as Cuba, has witnessed strong state intervention to achieve economic and human development. The state's role was evident in the agrarian reform implemented in the 1960s. Additionally, the public food rationing system in Kerala was responsible for reducing the poverty and malnutrition among the poorest Indians in that society (Sen, 1999; UNDP, 2013).

Due to the space limitation, this thesis has shortcomings of analyzing the impact of GDP growth on developing human capabilities in the Arab region using Sen's capabilities approach. However, as Sen emphasizes, economic growth is crucial to achieving economic development as it is the mean to developing human capabilities through financing education and health programs. This thesis will mainly focus on the economic dimension of integration and how Arab states can develop their dynamic comparative advantages in order to have 'sustainable' GDP growth that can be used for developing human capabilities of the Arab countries' people.

In fact, understanding the complexity and the multidimensional aspects of development can have significant implications on development policies and practices. The developmental state is responsible for achieving real development, both on the economic and human levels. States, not free markets, spur economic growth. From a developmental perspective, states should utilize the growth in GDP to develop human capabilities via 'provisioning' public necessities, such as education and healthcare services. These state-led provisions should result in reducing inequalities and enhancing people's capabilities, such as education and healthcare standards (Sen, 1999). Integration agreements should focus not only on the economic dimensions but also on social and human development. There are several examples of integration agreements that have sought to explicitly balance the two goals of economic and human development.

One of the well-known regional integration agreements, which are capitalizing on a state-led alternative trade approach, is the Bolivarian Alliance for the Peoples of Our America (ALBA). The ALBA agreement has witnessed an intergovernmental approach that has aimed for increasing intra-regional trade along with maximizing the social welfare of Latin American people. The trade relations in the ALBA reject the neoclassical trade models that neglect social efficiency. For example, the trade relationship between Cuba and Venezuela, where the latter exports oil products to the former in return for medical services, thus achieving mutual trade and social welfare (Fridell, 2013).

Another limitation of this thesis is that it doesn't analyze the social and historical dimensions of the development of Arab states. In fact, understanding the power of social

movements in the Middle East and their role in confronting the dictatorship regimes that have been ruling in many Arab countries is crucial to analyzing the future of the GAFTA and other integration agreements. One of the factors that have stinted the attempts of Arab integration is the rent seeking rulers. Arab states, from Tunisia to Yemen, have been cursed by corrupted elites, who acted as rent seekers for the outcomes of trade agreements and gave minimal care to develop their economies and comparative advantages (see Levey, 2011; Transparency International, 2015; Acemoglu, Hassan and Tahoun, 2014). Taking the EU as a successful model of integration in this thesis is mainly to benchmark on a model that has incorporated an economic and social dimension of integration. Nevertheless, the EU has witnessed a long history of social movements since the 1800s that have led to the development of welfare states that effectively respond to the needs of the people (see Esping-Anderson, 1999).

2.4 The EU as a successful model of integration

The EU, as an integration model, is not free of socio-economic problems. In fact, the EU has solid economic rules that regulates trade agreements and much less robust social rules, where "social Europe lags behind economic Europe; 'market creation' runs ahead of 'market correction'; and so on" (Grahl, 2009, p. 290). Nevertheless, even with the existing problems, the EU continues to serve as a unique model for integration not only on the economic plane but also at the social level. The EU has achieved impressive economic growth, particularly in the mid-1990s, and intra-regional trade among member states along with social provisioning especially in the education and healthcare systems

that have resulted in achieving high development rates with less inequality than is found in countries of other integration agreements.

After the Second World War, the idea of European economic integration was developed, where European countries aimed at achieving a prosperous integrated economy. In 1951, the Treaty of Paris was signed by Belgium, France, Italy, West Germany, the Netherlands and Luxembourg. The treaty of Paris set a solid base for further European integration, which evolved in 1952 with the formation of the European Coal and Steel Community (ECSC).It is worth mentioning that the ECSC was the first organization that implemented the principles of supranationalism since governance was managed through states' representatives. Integration among European countries increased significantly in 1957 by the signature of the Treaty of Rome and the establishment of the European Community (EC), which was signed by Germany, Italy, France, Belgium, Luxemburg, and Netherlands. The EC enlarged significantly in 1973 with the accession of the United Kingdom, Ireland, and Denmark.

Further, more European countries continued to join the EC to gain the benefits of the economic and political integration. Greece joined in 1981, followed by Spain and Portugal in 1986. The economic performance of Greece, Spain, and Portugal is very poor when compared to larger EU member states such as England, Germany, or France, yet, the EU remains a successful integration model that has managed economic gains and social benchmarks for all member states. In 1995, three more states joined the EC - Austria, Finland, and Sweden. During this period, integration has gone beyond trade

liberalization and went into a deeper level of integration, especially compensation policies for weaker states that are governed through supranational institutions.

In 1979, the European Monetary System was established, where the member countries of the EC linked their currencies to each other to prevent currency fluctuation and maintain stable exchange rates. In 1992, the community implemented the Maastricht Treaty on European Monetary and Political Union, which was a transformation step in the history of the integration of European countries. The EC changed its name to the EU in November 1993 (Mattli, 1999).

In June 1998, the European Central Bank (ECB) was established. The ECB has played a major role in harmonizing the monetary policies in the Euro area since 1999, which was the official year of launching the Euro as a common currency among the members of the EU. It is worth mentioning that Sweden, Denmark, and the United Kingdom have not used the euro as a currency, yet, although they have reserved the right to use it later (Salvatore, 2002). These states have stated their fears of "excessive centralization of decision-making in the European Union" that can negatively impact their economies (Mursa, 2014).

Kristin Archick, the well-known specialist in European Affairs, highlights that the Eurozone has witnessed a debt crisis since 2009 when the Greek government borrowed from the international financial markets to solve its budget deficit. The economic crisis has negatively hit the Eurozone member states, especially the smaller countries like Greece. The impact of the crisis has resulted in a deficit in the Balance of Payments

(BOPs) and increased the governmental debt levels, which negatively impacted social expenditures in many EU member countries. In 2009, Greece was on risk of defaulting on its debt. The public debt and poor economic performance within the Euro zone transferred to other European countries, such as Ireland, Portugal, Spain, and Italy. The crisis has led to increasing unemployment rates and lowering economic growth rates across the Eurozone (Archick, 2015).

The Eurozone has been suffering the consequences of the 2008 recession, which is evident in the Germany-Greece debt issue, when Germany has refused to bailout Greece. Many have argued Greece issue is the start of the Eurozone collapse, especially with the possibility of Greece's abandon of the Euro or even quitting the EU agreement. Asking Greece to cut the social spending represents the struggle between neoliberalism and the social Eurozone that has witnessed welfare states' governance (Grahl and Teague, 2013). The future of Germany-Greece debt issue is very controversial, however, the EU member countries are working on offering feasible solutions that can help sustain the Eurozone. These solutions are offered mainly through the financial support of the ECB, the EC and the International Monetary Fund, where are known as the 'Troika' (Elliott, 2015). The troika applied a "Fiscal Compact" on Greece, Portugal, and potentially in Spain. The compact recommended greater control over these states' fiscal policies. Stephen Gill, the distinguished professor at York University, challenges the policies of the troika and emphasizes that these proposed neoliberal solutions are the main reason behind the crisis. Gill sheds light on how the IMF is controlled by

"freemasonry of bankers, who see crisis as an opportunity to deepen neoliberal restructuring and to protect financial interests" (Gill, 2011).

Using the EU as model in this thesis is mainly to benchmark on one of the most successful regional integration agreements that was able to increase intra-regional trade and establish a regional political and economic block. However, this model has significant problems in the neoliberal era that continues to minimize the state's role and advocate for 'free market' as the only route to economic growth. Neoliberal institutionalism emphasizes that states are the agents of regulating the markets imperfections through developing effectual supranational institutions. One of the most success factors of the EU as an integration model is the existence of effective supranational institutions, which have ensured the implementation of intergovernmental integration agreements. The EU supranational institutions are primarily the European Parliament, which serves as the legislative entity, the European Commission and Council, which serve as the executive agency, and the European Central Bank (ECB), which serves as the economic pillar of the EU (Galal and Hoekman, 2003).

The growth of the GDPs of the EU member countries was reflected on the amount of expenditures on social benefits. After the formation of the EU in 1993, the share of social benefits spending increased across all EU member countries, from 38% to an average of 45% of total government spending. Germany has recorded the highest among all member countries in terms of the share of social benefits with an average of 55.2% of the total government spending. The average of other European countries spending on

social spending as a share of total spending has been as follows: "Netherlands (49%), Sweden (27.9%), Portugal (29.9%), and Denmark (34.7%)" (European Report, 1997).

Since the 1970s, the EU has established solid rules that have ensured the importance of social and human development. In 1974, the European Economic Community (EEC) established the Social Action Programme, which developed three broad scopes of social development that should be considered across the EU member countries in order to ensure sustainable development. The three areas were: 1) attaining full employment with better employment schemes across all EC members; 2) improving the working and living conditions of workers; 3) enhancing the quality of employees mainly through engaging them in the decision making process. Setting these rules is the base for a social welfare state that has aligned with the private sector and labour, but with a welfare state leadership, a form of tripartite governance (Esping-Anderson, 1999).

By the 1990s, social laws and policies have also evolved to a more comprehensive level that have helped to reduce poverty across the EU member countries, mainly through setting relatively balanced minimum wage policies. In fact, these rules were the reason behind maintaining a more stable Euro zone, even during the economic recession in 2009 (Grahl and Teague, 2013).

2.5 The role of the leader in realizing integration agreements

The success of an integration agreement is a factor of the commitment of its member states to abide to the agreement's conditions. This commitment increases with the influence exerted by one or more member states, mainly through taking a leadership

role that acts for motivating or directing other member states to commit to the agreements' conditions. This leadership role also extends to shaping better frameworks for the performance of supranationalism. In the case of the EU, which despite its shortcomings, is our model of a relatively successful integration agreement, Germany played a significant role in the formation of the EU, especially in the early phases of economic integration.

After the Bretton Woods agreement in July 1944, Germany adopted a pegged exchange system to the US dollar. However, by the 1970s, the pegged exchange rate system started to fail because of the deficit in the balance of trade that appeared as a result of Bretton Woods agreement, where the EU member countries were relatively less than their total exports. In March 1973, the foreign governments applied a floating exchange rate system, when the US unilaterally ended the conversion of the US dollar to gold, thus declaring the end of the Bretton Woods system. The existing floating exchange rate system in the EU countries has given the European countries flexibility in the decision making of fiscal policies (Hetzel, 2002).

The huge deficit in the balance of payments of many European countries, which resulted from the deficit in the balance of trade, had urged the European countries to increase the scale of European intra-trade. The geographical proximity of European countries lowered the transaction costs of intra-trade as opposed to the European countries' trade with the US, thus resulted in a GDP growth for most European member states. The greater challenge for the European countries was the stabilization of their monetary systems in order to reduce inflation and unemployment. It is worth mentioning

that the US was against the bilateral trade agreements among the European countries and was advocating for 'free trade' since European economic integration would affect the US economy negatively in relation to the European countries (Hetzel, 2002).

Germany was a pioneer in developing a stable monetary system since the creation of the Bank Deutscher Lander (BDL) on March 1948, which acted as the central bank of Western Germany. The BDL was able to implement successful monetary policies that have resulted in stabilizing the currency in Germany through decreasing inflation. As a result, European countries created the European Payments Union (EPU) as a step towards currency stability and hindering the impact of inflation that was caused by fixing the European currencies exchange rates to the US dollar.

Additionally, in 1957 Germany established a new central bank, the Bundesbank, which replaced the BDL. Bundesbank was responsible for stabilizing the German currency by regulating the amount of money in circulation in the economy. Bundesbank, through successful monetary policies, played a significant role in reducing inflation and unemployment rates. In 1978 Germany was leading the European countries in establishing a European Monetary system that increased trade scale among European countries and minimized inflation and unemployment rates. In 1978 Germany was leading the European countries in establishing a European Monetary system that increased trade scale among European countries and minimized inflation and unemployment rates (Von Hagen, 1999).

By the 1980s, Germany's leadership role was becoming more evident in leading other European countries towards creating a new, democratic, successful Europe that utilizes geographical proximity to increase regional integration. Bundesbank was directing the ECB in establishing a regional monetary policy that fostered an environment of price stability. The harmonization of trade relationships among the European countries has sharpened the vision of the European countries to increase the integration level in order to be able to compete with the strong American economy (Von Hagen, 1999).

European economic integration reached maturity after the Single European Act in 1986. This act set the base for the establishment of a single market for the European Community (EC) that has free movement of the factors of production, namely labour and capital. In 1988, the European Council met in Hanover, Germany and developed a plan for a single currency (Euro) to be circulated in the Euro area (Hetzel, 2002). In December 1991, the EU members signed the Treaty on European Union, which laid down conditions for a complete economic and monetary integration, mainly through the formation of the European Monetary Union and the use of the Euro as a single European currency.

In the case of Arab integration, the EU cannot serve as a simple model to follow. There are, however, important lessons to be gained, including the importance of a regional leader for achieving effectual integration agreements. Egypt played the role of the leader since the development of the Arab League in 1945 till Jamal Abdel Nasser presidential era in the 1960s. The notion of Arab integration and Pan-Arabism highly evolved during Nasser's era. ISI policies were implemented to assure the Egyptian state

sovereignty through decreasing the dependency on the West. Egypt was leading the region due to its economic weight and its role in supporting other states' to gain their dependence from colonialism, for example Algeria against the French colonialism. The Arab league premises remained in Egypt till the era of President Anwar ElSadat, who was against the inward-looking policies. Sadat didn't have the vision of developing 'dynamic' comparative advantages that Nasser had. The Egyptian capitalist state during Sadat's regime rushed into open-door policies, which negatively impacted the development of infant industries. Additionally, Camp-David peace agreement, which was signed during Sadat's era, was rejected by other Arab states and Egypt was suspended from the Arab League from 1979 till 1989. Such act decreased the level of trust between other Arab states and Egypt, which negatively impacted integration attempts (Tauber, 2013). Egypt was no longer considered as the region's leader.

Further, scholars argue that leadership criteria should be based on "regional economic size", which is calculated in relation to the total trade of the selected country to other countries (Fawzy, 2003). Accordingly, the GCC countries, especially Saudi Arabia, could have taken the leadership role towards achieving Arab regional integration. The GCC member countries are highly endowed by natural resources, especially oil. Petrostates have only gained the economic weight after the discovery of oil in the 1940s and have only considered maintaining their oil-export relations with the Northern states, especially USA. The petro-states fear of sharing the returns of oil with other non-oil exporting Arab states has hindered the progress of Arab integration attempts (Saidi, 2003).

USA interests in the Middle East region, especially the gulf, started in the 1930 with the early discovery of oil in Saudi Arabia. In 1933, the King of Saudi Arabia, Abdul-Rahman Alsud, granted an American company, namely Stanford Oil of California (SOCAL), which was later named as Chevron, the right to search for oil in Saudi Arabia. SOCAL discovered significant amount of oil. In the 1940s SOCAL entered multiple consortiums with other American companies to prospect for oil in Saudi Arabia and other Gulf countries. SOCAL was renamed the Arabian American Oil Company (ARAMCO), which dominated the oil extraction in Saudi Arabia. The profits of oil where proportionally shared between the kingdom and ARAMCO, which was managing the contracts of other American companies within the consortium (Oil, n.d.). The Northern oil companies, especially those of the US, have been sharing the revenues of oil with Arab states since the 1950s and dominating the top-level governance in order to secure their geopolitical interests (Hudson, 1999).

The next chapter will recommend political strategies and practices that can facilitate integration attempts. Arab economic integration remains merely a "project", yet, the potentiality of Arab integration is significant given the geographic, cultural, and sharing a common language, which theoretically can increase intra-regional investment and help the movement of skilled labour across the region. EU member states don't share a common language, yet, the results of the study of Wei, Shang-jin, (1996) shows that sharing a common language among member states of a regional integration agreement can increase the trade volume, especially in the Small and Medium Enterprises (SMEs) (Wei, Shang-jin, 1996).

Nevertheless, the lack of effective supranational institutions, which can effectively govern and enforce integration agreements, has contributed to the failure of many Arab integration agreements. Smaller Arab countries were not compensated by rich Arab countries in previous integration agreements. Accordingly, Arab countries have lost economic and political incentives that can entice them towards more effective integration processes (Galal and Hoekman, 1997).

Additionally, Arab countries are suffering from low degrees of openness, which hinders intra-Arab trade, which can be enhanced regionally through effectual integration. Average tariff rates in Arab countries are higher when compared to other regions in Asia or Europe (Zarrouk, 1998). Unlike neoclassical economists, who argue that trade liberalization and sudden removal of tariffs is the only route to effectual trade relation, I argue that the state can decide to remove tariffs only after reaching a level of production maturity that results from the development of "dynamic" comparative advantages by the state (see Lin and Chang, 2009; Choudhary, 2013). Joseph Stiglitz, the well-known economist, emphasizes that states are responsible for developing their resources not only on the short scale for commodities that have existing comparative advantages but also sectors that can grow and get developed over decades. The concept of comparative advantage was introduced by the economist David Ricardo, who developed the theory of comparative advantage in 1817. Ricardo argues that a country's economic gains of trade will increase, when engaging in international trade, as it focuses on exporting goods for which it has more efficiency in production (Suranovic, 2010). Stiglitz sheds light on South Korea, which had a comparative advantage in growing rice in the 1950s and was

able to invest in the electronics and automotives sector. Stiglitz highlights that what actually matters is the "dynamic comparative advantage", which can take decades to develop but is capable of achieving economic growth rates that existing comparative advantages cannot achieve (Greenwald and Stiglitz, 2006).

Ha-Joon Chang, the well known South-Korean economist, agree with Stiglizt on how South Korea was able to achieve its economic growth through 'defying' the existing comparative advantages and exploring the sectors that can be developed through state-centric economic support, for examples subsidies. Chang emphasizes that the United States of America (USA) has been subsidizing its core agricultural and technological sectors (Chang, 2008). Chang also emphasizes the importance of state intervention to protect infant industries so that they can develop to a level of maturity and compete in global markets. Chang provides multiple examples to explain his argument about 'Comparative Advantage Defying' (CAD), such as Toyota automobile company in Japan which was subsidized for 30 years before being profitable. Justin Lin, the well-known Chinese economist and Senior Vice president of the World Bank, agrees with Chang on the role of the state in protecting infant industries and developing comparative advantages. However, Lin disagrees with Chang on the CAD concept and calls for another approach, which he calls 'Comparative Advantage Following' (CAF).

According to Lin, CAF is a progressive development of sectors that has comparative advantage, for example, developing motorcycles industry into car industry. CAF is a calculated investment that has less risk than the CAD (Lin and Chang, 2009). Lin also disagrees with Chang on the 'scope and scale' of state intervention, where Lin

argues that protectionism should be for those sectors that have a calculated market acceptance. Also the state has to select the most competitive sectors so as not to devastate the economic resources and capital on losing sectors. Lin provides examples to debunk Chang's argument, such as the Malaysian tires industry which was subsidized for 20 years and was not able to take off.

Lin's view point acknowledges capitalism as a dominating global system, yet, he emphasizes that states must interfere to correct market imperfections, such tax evasions, monopolistic moves, and labour exploitation, and develop 'dynamic comparative advantages. These ideologies are the core concepts of 'neoliberal institutionalism', which agrees with intergovernmentalism on the centrality of the state's role in the economy. However, neoliberal institutionalism provides a better understanding of economic and political relations between states and not just national governments that might change. Both CAD and CAF require a rigid state-centric approach that is backed by solid institutional and supranational frameworks (Keohane, 1984).

Additionally, tariff revenues contribute to Arab countries' GDPs. In fact, the high tariffs revenue makes it undesirable for Arab countries to integrate because reducing tariffs with other Arab states in a given integration agreement will result in a loss of tariff revenues (Hoekman and Messerlin, 2002). This share of the state GDP should be replaced by incremental intra-Arab trade that accrue as a results of creating and developing "dynamic" comparative advantages.

In conclusion, theorizing integration agreements from a neoliberal institutional perspective provides a comprehensive and robust understanding of the complexity of agreements given the global capital system. The state plays a significant role in developing the economy through utilizing the state resources and regulating the private sector's operations towards a real effective development of the state. The state has to set the legislative and institutional structure that helps promote developing human capabilities, mainly through setting labour laws and provisioning the social needs of people, such as education and healthcare. The improvement in a given sector is not achieved through a "spillover effect" but can only be realized through a state-driven approach, which plans and manage the needed resources, both labour and capital.

Theorizing Arab integration must acknowledge that states shape the agreements. Non-state institutions, primarily the private sector can enhance integration agreements through increasing the scale of trade among member states, yet, the state has to govern the operations of the private sector in a way that protects and develops the economic agenda, which should be a tool towards human development not only GDP growth. The Arabic-based private sector investments in the Middle East, however, are minimal compared to other Northern multinational conglomerates. The small scale of the Arabic private sector has achieved minimal results towards increasing integration efforts in the Middle East (Arab Monetary Fund, 2015).

Achieving political and economic security has been a stated goal in all Arab integration attempts, yet, lacking supranational institutions, control and audit integration agreements has been a main reason behind the failure of all previously mentioned Arab

integration attempts. Arab integration model can draw significant lessons from the EU model, especially in having a vision for a prosperous region as opposed to short term economic gains. The EU also sets the base for Arab countries to understand integration through a human development lens, where the economic gains are utilized to develop human capabilities. The next chapter will provide a comprehensive review of Arab integration politics and will analyze the role of Arab leaders in leading integration agreements given the lack of political and economic incentives, which mainly stems from the GDP disparities among Arab states (Galal and Hoekman, 2003).

3. Chapter 3: Arab integration Politics

3.1 A Brief History of Arab Integration Attempts

Scholars argue that the "formation of a united Arab economic bloc would strengthen the bargaining power of the region in an increasingly polarized world and offer its people the opportunity to achieve a better standard of living" (Galal and Hoekman, 2003). Arab integration attempts historically have varied from bilateral trade agreements aiming at reducing tariffs on certain commodities to ambitious agreements on achieving an Arab common market. In 1953 Egypt, Lebanon, and Jordan signed the "Agreement on Trade facilitation & Regulating Transit Trade". In 1964, Egypt, Jordan, Syria, and Iraq signed the "Arab Common Market Agreement", which aimed at trade liberalization through forming a free trade area. In 1981, the member states of the Arab league signed the "Agreement for Facilitation and Promotion of intra-Arab Trade", which aimed at the elimination of tariffs and non-tariff barriers on manufactured commodities among member states.

The 1980s witnessed smaller-scale sub-regional agreements, namely the Gulf Cooperation Council (GCC), which was established by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The GCC was more successful in increasing intra-regional trade than the Arab Cooperation Council (ACC), which aimed at achieving trade liberalization among member states, since it was able in having intergovernmental agreement that aimed at reaching an advanced level of integration, namely a GCC custom union (Younis, 2010). The ACC was signed between Egypt, Iraq, Jordan and Yemen.

Additionally, in 1989, the Maghreb Arab Union was established by Algeria, Libya, Mauritania, Morocco, and Tunisia. Finally, in 1997, the Arab League endorsed the GAFTA, which represents a modification of the "The agreement on facilitation and development of Trade", which was an agreement signed by eighteen member countries of the Arab League in 1981 aiming at promoting intra-Arab trade (Galal and Hoekman, 2003).

Arab economic integration exists primarily on paper, yet, current changes in the world dynamics, especially the rise of the South, and especially emerging economic leaders like Brazil, Russia, India, China, and South Africa, or the BRICS, against US economic hegemony is urging Arab states to respond to these global changes (UNDP, 2013). Arab countries need to develop their bilateral and multilateral trade agreements in a way that maximizes their economic gains, which are extensively shaped through geo-political relations with the US. Arab countries have strong relations with the US rooted in the geo-politics of oil, however, developing a solid agricultural and industrial base is crucial for the sustainability of Arab economic growth, especially with the vulnerability of oil as the largest sector of Arab economic growth. Arab states need to integrate to increase the scale of Arab investments, which is known as "investment creation" in order to facilitate the growth of these agricultural and industrial bases (see Dunning and Robson, 1998; Fernandez, 1997; Dee and Gali, 2003). Achieving an effectual Arab integration agreement can also increase Arab negotiation power on the international levels (see Heimenz and Langhammer, 1990). For example, the EU member countries

collectively were able to achieve better trade deals with the US than what each country individually would have achieved (Hosny, 2013).

In fact, the current political unrest in the Middle East region in Iraq and Egypt in addition to the civil wars that have evolved after the Arab spring in 2011 in some Arab countries such as Syria, Libya, and Yemen can challenge the possibility of future integration results. However, the Prime Minster of Egypt, Ibrahim Mehleb, emphasize that trade relation are partially affected but the chambers of commerce in most Arab countries are working on improving trade relations and stabilizing the economic performance of the region. This was evident in the Economic Development Conference hosted by Egypt on the 13-15th March, 2015. The conference has witnessed the presence of all Arab countries governmental officials, consulting experts, and more than 1,700 investors (Shenker, 2015, March 15). A recent study by Alex Braithwaite, Jeffrey Kucik, and Jessica Maves shows that there are costs of political unrest. Governments fall but states will remain and Arab states can shape long term goals that can lead to economic prosperity post political unrest period (Braithwaite, Kucik, & Maves, 2014).

Analyzing the legacy of Arab integration, with a special focus on the GAFTA since it has entailed the largest number of Arab countries that share ambitious integration goals, can be the starting point of raising Arab integration from the ashes. This chapter will provide a comprehensive review of Arab integration history and will examine the politics of integration among these countries in order to pave the road for "deep integration". The term deep integration was introduced by Robert Lawrence, where he differentiated between "deep integration" and "shallow integration", where shallow

integration refers to the case where only tariffs are removed, while other non-tariff barriers remain to hinder the progress of integration efforts (Lawrence, 1997). Achieving "deep integration" removes the bureaucratic non-tariff barriers and enforces laws and policies that are governed by supranational institutions. These policies may include, but are not limited to, tax policies, competition policies, and labour standards (Ehtier, 1998). The removal of tariffs as a trade condition should be applied only for Arab states in order to enhance Pan-Arabism as a step towards improving the economic performance of the region. This expected increase in trade relations among Arab countries acts as a "preparation" phase so that Arab markets can compete when opened to a more advanced level of competition with the northern and global markets (Zorob, 2008).

Arab shallow integration attempts were evident in the removal of tariff barriers among member states acts as the first phase towards economic integration. The removal of non-tariff barriers acts as the next step towards deep integration, which will only happen through a shared vision among Arab states to build their dynamic comparative advantages. For example, the free movement of labour can enhance transferring expertise among Arab nations. This prescription of achieving deep integration does not ignore the current situation of failing integration attempts among Arab countries. This thesis aims at highlighting some recommendations that can be utilized by Arab decision makers in the long term. The low complementarity index among Arab nations can be enhanced through developing other non-oil sectors, mainly industrial and agricultural (Saidi, 2003). States, not the private sector, can deploy this vision both on the short and long terms.

The removal of tariff barrier is also conditional upon reaching a level of maturity that allows products to compete globally. Lin agrees with Ha-Joon Chang on the state's role in protecting infant industries. However, the two economists disagree on the duration and scope of protectionism. Lin argues that protectionism should only be granted to the sector that has the potential to grow and can match with Stiglitz's definition of dynamic comparative advantage. Such strategic planning avoids scattering the state's resources on sector that have no future growth potential or market acceptance. While Chang argues that Japan continued to fund Toyota car industry for 30 years before becoming profitable, Lin debunks Chang's viewpoint using the Malaysian tire industries that didn't manage to take off. Lin emphasizes that gradual removal of tariff barriers can improve industrial quality through competitiveness (Lin and Chang, 2009). In fact, removing intra-Arab barriers can help increase the existing limited scale of intra-trade that barely reaches 7%.

The Arab league, which is a regional organization that aims at governing the economic and political relations of Arab states, has lead the Arab integration attempts since its establishment in 1945. The Arab league established its "Economic Council", which aimed at achieving Pan-Arab trade relationships, which were highly influenced by the inward-oriented economic policies in the 1960s and 70s (Romagnoli and Mengoni, 2009). The expected increase in intra-trade should act for increasing the production capacities and efficiency of Arab states via economies of scale (Wacziarg, 2001).

3.2 Factors favouring Arab integration

There are several factors that, in theory, should or could increase the likelihood of integration in the Middle East region, such as having a common language, which is the Arabic language. Having a common language in a region reduces the transactional costs, such as negotiations, formulating contracts, and managing trade data (Wei, Shang-jin, 1996). The geographic proximity of Arab countries can help increase intra-Arab trade volumes due to lowering transaction and transportation costs.

Moreover, Arab countries share a number of common characteristics that can increase their regional integration, such as common culture, history and ethnic traditions. The colonial history of Arab countries, for example Egypt, Algeria, and Morocco, has generated common political needs for Arab states to develop their economic bases after years of dependency on the North. These colonial regimes had exploited the resources of their colonies, which were 'cursed' by these resources as they were the main reason behind being colonized by European countries, namely Britain and France (Saidi, 2003).

3.3 Factors against Arab integration

One of the major problems that hinder Arab economic integration is the high contribution of tariff revenues to the total revenues for most of the countries of the Arab region, except the large oil producing countries, such as Saudi Arabia and Kuwait. The loss of tariff revenues can negatively impact the economies of smaller countries in the region. Accordingly, the compensation of weaker countries necessitates the existence of supranational institutions that can effectually minimize the short-term negative

implications of regional integration. This loss of tariff revenues can also be compensated through other tax alternatives such as income tax, general sales tax, or the optimization of governmental subsidies (Saidi, 2003). However, I argue that Arab countries should reduce the dependence on tariff revenues and increase intra-regional trade, which is a more sustainable tool of growth that also helps to solve unemployment problems.

Additionally, Arab countries are competing on the same export markets since they are producing relatively similar export products, such as chemicals and oil products. Arab countries trade volumes are low because of the high similarity of production patterns, which is known as the complementarity index, which is an index that varies from zero to one hundred, the higher the value of the index the more likely the regional integration is to succeed. The similarity of production patterns of Arab states stems from the colonial history, especially in the North African Arab states, such as Egypt, Tunisia, Algeria and Morocco. Colonized Arab states' economies were mainly shaped according to the agricultural and industrial needs of Britain and France, such as cotton in Egypt, citrus products in Iraq, and silk textiles in Lebanon, which negatively impacted the development of the needed economic sectors (Hudson, 1999). This similarity in production structure is limiting the expected outcomes of integration agreements, where member countries take advantage of the difference in natural endowments and achieve better trade creation based on developing dynamic comparative advantages of each Arab country that has to be shared within a regional vision (Hoekman and Messerlin, 2002). The following table shows the Arab Countries Trade complementarity indices:

Complementarity Index between Arab Countries (Each country listed in relation to other Arab Countries)					
Bahrain	17.4	**Lebanon**	34.4	**Qatar**	13.6
Egypt	28	**Yemen**	5.9	**Saudi Arabia**	13.2
Jordan	25.5	**Libya**	8.5	**Syria**	16.8
Kuwait	9.6	**Oman**	25.6	**UAE**	20.6

Source: Yeats and Francis (2000).

The GAFTA complementarity index is low. Accordingly, future integration agreements should consider non-oil exports, especially chemicals and agricultural commodities, in order to build a sustainable agricultural and industrial base aside from the vulnerable oil sector. Michael Hudson emphasizes that there is an "Arab disease analogous to the Dutch disease," which happened in Holland in the 1940s after the discovery of natural gas, where Holland became highly dependent on the natural gas sector. Hudson emphasizes that Holland is endowed by natural resources, fertile land, and a "European infrastructure and market", unlike the Arab states who ore mainly dependant on oil exports. In fact, the heavy dependence on oil has reduced the Arab states incentives to "has reduced Arab incentives to diversify their economies, develop alternative manufacturing capacities, promote export–oriented industries, encourage domestic savings, and anchor income on solid productivity grounds" (Hudson, 1999, p. 20). Gulf countries before the 1930s had very primitive economies that mainly depend on the export of food commodities. For example, Saudi Arabia was mainly dependant on date and animal exports, meanwhile, United Arab Emirates was mainly specialized in fishing and pearl industry (United Arab Emirates Profile, 2015). After the discovery of oil in the

Gulf region, these countries became significantly dependant on oil as the main contributor to their exports and GDP (WITS, 2015). While acknowledging that the existing trade portfolio and complementarity indices challenges the possibility of any 'real' economic integration, this thesis questions the long term implications of Arab trade that needs developing 'dynamic' comparative advantages, which would take decades to develop. Unless Arab states, especially the GCC members, develop non-oil agricultural and industrial bases, these countries will start suffering severe economic problems after years of 'oil-prosperity'. Developing an alternative route that prioritize trade flows among Arab states will be conducted in the next chapter, which will analyze the Arab trade flows using the UNComtrade data and the World Bank's database.

The Arab region can start utilizing the oil funds towards improving the agricultural sector in some Arab countries, for example Morocco and Egypt, meanwhile starting industrial sector in others such as machinery and transportation industries in United Arab Emirates. These investments are usually financed through regional Foreign Direct Investments (FDIs). These FDIs should increase the economic welfare of both donor and recipient countries and considered a step towards deeper forms of integration mainly through increasing the labour movements across the Arab region's countries (Nayar, 2003).

It is worth mentioning that Arab states got their independence in the period of 1950-1970, however, colonialism has negatively impacted the development of their infrastructure, thus hindering the effectiveness of Arab integration. Arab countries have an inadequate infrastructure, which is needed to serve trade needs. According to Nasser

Saidi (2003), "Arab countries have underdeveloped transport (air, road and rail), energy (oil, gas, and electricity), water, and information and communications networks". Sharing the costs and expected outcomes of these infrastructures also need supranational governance (Saidi, 2003, p. 15).

3.4 The Problems with Arab Supranationalism

Unlike the EU, where integration policies have been governed by effective supranational institutions that have facilitated European integration, Arab countries have been lacking effective Supranationalism. The inefficiency of Arab supranationalism stems from the lack of specialization that stems from the limited number of employees working within Arab supranational institutions. For example, the Arab League with all its agencies only has 400 employees, meanwhile, the EU has more than 20,000 employees in its main premises in Brussels (Hudson, 1999). Arab countries need a reform of Arab supranational institutions in a way that can properly govern the execution of integration agreement conditions, either through developing the existing institutions or establishing new specialized subsidiaries, which mainly focus on the legislative and economic rules of integration. Arab corrupted leaders have benefited from their trade relations with the US, especially Saudi Arabia that exports 25% of its oil to USA (WITS, 2015), and Egypt that is highly dependent on the US-aid (Momani, 2003).

Arab leaders had no real intentions to develop these institutions since the corrupted regimes has neglected all social movements that have aimed for real changes, including the development of internal or regional governing institutions, such as the Arab

League (Hudson, 1999). For example, in Egypt, the "presidential monarch" in Egypt, which was significantly apparent since Sadat's era, whose "overriding goal was to remain in power, and to this end granted many privileges to his "court", made up of a composite state bourgeoisie, stemming from and/or having strong ties to the private sector" (Djoufelkit-Cottenet, 2008, p. 16). Mubarak's regime was also famous for the "businessmen ministers", who were actual rent seekers and abusing the legislative institutions and the parliament to serve their capitalist needs and ignoring the demands of the people. The continuity of those corrupted leader would destroy any real developmental or Arab integration efforts (Arafat, 2009). The future of the Arab region post the Arab Spring is unpredictable given the current the political unrest, however, some scholars would argue that the level of corruption has decreased since the level of transparency in disseminating national budgets increased after the Arab Spring.

However, after the military coup in Egypt, Arwa Hassan, the Senior Programme Coordinator in Transparency International's Middle East and North Africa department, emphasizes that the current military regime is back to using the "strong-arm tactics of the deposed dictatorship" which doesn't lead to the targeted real developmental change (Hasan, 2011). It is worth mentioning that social movements and welfare-state development in the EU took decades since 1800s until yielded the democratic regimes governing nowadays (Esping-Anderson, 1999). The dictatorship regimes in the Arab world are challenging the potentiality of Arab integration since state development needs social reforms that can establish democratic frameworks that can ensure the equality or

balance of the gains of the economic returns of integration, which are monopolized by corrupted rulers.

Nevertheless, there were some attempts to achieve 'real' Pan-Arabism, especially in the 1970s and before the peace era after the signature of Camp-David peace treaty in 1978, such as the foundation of the Arab Monetary Fund (AMF), which has worked for correcting the balance of payment of member countries and promoting intra-Arab trade (Arab Monetary Fund, 2015). The AMF has been the main organization endorsing pan-Arab regional planning and integration through developing the Joint Arab Economic Action (JAEA) in the Arab Summit in Amman in 1980 (ESCWA, 2001).

The benefits of regional integration have been apparent to scholars and policy makers, yet, the limitations towards Arab integration agreements have enticed sub-regional agreements to develop and become more successful than larger-scale integration agreements. One of the relatively successful Arab sub-regional integration agreements is the Gulf Cooperation Council (GCC), which was formulated in 1981 by Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, and Oman. Bessma Momani (2007) emphasizes that the GCC member states have "significantly increased nominal intraregional trade". The GCC member states were successful in establishing a well performing custom union and have planned for a common currency (Momani, 2007b). In fact, the GCC's relative success, when compared to other Arab integration attempts, stems from a political vision that views the importance of integration to form a strategic negotiation block with international institutions and also having regional security, especially after the Iraq-Iran War in 1980 ("Success of GCC union", 2012). Saudi Arabia

has played a major role in the success of the GCC, especially in setting the rules for military cooperation between the six member states to ensure security and establishing solid rules for economic cooperation and developing sub-regional infrastructure (Abdulla, 1999). In fact, the security of the GCC has been a major concern to the US, which has strategic interests in the oil of gulf countries (Hudson, 1999).

Another short-term, sub-regional integration agreement that was expected by the Arab Economic Council to be as successful as the GCC was the Arab Cooperation Council (ACC), which was founded in 1989 by Egypt, Iraq, Jordan, and Yemen. The ACC agreement was terminated after the second Gulf War in 1991, when Egypt joined the US-led allied forces and entered the war against Iraq (Zorob, 2008). It is worth mentioning that larger scale agreements increase the benefits of member countries via increasing regional resource access and regional market size for all member states. This argument necessitates a vision that develops 'dynamic' comparative advantage based on speculating the market acceptance and growth of the region, which is currently lacked by the contemporary Arab region. Effective integration that balances the political and economic gains of integration should enhance the industrial base of all member states. Trade creation among member states should also have a positive "production and consumption effect" across member states, mainly through reducing the costs of consumer products and enlarging middle class markets (Hosny, 2013).

The existence of the GCC as a part of the GAFTA agreement was also increasing the success potentials of the GAFTA (Abedini and Péridy, 2007).The success of the EU was relatively correlated with the number of countries that joined the EU, where the

increase of member countries has positively impacted the EU results. Thus, renegotiating the GAFTA, with its 18 member states, can positively change the future of Arab integration.

3.5 Why the GAFTA?

After the Gulf War, Madrid Peace Conference was held to discuss the future of the Arab region. Madrid Conference was followed by the Oslo Accord Conference in Norway in 1993. The meeting was attended by all Arab countries, EU countries representatives, Israeli Prime Minister Yitzhak Rabin, and the US officials, who were headed by the US president Bill Clinton. The Oslo meetings seriously discussed the potentiality of a "New Middle East", which was the name of the book written by the former Israeli Prime Minister Shemon in 1993. Peris (1993) argues for a peaceful Middle East that has more intra-trade relations. Arab countries seriously discussed the possibility of effective integration in the three economic summits held in Casablanca in 1994, Amman in 1995, and Cairo in 1996. Arab states discussed the formation of an Arab Free Trade Area, named the GAFTA in 1997, and the development of a Regional Bank for development, which was established, in Cairo, in March 1996 (Tibi, 1999). The success of the EU in the 1990s, mainly in increasing intra-EU trade, has also motivated the Arab states to sign the GAFTA agreement in order to enhance Arab intra-trade (Younes, 2010).

Additionally, US officials pushed for trade liberalization in "New Middle East". The Congress recommended increasing trade relations with the Arab countries. In the 1990s, the Congress has advocated for "trade not aid" as the rationale of the US-Egypt

relations. It is worth mentioning that Egypt has been the second recipient of the US aid after Israel since the signature of Camp David Peace agreement, where Egypt has been receiving annually around 2 billion dollars (Momani, 2003). The US has been keen on maintaining its influence on Saudi Arabia and Egypt, which are the two key players in the GAFTA agreement, in order to secure its strategic needs in the region, such as securing the access to oil, maintaining Arab-Israel peace relations, and having an access to the Arab large consumer markets. In fact, The EU was competing with the US, in the early phases of the GAFTA, on shaping multilateral trade agreements with Arab states to ensure access to Arab markets (Tibi, 1999).

In 1997, Middle East states signed a regional integration agreement that was the largest in relation to the number of member states. The GAFTA has been aiming at achieving a pan-Arab free trade zone, mainly through eliminating tariffs on manufactured and agricultural commodities by 10% annually over a ten-year period (Momani, 2007a). The GAFTA has been signed by 18 member countries: Bahrain, Egypt, Iraq, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the United Arab Emirates, Algeria, Palestine, Yemen, and Jordan. The GAFTA also has four "candidate countries," which have not yet joined the agreement, namely Comoros, Djibouti, Mauritania, and Somali. The GAFTA was considered a trial to effectively revive the "Agreement to Facilitate and Develop Trade Among Arab Countries", which was signed in 1981 and governed by the Arab League's Economic and Social Council.

The GAFTA was developed with the essence of the Economic Unity agreement, which was signed on June 3, 1957. This agreement states clearly the targets for Arab

integration between the members of the Arab league, which are to "organize and consolidate economic relations among the States of the Arab League on bases that are consistent with the natural and historical among them; and to provide the best conditions for flourishing their economies, developing their resources and ensuring the prosperity of their countries" (The Economic Unity Agreement, 2003). These strong words only exist on papers and the future of 'consolidating economic relations' will only come to action through developing other non-oil sectors, which needs an implementation of Stiglitz's vision of 'dynamic' comparative advantage.

The basis of intra-Arab economic relations are outlined in articles one and two of the first chapter of the 'Economic Unity Agreement', with the first article emphasizing the free exchange of goods and products, enhancing trade logistics through the optimization of usage of ports and airports, and promoting labour mobility among member countries. Article 2 sets the targets towards an effective Arab economic region through accomplishing the following:

1. "Merging their countries into a single customs area subject to a unified administration, and unification of customs' tariffs, legislation and regulations that are applied in each of them.
2. Unification of import-export policies and regulations.
3. Unification of transport and transit regulations.
4. Concluding jointly trade and payments agreements with other countries.

5. Co-ordination of policies related to agriculture, industry, and internal trade; and unification of economic legislation in a manner that would guarantee equivalent conditions for all nationals of the contracting countries working in agriculture, industry, and other professions.
6. Co-ordination of labor and social security legislation.
7. a. Co-ordination of legislation concerning government and municipal taxes and duties and all taxes pertaining to agriculture, industry, trade, real estate, and capital investments in a manner ensuring equivalent opportunities.
b. Avoidance of double taxation of nationals of the contracting parties.
8. Co-ordination of monetary and fiscal policies and regulations in preparation for the unification of currencies of the contracting parties.
9. Unification of statistical methods of classification and tabulations.
10. Adoption of any other measures that are necessary for the achievement of the goals specified in Articles (1) and (2)".

Source: (The Economic Unity Agreement, 2003). Retrieved, on March, 7, 2015, from http://www.cris.unu.edu/riks/web/treaties/constituent_treaties/19._The_Economic_Unity_Agreement_Amo ng_States_the_Arab_League_establishing_the__Council_of_Arab_EconomicXX3June1957.pdf

Achieving the 10 articles that are listed in article 2 has been the core agreement of

the GAFTA, which has sought to address the liberalization of trade in industrial and

agricultural commodities, where the agreement has set the base for the periodical removal

of tariffs as well as non-tariff barriers, mainly quotas. The GAFTA agreement has also

aimed at achieving "inter-Arab consultation", especially in the areas of research and

technological cooperation (Saidi, 2003). It is worth highlighting that trade liberalization

is the not sole the target of trade relations. In fact, states should protect their infant

industries that have competitive and comparative advantage until they are able to compete in the global markets. On the other hand, protectionism should be for developmental reasons in order not to lose production efficiency, effectiveness, and quality (Lin, 2009). Trade liberalization in the GAFTA is also granted for Arab states in order to promote intra-trade relations. Preferential terms of trade or the 'compensation schemes' were applied in the GAFTA, where member states can exclude a list of items of trade liberalization or have a gradual decrease of a time period, which was ten years in the case of the GAFTA. According to the agreement, the second step after removing intra-Arab tariffs is the formation of the Arab custom union that has a 'unification of customs' tariffs for non-Arab members (The Economic Unity Agreement, 2003).

The intraregional trade among the GAFTA members was low compared to the expected volumes of trade within the region or when compared to other regional agreements. Table 2 shows the intraregional trade as a share of total trade based on 2013 figures:

Table 2

	Intraregional trade as share of total trade (year 2013)
EU	68
GAFTA	8
NAFTA	49

Source: (NAFTA: Statistics, 2014)

The GAFTA, thus far, has not been able to achieve 'real' integration results, as the agreement was limited to liberalization of merchandise trade, where member states reduced their tariffs gradually by 10 percent of the existing tariff structure over ten-year period. The agreement has given exception on seasonal agricultural fruits and vegetables in order to develop the agricultural sector across GAFTA member states (Zorob, 2008). The GAFTA was able to achieve zero tariff level by 2005. However, the GAFTA has been unable to achieve 'deep integration' that can address the removal of non-tariff barriers or the creation of a common market, which includes both merchandise and services. Additionally, the contribution of non-oil exports to the total exports of the Arab countries is very low. For example, in 2003, the total Arab non-oil exports valued 80 billion USD, which were equivalent to the exports of Finland, a country of 5.4 million people. The price volatility of oil and oil products is one of the factors that have contributed to the instability and low growth rates of Arab states (Saidi, 2003). This lack of diversity in production bases can be developed if Arab states developed their comparative advantages, which will be analyzed in this chapter as a future recommendation to decision makers in the Arab region.

The GAFTA was aiming at liberalization of commodities, achieving a harmonization of the rules of origin, and unification of rules within the GAFTA members regarding production standards, safeguards, and competition policies. Intra-GAFTA tariffs are reduced on paper in 2005, however, other NTBs still exist that have blocked the actual implementation of the GAFTA agreement. The GAFTA calls all member states to conclude mutual recognition agreements (MRAs) in order to achieve the targeted

harmonization related to custom clearance procedures and to adopt international standards for quality control. In fact "MRAs tend to reduce costs of imports by eliminating duplicative product testing and certification in both the exporting and importing markets" (Zarrouk and Zalio, 2000, p. 12). The GAFTA has allowed an "exemption list" per country that excludes certain products that are either domestic infant industries or imports that might compete with these domestic products.

Nevertheless, the actual agricultural and production bases of Arab countries remain very primitive when compared to European countries although the GDP per capita in some Arab countries, mainly the Gulf countries are higher than other EU countries. For example the GDP per capita of Qatar is USD 145,000, meanwhile the GDP per capita of England is USD 45,000 (World Bank, 2015). Intra-arab trade relations are low due to the existing industrial and agricultural primitive portfolios. The oil returns should be reinvested across the region in order to establish the agricultural and industrial bases, which should be the selected dynamic comparative advantages of the region, which will be recommended in this chapter per country.

The limitations of the GAFTA are not just in the shallow integration but are the absence of a deep integration vision that can allow the effective implementation of the short term shallow integration or tariff removals. For example, there are some NTBS that still block the implementation of the agreement such as the border rules of some countries that might refuse the visa issuance of some labour, mainly those working on road transportation (Zarrouk and Zalio, 2000). Deeper integration would allow better FDIs

applications across the region and better movement of skilled labour that can solve unemployment issues and enhance regional productivity (Zorob, 2008).

3.6 Arab Petro-States and its impact on Arab integration

Assessing the current trade profiles of Arab countries shows the significant dependency of the GCC member countries on oil exports as a percentage of their GDP. The income disparity between the rich GCC petro-states and other GAFTA members such as Lebanon, Jordon and Morocco, is hindering the progress towards effective integration. The petro-state thesis was introduced by Terry Lynn Karl, in her book "The Paradox of Plenty: Oil Booms and Petro-States", where she identifies how the actions of petro-states can be impacted by the economic motives of maintaining oil returns exclusively (Karl, 1997). It is worth mentioning that the GDP per capita in some oil exporting Arab countries, for example United Arab Emirates, is 100 times than other economically weaker ones, such as Yemen, where the GDP per capita of UAE is 43,000 USD, whereas the GDP per capita in Yemen is only 1,400 USD (World Bank, 2015). This GDP disparity raises the same economic and political fears among weaker Arab states that the benefits of integration will be mainly captured by stronger states (Fawzy, 2003).

Mineral fuels exports in Kuwait represent 94% of the total exports. Saudi Arabia fuel exports also contribute around 88% of the country's GDP. However, United Arab Emirates (UAE) has worked on developing their dynamic comparative advantage since

the 1960s, especially in the transportation machinery sector, where its dependency on oil exports decreased from 70% to less than 45% in 2013 (WITS, 2015). UAE has utilized the incremental GDP growth, which was mainly generated from oil exports toward the development of other industries. UAE oil exports are relatively low when compared with other Gulf countries since the UAE has established a strong industrial base that assures sustainable economic growth as opposed to the vulnerable oil sector. Table 3 shows the trade profile of the GCC countries and the contribution of oil as a percentage of the countries' total trade.

Table 3

Product Description	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	United Arab Emirates
Animal and vegetable oils and fats	103	5,064	96,744	1,651	97,258	158,390
Beverages and tobacco	13,868	11,367	40,703	335	195,354	395,734
Chemicals	610,245	1,613,729	732,386	3,224,484	14,344,177	2,379,203
Commod. & transacts. Not class. Acc	1,818	5,630	2,043,352	275,238	43,762	34,935,966
Crude materials, inedible, except f	224,357	157,792	141,104	61,511	607,000	1,411,233

Food and live animals	51,085	121,428	397,058	16,242	1,813,351	2,123,549
Machinery and transport equipment	264,968	1,092,299	795,991	425,205	5,676,512	13,774,193
Manufact goods classified chiefly b	1,559,200	347,789	569,216	331,841	4,248,984	12,759,421
Mineral fuels, lubricants and relat	10,809,295	59,210,654	19,670,057	37,614,826	206,807,129	77,661,039
Percentage of oil to total trade value	**79%**	**94%**	**80%**	**90%**	**88%**	**51%**
Miscellaneous manufactured articles	129,696	122,579	199,471	68,600	991,805	5,419,692
Total trade in 1000 USD	13,664,634	62,688,331	24,686,084	42,019,933	234,825,332	151,018,420

Source: (WITS, 2015)

The above figures, particularly the percentage of oil exports to total exports, shed light on the disaster that might face the Arab region when the oil reserves run out. The overall Arab regional economic performance is relatively poor since the average growth rate of Arab countries ranges between 1 to 2 percent (Lee and Gohar, 2010). Additionally, over the past three decades, the economic growth rates of Arab countries have fluctuated dramatically, where the average economic growth among Arab countries have ranged from −6 % to a significant positive growth that reached 8%, which was mainly the growth rate of oil-exporting countries in the 1980s (Noland and Pack, 2007).

Oil dependent Arab states also witness a high level of inequality and poverty, when compared to European countries that have the same levels of GDP per capita, due to the concentration on the oil sector and neglecting the development of other non-oil sectors (Kennedy, 2014). In fact, the oil extraction industry, especially in the gulf region, is a capital-intensive segment that is mainly managed and operated by foreign labour, where "the product of prior choices made mostly outside these countries, about how mining industries should be organized" (Karl, 1997, p. 47). Table 4 shows the labour force structure in the Gulf region.

Table 4

	Public Sector		Private sector		% Non-nationals	
Country	Total Population	non-nationals	Total Population	non-nationals	Public sector	Private sector
Bahrain	149,868	38,028	496,090	400,482	25.4	80.7
Kuwait	439, 204	129, 787	1,314,800	1,225,492	29.6	93.2
Oman	378,335	27,522	1,362,118	1,190,300	7.3	87.4
Qatar	161,748	92,420	1,039,541	1,026,056	57.1	98.7
Saudi Arabia	3,034, 201	113,984	8,487,533	7,352,900	3.8	86.6
Total	4,163,356	401,741	12,700,082	11,195,230	9.6	88.2

Source: Gulf research center, 2014

This table shows that national employees represent a very small percentage of the total labour force in the Gulf countries, which, as a group are witnessing an increase in the unemployment rates from 4% in 2011 to 6% in 2012 due to the limited industrial growth as compared to population growth (World Bank, 2015). Moreover, neglecting other non-oil sectors will negatively impact the aggregate local labour force, thus negatively impacting the human development indices of these petro-states, since these sectors occupy more labour force than the capital-intensive oil-sector.

Another main issue that is raised by the high percentage of non-national workers is the working conditions in these petro-states. Walden Bello, the well-known Filipino Parliament member, emphasizes that the majority of labour migrants in the Middle East, especially the Gulf region are suffering from 'slavery' working conditions. "Cruelty towards foreign workers, from Lebanon to Kuwait, remains widespread" says Bello. In fact, this issue sheds light on the failure of international organizations, such as the International Labour Organization (ILO), which is a United Nation body, which failed to enforce labour laws and minimum wages in the Gulf region particularly (Bello, 2012). The role of developmental states as argued by Sen is crucial to planning and developing local and regional economies in way that not only achieve economic growth but also human development. According to Sen, individual freedoms are suppressed by capitalism. This suppression is not only for the labour migrants but also the local workers who lack the know-how of the oil sector that has been managed by Western companies (Oil, n.d.).

3.7 Economic gains from the GAFTA: *Still there is a hope*

Although the previous section mentioned the limitations of the GAFTA, I argue that the GAFTA had many positive aspects when compared to other Arab integration agreements in the past. Figure 1 shows the intra-GAFTA exports. The next chapter will provide detailed historical analysis regarding the trade flows within the GAFTA region. This figure shows the positive impact of the GAFTA on intra-Arab trade. In fact, the GAFTA intra-Arab exports have increased on a yearly average of 15.1% from 1997 till 2005, whereas the total world exports have grown in that period by an average of 7.9% only (Abedini and Péridy, 2007).

Figure 1: intra-GAFTA and World trade growth (1993-2005, %)
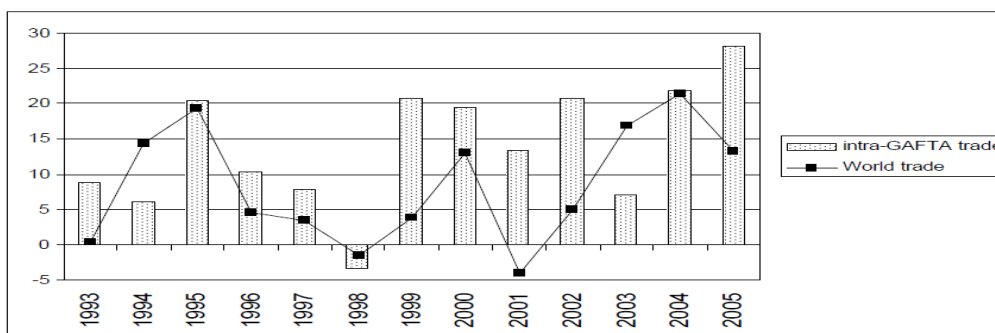
Source: United Nations (2007) as cited in (Abedini and Péridy, 2007).

The GAFTA increased intra-regional trade primarily due to the removal of tariff barriers. GAFTA has also raised production efficiency in some member states, such as Egypt and Jordan, through developing economies of scale, especially in some sectors such as chemicals (Saidi, 2003).

Additionally, through decreasing the tariff rates, the GAFTA was also able to achieve better trade terms among member states, mainly through decreasing import prices and increasing the flow of commodities. The only constraint for successful trade flows is that trade creation should be based on promoting regional dynamic comparative advantage (Baldwin and Venables, 1995; Robson, 1998). Another main target of the member states of the GAFTA was the transfer of technological innovation, especially in the communication sector, where economic databases of member states can be accessed efficiently and effectively. However, the GAFTA has achieved minimal results in this field as opposed to the stated targets (Grossman and Helpman, 1991). The equality of distributing the economic gains of integration will remain a challenge that will need effectual supranationalism in order to ensure the sustainability of results.

Since the 1990s, Arab countries have witnessed a significant increase in global trade relations, where a significant number of Arab countries signed the GATT agreement and became members of the World Trade Organization (WTO). Table 5 shows the WTO accession date for Arab countries:

Table 5: Arab states WTO Accession Date			
Bahrain	1-Jan-1995	Tunisia	29-Mar-1995
Kuwait	1-Jan-1995	Qatar	13-Jan-1996
Morocco	1-Jan-1995	United Arab Emirates	10-Apr-1996
Egypt	30-Jun-1995	Jordan	11-Apr-2000

Algeria	3-Jun-1987	Oman	9-Nov-2000
Saudi Arabia	13-Jun-1993	Yemen	14-Apr-2000
Lebanese Republic	30-Jan-1999	Libya	10-Jun-2004

Source: Trade Profile, WTO as cited in (Saidi, 2003).

Arab countries that joined the WTO enjoy better access to international markets. However, international institutions, including the WTO, always play in favour of the Northern states (Chang, 2008). Accordingly, regional integration agreements can provide member states of a specific regional integration agreement with better negotiation skills with these international institutions, such as the WTO, and also better access to global markets.

Intra-Arab trade relations can only be enhanced through a state-centric approach, where member states collectively manage regional resources through developing non-oil exports of member states based an assessment of states' comparative advantage. Tables 6 and 7 will show the trade flow and structure of intra-Arab trade, where oil has contributed with an average of 50% of total intra-Arab trade. In fact, Saudi Arabia and UAE make around 50% of the total GAFTA exports. On the political side, this re-affirms that the GCC member countries can play a major role in leading the area's integration. On the imports side, UAE is the highest importing country (22.3% of the GAFTA imports). Saudi Arabia comes after the UAE, where it imports around 10.5 %. Finally, other member countries, such as Jordan, Egypt and Kuwait, contribute by 6% of the total GAFTA imports (WITS, 2015).

PARTNER COUNTRY	JORDAN	EMIRATES	BAHRAIN	TUNISIA	ALGERIA	SAUDI ARABIA	SUDAN	SYRIA	SOMALIA	IRAQ	OMAN	QATAR	KUWAIT	LEBANON	LIBYA	EGYPT	MOROCCO	MAURITANIA	YEMEN	TOTAL
JORDAN		286.5	89.4	5.1	0.1	2,840.6	7.1	363.6	0.5	12.1	12.9	8.1	136.6	104.7	0.9	590.8	25.4	0.2	52.0	4,536.7
EMIRATES	472.6		656.5	28.0	1.6	2,661.9	114.9	451.7	213.2	4.3	49.2	1,153.6	347.8	436.2	193.2	444.9	51.0	0.0	376.3	7,656.8
BAHRAIN	9.0	332.5		15.5	0.0	566.0	0.2	5.9	0.2	0.5	32.0	39.8	67.2	10.0	0.0	26.3	1.7	0.1	0.2	1,107.1
TUNISIA	16.2	36.4	17.5		299.6	144.1	10.0	49.3	0.0	0.0	3.4	17.1	13.0	15.5	645.8	204.2	75.7	1.7	1.4	1,550.9
ALGERIA	92.9	48.7	24.9	200.3		112.2	0.8	21.2	0.0	0.0	1.8	10.8	5.3	24.0	0.7	239.5	62.1	3.8	0.2	849.3
SAUDI ARABIA	390.1	2,249.9	830.9	106.1	3.1		119.5	497.6	13.8	0.5	292.5	253.1	225.9	213.9	8.6	1,110.1	95.2	0.0	259.2	6,669.9
SUDAN	69.1	480.4	59.8	8.1	2.9	654.6		42.8	0.2	0.0	14.4	31.0	17.2	26.8	23.7	493.0	0.3	0.0	0.0	1,924.2
SYRIA	134.0	221.9	21.9	7.2	6.9	591.1	14.4		0.0	20.8	9.3	35.0	110.1	157.0	39.9	597.8	69.2	0.4	3.8	2,040.7
SOMALIA	0.6	46.9	0.0	0.0	0.0	15.6	0.0	0.2		0.0	49.8	0.0	0.0	0.0	0.0	0.3	0.1	0.0	47.3	160.9
IRAQ	2,164.9	0.0	0.4	17.8	219.6	0.0	0.0	7,993.1	0.0		93.3	10.1	0.0	160.4	0.0	507.4	0.6	0.0	62.3	11,229.9
OMAN	25.2	2,778.3	353.7	0.3	0.0	439.8	0.0	23.2	25.5	0.0		51.1	68.1	14.2	0.2	60.0	6.5	0.0	18.1	3,864.3
QATAR	64.7	645.8	162.6	2.7	0.2	972.1	0.2	68.6	1.2	0.1	75.4		48.1	48.2	8.8	41.1	3.5	0.1	5.4	2,148.7
KUWAIT	138.2	529.0	86.1	35.7	4.2	435.6	36.7	493.4	0.0	0.0	103.6	73.2		90.5	0.5	264.2	9.0	0.0	721.2	3,021.4
LEBANON	82.1	218.3	23.3	13.2	5.4	282.4	19.7	206.5	1.0	1.2	5.9	16.1	269.9		39.2	523.7	38.9	1.7	3.2	1,751.7
LIBYA	23.1	33.5	4.5	416.1	12.0	29.7	1.4	169.8	0.0	0.0	45.6	22.9	0.2	10.2		75.9	34.1	0.0	0.4	879.4
EGYPT	65.2	188.8	114.4	15.1	365.7	2,211.2	49.9	144.7	0.1	0.4	2.7	11.8	1,228.0	100.8	195.6		22.9	31.1	22.5	4,771.1
MOROCCO	7.5	158.1	33.7	202.3	789.3	1,744.0	0.5	25.2	0.1	7.7	3.6	40.8	31.5	24.0	97.0	341.5		1.3	0.5	3,508.5
MAURITANIA	0.1	30.3	0.4	8.9	34.6	5.9	0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.5	0.0	9.7	22.2		0.2	113.6
YEMEN	48.0	1,623.3	11.6	1.0	0.8	683.5	3.1	33.3	73.2	0.2	118.8	10.2	340.0	39.8	0.0	132.7	4.2	0.0		3,123.5
TOTAL	3,803.7	9,908.6	2,491.6	1,083.3	1,746.0	14,390.3	378.6	10,590.6	328.9	47.8	914.2	1,784.6	2,908.8	1,476.8	1,234.1	5,663.3	522.4	40.5	1,574.5	60,908.6

Table 6: Intra-Arab imports, Source: AMF, 2015

The dominance of oil-exports is not only hindering the progress of Arab integration but is also presenting a real threat for the sustainability of the economic growth of oil-exporting countries, which have not established their industrial base. The scarcity of resources will question the long-term economic growth of Arab petro-states when the oil reserves in these countries end. Saudi Arabia, for example, with the current extraction rate might run out of reserve by 2030 ("What will Saudis do," 2014). Table 7 provides an analysis of intra-GAFTA trade flows through highlighting the top 20 trade flows by commodity:

Table 7: intra-GAFTA top-20 trade flows: breakdown by countries and commodities (2005, million US$)

Rank	Exporting	Importing	Product	million US $
1	Saudi Arabia	Bahrain	Mineral fuels	1 693
2	Qatar	UAE	Non classified articles	933
3	Saudi Arabia	UAE	Mineral fuels	858
4	Saudi Arabia	Egypt	Mineral fuels	707
5	Oman	UAE	Non classified articles	676
6	Saudi Arabia	UAE	Chemicals	642
7	Saudi Arabia	Jordan	Mineral fuels	615
8	Saudi Arabia	Morocco	Mineral fuels	519
9	Algeria	Egypt	Mineral fuels	447
10	Saudi Arabia	UAE	Manufact goods	422
11	UAE	Oman	Beverages and tobacco	369
12	Saudi Arabia	UAE	Machinery and transport equip.	350

13	Syria	Iraq	Mineral fuels	343
14	Saudi Arabia	Kuwait	Manufact goods	302
15	Bahrain	Saudi Arabia	Manufact goods	266
16	Saudi Arabia	Djibouti	Mineral fuels	257
17	Syria	Saudi Arabia	Food and live animals	247
18	UAE	Saudi Arabia	Machinery and transport equip.	240
19	Saudi Arabia	Lebanon	Mineral fuels	224
20	UAE	Oman	Manufact goods	201
			Total 1-20	10 312

Source: United Nations (2007) as cited in Abedini and Péridy (2007)

The results of the GAFTA are highly debatable given the production structure of Arab countries, which are mainly dependent on oil. Yet the GAFTA's initial results set a strong base for a successful model of South-South integration. In fact, the GAFTA agreement has developed the terms of the Economic Unity Agreement in order to meet the contemporary global market requirements, especially regarding the products standards. All GAFTA members have shared their locality standards for manufactured and agricultural commodities in order to facilitate trade flow among Arab countries. Sharing these standards offer a better understanding of regional market acceptance and growth and allows for setting solid bases for developing dynamic comparative advantages.

Moreover, the Arab League has started directing intra-Arab Foreign Direct Investment (FDI), mainly through creating a database of all Arab private sector

institutions (Babili and Baghasa, 2008). However, the Arab league is not effectively using some available regional budgets such as the 'Arab Trade Financing Program (ATFP)', which was established in 1989 with a capital of US$500 million. This capital was raised by Arab financial organizations, public and private banking institutions and regional Monetary Funds. Effective utilization of this fund can increase intra-Arab trade through developing the "capabilities of Arab producers and exporters" (ATPF, 2015).

Analyzing intra-GAFTA exports and imports provides a comprehensive understanding of potential trade relations, especially when focusing on the non-oil sector, for example chemicals, manufactured products, and transportation equipment. This analysis will be conducted in the fourth chapter, which will include a section to assess the top non-oil commodities that have intra-regional growth potential. I argue that the GAFTA had many positive economic gains for member states especially the dynamic gains of trade. However, the actual economic gains were low when compared to the targeted outcomes (see Abedini and Péridy , 2007; Baldwin and Venables, 1995; Robson, 1998). States are responsible for developing their comparative advantages through selecting the commodities that have trade potential for exclusion or infant industry protection in a transparent manner with other member states (Parikh and Corneliu, 2004).

3.8 The impact of GAFTA intra-regional trade on economic growth

Before focusing on assessing the economic gains of Arab integration, it is worth mentioning that integration agreements are mainly shaped not only for economic reasons but also political ones. As mentioned, achieving a successful regional integration

agreement should increase the bargaining power of member states within international institutions, such as the WTO (Younes, 2010).

The GAFTA was limited to trade in services and lacked the needed deeper integration, such as the liberalization of services in agreement with the General Agreement on Trade in Services (GATS). Re-negotiating the GAFTA to include trade in services will have a significant impact on intra-Arab trade performance and accordingly economic growth. States should plan and manage the mobility of skilled labour among member states, where technological experiences and best practices will be transferred and developed across member states (UNCTAD, 2008). The trade in services necessitates the development of a communication network that works for reducing the cost and timing of trade operations (Zarrouk, 2000).

Additionally, setting regional social standards is a condition for successful development, for example, having a regional minimum wage level compared relatively with the purchasing power parity and price indices per country. For example, the EU has contemporary issues regarding social welfare especially in countries with relatively poor economic performance, such as Greece. However, the EU remains the most successful example in having acceptable minimum wages by labour unions in each country of the EU and setting targets for increasing labour pensions. James Galbraith (2009) argues that "The European Union should start a European Pension Union, leveling up pensions payments in the poorer member states until a common minimum standard for Europe as a whole has been reached. This would have good effects on employment" (Galbraith, 2009).

Unlike those scholars who argue that the GAFTA agreement was not effective towards achieving intra-Arab integration, I argue that the GAFTA has had positive effects on intra-Arab trade. Figure 2 shows the increase in intra-Arab trade in the period of GAFTA implementation.

Figure 2: Intra-Arab trade

TOTAL INTER-ARAB TRADE
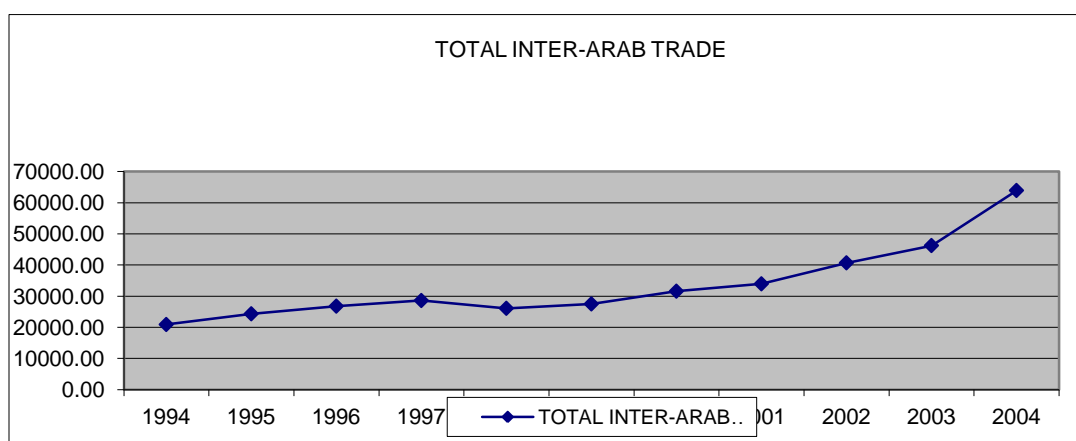
Source: (AMF, 2015)

Moreover, the increase in Arab trade was one of the factors that have resulted in the increase in the total Arab countries GDP. Figure 3 shows the percentage of GDP growth of GAFTA members throughout the agreement.

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
GDP Growth %	6.4	-3.3	8.0	14.7	-1.9	1.5	12.0	18.0	22.2	18.6	14.0

Figure 3: GAFTA members Percentage of GDP Growth
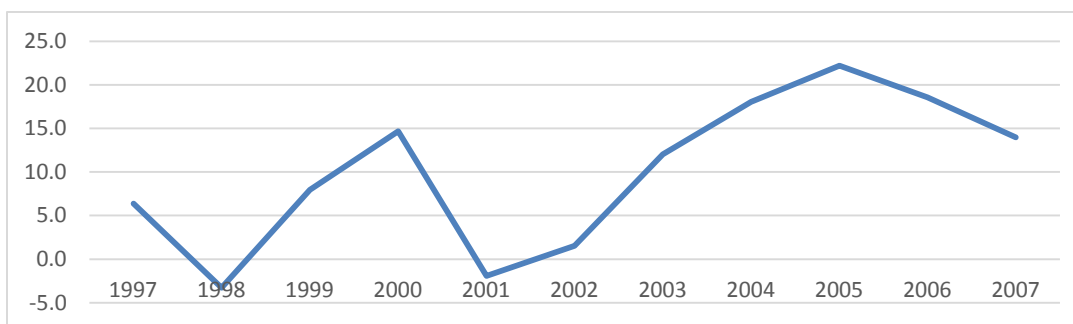
Source: (AMF, 2015).

Scholars argue that ratio of Arab inter-trade is low compared to the ratio of Arab total external trade. Inter-Arab trade results, however, have relatively increased during the implementation of the GAFTA agreement. Figure 4 shows the ratio of Arab inter-Trade to the total Arab trade.

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Inter-trade to total trade%	8.42	8.59	8.27	8.58	8.76	8.71	7.73	8.54	9.79	9.28	9.99

Figure 4: Arab inter-Trade to the total Arab trade
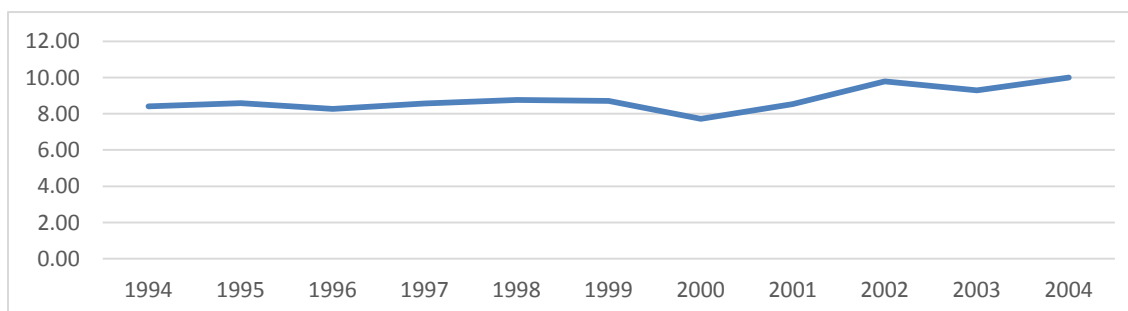
Source: (AMF, 2015).

3.9 The Way forward

According to the recommendations of Nasser Saidi (2003) regarding the revival of Arab integration, renegotiating the terms of the GAFTA can be a perfect base towards achieving effectual Arab integration. Arab integration needs to include liberalization of trade in services along with commodities in agreement with the GATS. The poor infrastructure, both transportation and communication has hindered the progress of trade relations among Arab states. Therefore, developmental Arab states are responsible for the renovation and development of the needed infrastructure. States must establish strong financial institutions on the domestic and regional basis in order to finance the required investments. These investments as highlighted by Chang (2008) are financed through the state's resources and enterprises. The private sector plays also a role in driving growth, yet the state has to govern the operations of private firms in a way that serves national economic and human development growth targets.

The GAFTA is a clear implication of the ideologies of neoliberal institutionalism since the GAFTA has applied trade liberalization but with state intervention, mainly in the "exemption lists" and in intra-state negotiations of regional arrangements. Markets must be governed by states, whose powers must be balanced by effectual supranationalism. Reality proves that stronger states win more than economically weaker states in regional agreements, yet, integration is not only about economic gains since there are political and security gains that can offset the economic gains. In addition to that, renegotiating agreements' terms through supranational institutions can be the main tools towards sustaining long term successful integration agreements (Sediq, 2013).

Finally, Arab integration can extract lessons from the EU model, yet, without seriously addressing existing barriers, as well as new challenges, Arab integration will remain a hope rather than reality.

4. Chapter four: Assessing the potential economic gains of Arab integration

Analyzing the current economic performance of Arab countries in the GAFTA shows that non-oil exporting countries, such as Egypt, Morocco, and Lebanon, are suffering from negative Balances of Payment (BOP) results, which mainly result from lacking the competitiveness of trade in the global markets as a result of 'free trade' rules that were dictated on Arab countries by the WTO that calls for the 'shock therapy' of market liberalization. It is worth differentiating that the GAFTA calls for a gradual liberalization of intra-Arab markets over 10 years in order to enhance regional trade, while allowing for protectionism and exceptions for infant strategic industries.

Non-oil exporting countries, such as Sudan and Morocco, are mainly exporting agricultural food commodities, chemicals, crude materials, manufactured commodities, and machinery. However, the percentage of total Arab non-oil exports remains significantly low when compared to oil exports or to the total Arab trade (Zarrouk, 1998). Table 8 shows commodity structure of Arab Intra-trade:

Table 8

Item	Total Arab Intra-Exports (in million USD)			Total Arab Intra-Imports (in million USD)		
Food and Beverages	3.99	4.19	4.11	14.84	13.87	14
Crude Materials	2.53	2.6	2.75	6.04	6.01	6.29
Mineral Fuels	68.14	67.52	67.83	4.77	5.26	5

Chemicals	5.73	5.67	5.82	8.88	7.64	8.27
Machinery and Transport	3.43	3.47	3.43	33.12	34.52	33.52
Manufactures	15.74	16.01	15.54	29.83	30.4	30.01
Miscellaneous	0.45	0.52	0.53	2.52	2.29	2.91
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: (WITS, 2015)

The low percentage of non-oil commodities trade has been reflected negatively on the Balance of Payment (BOP) of non-oil export Arab countries in comparison to oil-exporting states. Figure 5 shows the BOP of some GAFTA members in the time period 1997 to 2012. It reveals that oil exporting states enjoy a surplus in their BOPs in comparison to non-oil exporting states.

Figure 5

Source: (WITS, 2015).

These income gaps are hindering effectual integration since rich petro-states refuse to share the returns of oil with other poorer states of the region, thus hindering integration attempts. However, these returns could be utilized in the form of FDIs that will have a high Return on Investment (ROI) for both the donor and the recipient (Saidi, 2003). Rent seeking leaders, especially in the relatively poor non-oil exporting countries, demolish the state's role in leading development. The state can derive the economic growth of sectors based on an understanding of production capacities and the availability of the factors of production, both labour and capital. The 'laissez-faire' approach of 'free markets' fail to plan the growth of promising economic sectors that have a comparative advantage, which can be developed through state intervention (Lin and Chang, 2009).

The failure to direct and develop these sectors leads to a loss of the comparative advantage of states and accordingly a continuous market failure in comparison to other markets, either the US or European markets, which have witnessed a very high level of protectionism in early stages before advocating for free trade. Chang (2008) emphasizes that "Britain remained a highly protectionist country until the mid-9th century. In 1820, Britain's average tariff rate on manufacturing imports was 45–55%, compared to 6–8% in the Low Countries, 8–12% in Germany and Switzerland and around 20% in France" (Chang, 2008).

The global markets, including Arab markets, are flooded with Chinese commodities. The consistent economic growth of China was not a result of 'free' trade. China has witnessed a high level of national economic planning and state-driven globalization that not only has enabled the development of infant industries but also directed Foreign Direct Investments (FDIs) towards the development of multiple industrial sectors, especially textiles and electronics (Guthrie, 2009). Arab states need to direct their economies through strategic planning of market development, both on a local and regional basis. These intergovernmental plans will lead to achieving a level of market maturity to compete with global markets. Subsidizing infant industries is against free trade notions, yet, the US is highly subsidizing the strategic sector in the US economy, especially the agricultural sector (Hopewell, 2013), and the electronics sector (Block, 2008).

Even with the political unrest in the Arab region, intra-regional trade has been positively increasing both on the imports and exports sides. Table 8 and 9 shows latest figures of GAFTA intra-imports then intra-exports respectively (in 1000 USD).

Table 8: Arab intra-imports

	2000	**2003**	**2006**	**2009**	**2011**	**2013**
Algeria	714,865	2,051,792	2,705,038	5,887,798	9,226,145	12,466,539
Bahrain	1,650,486	2,387,682	3,183,749	4,723,205	20,588,914	na
Egypt, Arab Rep.	3,888,343	2,583,088	9,676,077	13,989,451	21,851,538	23,949,013
Jordan	1,735,751	4,384,855	10,811,674	12,911,689	18,494,096	18,696,187
Kuwait	3,428,940	4,920,690	11,635,100	na	na	20,073,555
Lebanon	2,265,512	2,954,717	4,614,943	6,089,384	10,102,749	8,536,627
Libya	na	1,681,947	na	4,374,866	na	na
Morocco	3,382,112	3,449,584	7,342,080	10,292,257	17,103,187	16,896,525
Oman	6,372,855	4,319,841	12,249,144	19,563,599	29,157,926	46,014,459
Qatar	537,279	773,892	1,848,731	na	na	4,196,593
United Arab Emirates	6,119,841	9,521,147	21,004,165	29,685,382	39,466,552	na
Grand Total	**31,090,582**	**39,029,237**	**85,070,702**	**107,517,631**	**165,991,106**	**150,829,498**

Source: (WITS, 2015)

Table 9: Arab intra-exports (in 1000 USD)

	2000	2003	2006	2009	2011	2013
Algeria	722,565	1,397,999	2,551,351	3,065,584	5,232,010	7,734,892
Bahrain	1,614,612	2,658,279	3,451,203	6,880,276	14,346,058	na
Egypt, Arab Rep.	2,153,434	3,310,132	6,503,838	26,672,973	30,108,342	34,443,383
Iraq	751,694	na	500,239	412,279	na	909,117
Jordan	1,872,277	4,591,129	7,625,077	11,810,502	13,114,387	14,982,465
Kuwait	1,351,525	2,392,654	4,708,766	7,115,960	na	10,558,167
Lebanon	1,271,089	2,452,191	3,839,603	5,874,944	5,830,538	7,314,360
Libya	na	na	na	2,272,344	na	na
Morocco	957,355	1,089,483	1,617,059	2,284,577	2,731,734	3,180,331
Oman	4,207,048	1,929,902	7,399,175	13,712,989	15,957,185	25,458,316
Qatar	654,876	563,382	1,648,412	2,417,728	5,231,657	5,593,523
United Arab Emirates	11,791,596	17,724,308	35,437,951	58,897,445	55,921,519	na
Grand Total	**27,348,071**	**38,109,459**	**75,282,674**	**141,417,600**	**148,473,429**	**110,174,556**

Source: (WITS, 2015).

The previous figures show that intra-Arab trade relations are increasing in value, however, Arab countries, especially the non-oil exporting countries, have a low "openness to trade" index, which measures the total trade of a country as a share of the country's GDP. These low indices can be justified if Arab states are working on developing their comparative advantages through protecting infant industries. The failure to develop the needed industrial and agricultural sector has lead to an endless dependence

on external loans from international institutions, such as the World Bank and the International Monetary Fund (IMF) that advocate for the 'shock therapy' of free markets and sudden privatization that would negatively impact Arab economic development (Hudson, 1999). Figure 5 maps Arab "openness to trade" indices as of latest year 2012:

Figure 5
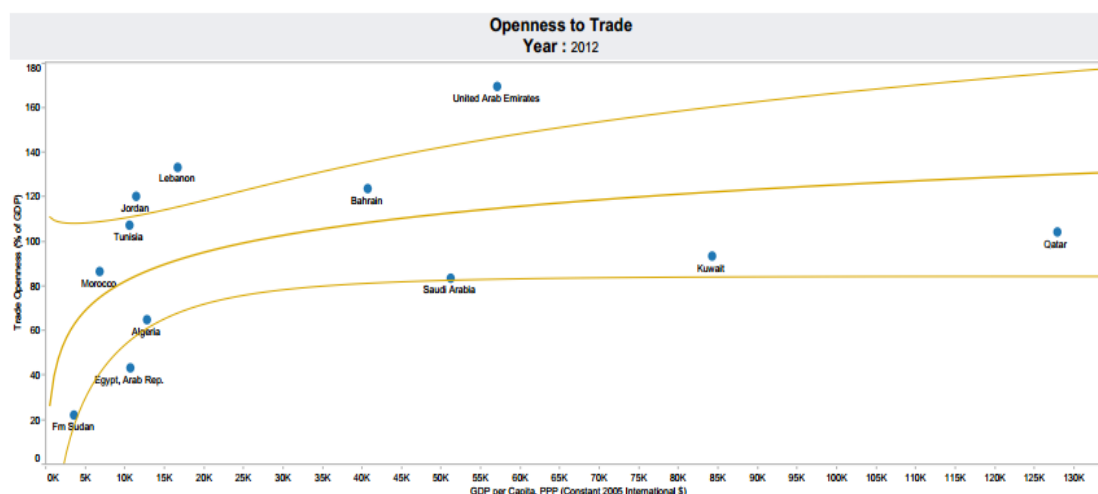
Source: (WITS, 2015).

The above figure measures the exports of goods and services of a specific country in relation to the country's GDP. Oil-exporting countries have higher trade openness indices than non-oil exporting states, yet, oil-exports are not sustainable over the long run given the scarcity of resources. Scholars argue that the low trade openness of non-oil exporting countries stem from the ISI closed economic policies, which was dominant in the 1960s and 70s and have imposed very high tariff rate structures. However, I argue that trade is a tool towards achieving economic growth but the state has to have sovereignty in planning the economy, especially developing sectors that have relative comparative advantage. Regional integration agreements should provide member states

stronger negotiation powers against the hegemonic rules of the WTO, which mainly plays in favour of Northern economies (Chang, 2008; Lin and Chang, 2009).

The integration of rich oil-exporting countries with low-income non-oil exporting countries needs a strategic vision of Arab leaders to acknowledge that integration decisions are not only about economic returns but also political gains. Having a vision of developing regional comparative advantage will compensate short term economic losses that could results from trade diversion, where commodities imported from another member state of an integration agreement can be higher than those imported from non-member state. However, state decisions that lead regions to achieve political and economic security should establish a solid industrial and agricultural base aside from vulnerable oil economies (Galal and Hoekman, 2003).

Before analyzing the potentiality of Arab economic integration, it is worth mentioning that states are responsible for developing their "dynamic" comparative advantages mainly through analyzing the industrial and agricultural bases and determining the local and regional comparative advantage in order to achieve economic growth and accordingly the targeted human development (Lin and Chang, 2009). The 1960s and 70s closed economic policies in many Arab countries have failed, not due the role of the state itself, but rather due to a lack of proper analysis of comparative advantage and rushing industrial capital intensive commodities, thus reaching negative economic results. In fact, these ISI policies have succeeded with other developmental states, such as China and the Asian tigers, namely South Korea, Hong Kong, Singapore, and Taiwan (Chang, 2008).

4.1 The Methodology procedures:

In order to assess the expected economic gains of Arab regional integration, this paper will run an economic simulation using the WITS software, particularly the SMART simulator. Through this simulation, I will analyze the impact of a tariff reform within the GAFTA members to assess the economic impact on trade variables, namely imports, exports, trade creation, and trade diversion. The main advantage of this "market access analysis" is the fact that it uses the actual tariff rates applied per country and the latest trade figures as reported by countries and saved on the databases of the WTO and the United Nations Conference on Trade and Development (UNCTAD)[5].

Before conducting the simulation, the following section will provide detailed analysis of GAFTA intra-imports and exports with a special focus on commodities. Table 10 and 11 will provide an analysis of GAFTA intra imports and exports.

Table 10: intra-GAFTA imports: breakdown by commodities (2005, million US$).

Imports	Food and live animals	Beverages And tobacco	Crude mater. except fuels	Fuels	Oils and fats	Chemicals	Manufactured products	Machinery and transp. equip.	Misc. manuf. articles	Non class. articles
Algeria	63.0	0.4	14.0	20.2	3.7	164.3	221.9	98.2	81.3	4.1
Bahrein	148.2	9.3	21.3	1708.3	8.9	98.2	225.2	167.7	69.4	30.3
Comoros	1.3	0.0	0.0	0.0	0.0	0.1	0.3	1.0	0.2	0.4
Djibouti	15.2	1.0	2.3	257.0	0.5	11.5	26.2	21.2	12.7	2.6

Egypt	130.2	6.0	78.8	1153.9	0.5	186.7	171.7	110.2	38.1	39.5
Iraq	299.8	156.3	13.3	357.4	104.3	189.2	312.8	372.6	111.2	34.1
Jordan	240.9	25.7	27.2	700.8	4.1	251.0	226.1	153.3	54.8	41.4
Kuwait	296.1	44.1	24.3	153.5	9.2	197.9	472.6	280.6	124.6	11.7
Lebanon	139.6	1.1	50.9	448.4	8.2	102.1	143.9	47.7	24.1	9.6
Lybia	181.2	13.8	9.6	3.7	56.7	110.1	279.6	165.7	125.2	34.4
Mauritania	6.8	2.9	0.5	17.0	0.9	5.2	23.1	8.2	6.2	0.5
Morocco	32.0	3.2	11.5	698.2	1.5	173.9	124.1	23.0	14.8	3.1
Oman	103.6	370.0	10.7	7.7	8.4	150.0	331.0	154.3	61.1	8.1
Qatar	161.8	13.5	44.1	6.8	8.6	98.7	266.7	202.3	65.1	22.0
Saudi Arabia	720.1	17.7	101.3	16.4	34.3	375.2	715.3	502.2	220.0	217.2
Somalia	50.3	7.2	3.8	1.6	5.4	14.7	32.7	22.1	20.9	0.3
Sudan	47.5	0.2	13.2	23.1	3.6	107.1	139.7	159.2	66.0	22.2
Syria	175.0	4.5	24.8	88.9	8.2	160.8	241.3	166.5	21.3	30.7
Tunisia	23.7	0.6	28.1	134.3	0.1	53.5	63.9	16.4	11.4	4.7
UAE	414.6	18.4	112.3	1235.4	51.0	913.7	808.1	710.4	306.9	1621.9
Yemen	98.4	7.6	7.6	181.6	2.5	77.1	159.3	104.1	55.3	22.9
Total (million US$)	3349.3	703.5	599.6	7214.2	320.6	3441.0	4985.5	3486.9	1490.6	2161.7
Total (%)	12.1%	2.5%	2.2%	26.0%	1.2%	12.4%	18.0%	12.6%	5.4%	7.8%

Source: United Nations (2007) as cited in Abedini and Péridy (2007)

Table11: intra-GAFTA exports: breakdown by commodities (2005, million US$).

Exports	Food and live animals	Beverages and tobacco	Crude mater. except fuels	Fuels	Oils and fats	Chemicals	Manufactured products	Machin. and transp. equip.	Misc. manuf. articles	Non class. articles
Algeria	10.5	0.6	10.1	786.8	7.0	27.1	62.9	21.1	2.0	0.0
Bahrein	21.3	9.3	80.6	0.5	0.4	35.7	472.8	122.7	32.8	4.3
Egypt	287.7	0.9	46.7	376.4	20.8	137.2	489.1	86.4	62.4	3.9
Iraq	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jordan	411.9	75.5	28.7	7.2	94.4	517.9	238.8	303.8	135.5	2.1
Kuwait	39.5	8.3	6.0	10.3	2.4	187.6	100.8	102.7	40.8	16.4
Lebanon	134.8	19.0	18.4	1.1	6.3	72.7	272.5	216.6	182.3	1.4
Lybia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mauritania	0.0	0.0	7.7	0.0	0.0	0.0	0.0	0.0	0.0	0.7
Morocco	128.5	2.8	24.0	15.7	1.0	79.0	94.1	14.7	14.5	0.0
Oman	266.6	16.7	47.0	111.0	73.2	105.3	294.9	201.7	86.2	928.1
Qatar	23.8	0.8	16.9	33.3	0.5	250.5	81.3	208.8	29.0	1085.2
Saudi Arabia	704.3	56.8	94.9	5126.8	40.2	1502.6	1491.6	890.5	260.1	2.4
Sudan	126.7	0.1	106.2	83.9	0.1	1.3	0.0	0.0	0.2	13.5
Syria	627.1	55.2	46.5	375.9	8.4	67.4	213.0	43.1	113.5	60.9
Tunisia	179.7	9.6	7.6	14.5	55.5	205.1	277.9	120.8	63.0	0.0
UAE	233.6	424.0	50.5	60.9	9.6	188.4	885.0	1082.1	461.9	42.8
Yemen	153.2	23.6	7.8	210.0	0.9	63.3	10.6	71.9	6.7	0.0
Total (millionUS$)	**3349.2**	**703.2**	**599.6**	**7214.3**	**320.7**	**3441.1**	**4985.3**	**3486.9**	**1490.9**	**2161.7**

Source: United Nations (2007) as cited in Abedini and Péridy (2007

Table 10 and 11 re-confirm that the GCC member states are the key members in Arab integration agreements. Yet, UAE represents a better oil-state model, since the UAE has developed the industrial and services sectors to sustain economic growth aside from the vulnerable oil sector. Before simulating the potential impact of the GAFTA on other non-oil sectors, such as chemicals, crude materials, food commodities, and other non-fuel products, it is worth mentioning that Egypt, Jordan, and Morocco have been the main non-oil exporting countries contributing to Arab intra-trade (WITS, 2015).

Table 12 highlights the most competitive non-oil commodities in Arab intra-trade. This table lists the most competitive commodities per selected country. Each country can develop its comparative advantages based on the listed commodities after an analysis to determine the needed labour and capital investment that are required to develop its comparative advantages. Having a regional vision that fosters economic specialization, where countries share their comparative advantages or even the potential economic sectors, can result in better intra-trade. Using the Harmonized System (HS) classification of the UNComtrade data, the commodities listed in able 12 can theoretically be a starting point, per country, to develop regional and global comparative advantage. Assessing market acceptance and investment creation possibilities remains the main challenge for each country. The removal of tariff barriers among the GAFTA members is only a tool to help foster intra-region trade so that they can compete in global markets. Sharing a Pan-Arab region vision has not developed the existing industrial and agricultural base. However, table 12 acts as a prescription or a starting point to develop other sustainable non-oil sectors in the GAFTA region.

Table 12

HS Chapter	Description	Export Growth Rate in %	Exporting Countries
89	Ships, boats and floating structures	137	Egypt
46	Manufactores of straw	127	Egypt
62	Articles of apparel and clothing acc-not knitted	117	Egypt
29	Organic chemicals	101	Egypt
51	Wool, fire or coarse animal hair	83	Egypt
63	Other made up textile articles;	82	Egypt
16	Prepration of meat	59	Egypt
18	Cocoa and cocoa preprations	49	Egypt
76	Aluminium and articles therof	45	Egypt
15	Animal or vegetable fats oils	771	Jordan
29	Organic chemicals	381	Jordan
12	Oil seeds and oleaginous fruits	145	Jordan
34	Soap	121	Jordan
9	Coffee, tea,mate and spices	116	Jordan
5	Products of animal origin	92	Jordan
11	Products of the milling industry	88	Jordan

39	Plastics and articels thereof	46	Jordan
62	Articles of apparel and clothing acc- not knitted	59	Jordan
11	Products of the milling industry	141	Lebanon
49	Printed books,newspapers	88	Lebanon
25	Salt;sulphur; earth and stone;	51	Lebanon
11	Products of the milling industry	434	Morocco
7	Edible vegetables	164	Morocco
20	Preprations of vegetables, fruit,nuts	125	Morocco
61	Articles of apparel and clothing accessories	60	Morocco
16	Prepration of meat	49	Morocco
88	Aircraft,spacecraft,and parts thereof	714	Saudi Arabia
78	Lead and articles thereof	242	Saudi Arabia
5	Products of animal origin	239	Saudi Arabia
75	Nickel and articles thereof	151	Saudi Arabia
95	Toys,games and sports requisites	136	Saudi Arabia
18	Cocoa and cocoa preprations	83	Saudi Arabia
74	Copper and articles thereof	216	Tunisia
17	Sugars and sugar confectionery	153	Tunisia
91	Clocks and watches and parts	143	Tunisia

	thereof		
11	Products of the milling industry	82	Tunisia
42	Articles of leather	80	Tunisia
89	Ships,boats and floating structures	53	Tunisia

Source: (WITS, 2015)

Before conducting the simulation, and in order to understand the existing tariff structure among Arab states, table 13 shows the latest existing tariff rates for GAFTA members as per the World Bank's indicators. These tariffs are similar to some countries of Latin America, for example Argentina (average of 6%), meanwhile, they are relatively higher than Northern states, where Australia, for example, has an average of tariff rate less than 1% (World Bank, 2014).

Table 13

	Most recent year	Primary products		Manufactured products	
		Simple mean tariff %	Weighted mean tariff %	Simple mean tariff %	Weighted mean tariff %
Algeria	..	14.5	7.75	14.15	8.94
Bahrain	2012	6.17	9.58	3.91	3.3
Egypt	2009	37.58	6.35	9.36	9.54
Kuwait	2012	3.75	3.67	4.44	4.47
Lebanon	..	8.15	5.03	5.16	5.07
Libya	..	0	0	0	0

Morocco	2012	13.19	5.24	3.67	2.18
Oman	2012	3.7	4.33	4.17	4.06
Qatar	2012	3.52	3.95	4.38	4.14
Saudi Arabia	2012	3.96	3.96	4.44	4.35
Syrian Arab Republic	..	6.48	6.12	6.69	6.13
UAE	2012	3.92	3.83	4.38	4
Yemen, Rep.	..	8.01	6.71	5.89	5.96

Source: World Bank, 2014

The applied simulation evaluates the impact of a 100% tariff removal for specific beneficiaries, which are the GAFTA members. The simulation applied a tariff removal on the following group products: agricultural products, agricultural raw materials, chemical products, food commodities, fuel products, manufactured commodities, petroleum commodities, textile products, transportation commodities, which include machinery and transportation equipment, and finally an aggregation of total non-oil commodities. The year 2009 was selected as base year since was the latest common year of data available for member states on the simulation database.

The results of the simulation have shown a zero change in exports in the case of oil-exporting countries as follows:

Partner Name	Commodity Group	Exports Before in 1000 USD	Exports After in 1000 USD	Exports Change In Revenue in 1000 USD
Algeria	Agriculture	3394.956	3394.956	0
Algeria	AgrRaw	1859.092	1859.092	0

Algeria	Chemical	166.148	166.148	0
Algeria	Food	1535.864	1535.864	0
Algeria	manuf	1998.571	1998.571	0
Algeria	NonOil	5393.527	5393.527	0
Algeria	OthrManf	1832.423	1832.423	0
Algeria	TotalNo95	5393.527	5393.527	0
Bahrain	Chemical	30986.10	30986.106	0
Bahrain	Food	138146.437	138146.437	0
Bahrain	manuf	383384.403	383384.403	0
Bahrain	NonOil	805872.667	805872.667	0
Bahrain	OresMtls	284341.827	284341.827	0
Bahrain	OthrManf	292684.944	292684.944	0
Bahrain	TotalNo95	805872.667	805872.667	0
Bahrain	Transp	59713.353	59713.353	0
Egypt	Food	387555.688	387555.688	0
Egypt	manuf	312184.197	312184.197	0
Egypt	NonOil	773700.319	773700.319	0
Egypt	OresMtls	73960.434	73960.434	0
Egypt	OthrManf	192488.135	192488.135	0
Egypt	TotalNo95	773700.319	773700.319	0
Egypt	Transp	119696.063	119696.063	0

Source: WITS, 2015

The previous table shows a sample of the result figures of the simulation for some GAFTA member countries when trading with the Saudi Arabia after a full removal of tariffs, which is the targeted tariff condition of the GAFTA and other Pan-Arab integration previous attempts. The lack of change in results was also evident in Kuwait, Bahrain, and United Arab Emirates for the previously mentioned product categories since oil-export countries originally have low tariffs (WITS, 2015).

As stated on the WITS website, the simulation outcomes provide useful insights on the shift of trade patterns given the change in bilateral and multilateral trade relations. Having a Pan-Arab trade agreement simulation shows some positive results for non-Gulf oil exporting countries, such as Morocco, Lebanon, and Egypt. For example, Egypt has a potential of increasing the exports to Algeria in case of removing tariff barriers. This increase in trade is a positive result of trade, yet, trade liberalization in itself is not the goal. Achieving the level of industrial competitiveness that can only be achieved through developing dynamic comparative advantages by the state is the mean to trade development, thus economic growth. Short term loses of tariff revenue should be compensated through the increase in trade volumes. The equality of the gains of trade will remain a challenge given the lack of democracy and institutional frameworks in most Arab states (Hudson, 1999). The following table shows the results of Algeria when removing tariffs with other GAFTA members:

Partner	Commodity Group	Exports Before in 1000 USD	Exports After in 1000 USD	Change in Rev in 1000 USD
Egypt	Agriculture	62961.854	62961.864	0.009

Egypt	AgrRaw	743.217	743.226	0.009
Egypt	Chemical	43070.666	43076.24	5.574
Egypt	Food	62218.637	62218.637	0
Egypt	Fuels	22829.168	22829.179	0.011
Egypt	Manuf	402941.096	402947.237	6.141
Egypt	NonOil	480064.238	480070.388	6.15
Egypt	OresMtls	14161.287	14161.288	0
Egypt	OthrManf	281225.115	281225.509	0.394
Egypt	PetrlPrd	3494.941	3494.952	0.011
Egypt	Textiles	4743.283	4743.316	0.034

It is very obvious that the change in exports before and after is very low compared to the expected results given the same language, geographical proximity, and other socio-economic factors that should increase trade volumes and values. Same slightly positive results appeared in the case of Morocco when removing the tariff barriers with other GAFTA members

Reporter Name	Partner Name	Commodity Group	Exports Before in 1000 USD	Export Change In Revenue in 1000 USD	Export Change In Revenue in 1000 USD
Morocco	Algeria	Agriculture	1603.806	1609.588	5.782
Morocco	Algeria	Chemical	2887.444	2887.445	0.001
Morocco	Algeria	Food	1603.806	1609.588	5.782

Morocco	Algeria	Fuels	692916.034	692916.034	0
Morocco	Algeria	manuf	12563.353	12563.354	0.001
Morocco	Algeria	NonOil	26177.081	26182.864	5.783
Morocco	Algeria	OresMtls	12009.921	12009.921	0
Morocco	Algeria	OthrManf	7968.152	7968.153	0
Morocco	Algeria	PetrlPrd	14999.925	14999.925	0
Morocco	Algeria	Textiles	3.666	3.666	0
Morocco	Algeria	TotalNo95	719093.115	719098.898	5.783
Morocco	Algeria	Transp	1707.757	1707.757	0
Morocco	Lebanon	Agriculture	1329.833	1329.962	0.129
Morocco	Lebanon	AgrRaw	761.947	761.975	0.028
Morocco	Lebanon	Chemical	3192.618	3193.814	1.196
Morocco	Lebanon	Food	567.886	567.987	0.101
Morocco	Lebanon	Fuels	1.886	1.886	0
Morocco	Lebanon	manuf	26887.672	26888.935	1.263
Morocco	Lebanon	NonOil	28282.372	28283.765	1.392
Morocco	Lebanon	OresMtls	64.867	64.867	0
Morocco	Lebanon	OthrManf	19870.699	19870.76	0.061
Morocco	Lebanon	PetrlPrd	1.886	1.886	0
Morocco	Lebanon	Textiles	39.079	39.079	0
Morocco	Lebanon	TotalNo95	28284.258	28285.651	1.392
Morocco	Lebanon	Transp	3824.355	3824.361	0.006
Morocco	Egypt	Agriculture	97277.437	97342.791	65.354

Morocco	Egypt	AgrRaw	1761.488	1762.543	1.055
Morocco	Egypt	Chemical	55155.883	55158.651	2.769
Morocco	Egypt	Food	95515.949	95580.248	64.299
Morocco	Egypt	Fuels	8545.944	8545.944	0
Morocco	Egypt	manuf	241980.371	242009.249	28.878
Morocco	Egypt	NonOil	372700.786	372795.018	94.232
Morocco	Egypt	OresMtls	33442.978	33442.978	0
Morocco	Egypt	OthrManf	142015.01	142017.614	2.604
Morocco	Egypt	PetrlPrd	8339.317	8339.317	0
Morocco	Egypt	Textiles	14966.335	14967.498	1.163
Morocco	Egypt	TotalNo95	380988.458	381082.69	94.232
Morocco	Egypt	Transp	44809.478	44832.983	23.505
Morocco	Emirates	Agriculture	26318.709	26364.756	46.046
Morocco	Emirates	AgrRaw	50.392	50.392	0
Morocco	Emirates	Chemical	29406.72	29410.863	4.143
Morocco	Emirates	Food	26268.317	26314.364	46.046
Morocco	Emirates	Fuels	4697.53	4697.53	0
Morocco	Emirates	manuf	111845.785	111852.841	7.056
Morocco	Emirates	NonOil	176410.94	176464.042	53.102
Morocco	Emirates	OresMtls	38246.446	38246.446	0
Morocco	Emirates	OthrManf	72119.405	72122.298	2.893
Morocco	Emirates	PetrlPrd	4697.53	4697.53	0
Morocco	Emirates	Textiles	7760.24	7761.442	1.202

Morocco	Emirates	TotalNo95	181072.1	181125.202	53.102
Morocco	Emirates	Transp	10319.66	10319.679	0.019

Source :(WITS, 2015)

All simulation results have shown a slight incremental increase in trade values in the case of non-oil export countries. The simulation was based on preferential trade conditions that segregate the price effect and existing trade relations with other non-GAFTA states. Therefore, the problem with the simulated incremental intra-Arab trade is the fact that they result from trade-diversion, where imports are shifted from a low-cost producing non member states to the member states, which produce same categories at higher cost (WITS, 2015). It is worth mentioning that the EU has been increasing the trade relation with Arab countries, especially the Mediterranean states since the 2000s (Momani, 2007). The simulation has reported a trade diversion which actually stems from the high production cost of Arab countries compared to Chinese commodities, which has a cost advantage that results from economies of scale and a solid industrial base, which has been developed by the Chinese developmental state (WITS, 2015; Chang, 2008). Moreover, it is worth mentioning that the removal of tariff barriers, even applied only for GAFTA members, will result in a loss of tariff revenues, especially in the non-oil exporting countries. However, since Arab intra-trade is significantly low, this tariff revenue loss on the short-term can be compensated by the increase in trade volumes on the long-term.

The following table shows the simulation results of Egypt taking Algeria as a partner country. Trade diversion results were highly evident in the case of Egypt, where Arab integration will cause a negative impact on the total trade.

Reporter	Partner Name	Product Code	Trade Total Effect in 1000 USD	Price Effect	Trade Creation Effect in 1000 USD	Trade Diversion Effect in 1000 USD
Egypt	Algeria	Fuels	-0.048	0	0	-0.048
Egypt	Algeria	manuf	-0.003	0	0	-0.003
Egypt	Algeria	NonOil	-0.003	0	0	-0.003
Egypt	Algeria	OresMtls	0	0	0	0
Egypt	Algeria	OthrManf	-0.003	0	0	-0.003
Egypt	Algeria	PetrlPrd	0	0	0	0
Egypt	Algeria	TotalNo95	-0.051	0	0	-0.051
Egypt	Algeria	Transp	0	0	0	0

Trade diversion results were also evident in the simulation of Egypt's trade with other GAFTA members as follows:

Reporter	Partner Country	Trade Diversion Effect in 1000 USD
Egypt	Morocco	-17.439
Egypt	Qatar	-0.156
Egypt	Tunisia	-0.802

Egypt	United Arab Emirates	-22.316
Egypt	Yemen	-0.317

*For further details regarding the data per country see the attached appendix.

The same negative total trade results were evident in the case of Morocco where applying the actual trade simulation given the existing trade volumes and multilateral agreements has also resulted in trade diversion as follows:

Partner Name	Product Code	Trade Total Effect in 1000 USD	Price Effect	Trade Creation Effect in 1000 USD	Trade Diversion Effect in 1000 USD
Egypt	Agriculture	-0.396	0	8.383	-8.779
Egypt	AgrRaw	0.098	0	0.124	-0.026
Egypt	Chemical	-0.458	0	0.185	-0.644
Egypt	Food	-0.495	0	8.259	-8.754
Egypt	Fuels	-0.113	0	0	-0.113
Egypt	manuf	-9.399	0	2.442	-11.841
Egypt	NonOil	-10.069	0	10.825	-20.894
Egypt	OresMtls	-0.274	0	0	-0.274
Egypt	OthrManf	-9.161	0	0.187	-9.348
Egypt	PetrlPrd	-0.109	0	0	-0.109
Egypt	Textiles	-0.907	0	0.074	-0.981
Egypt	TotalNo95	-10.154	0	10.825	-20.979
Egypt	Transp	0.22	0	2.07	-1.85

Algeria	Agriculture	0.638	0	0.425	0.213
Algeria	Chemical	-0.046	0	0	-0.046
Algeria	Food	0.638	0	0.425	0.213
Algeria	Fuels	-1.189	0	0	-1.189
Algeria	manuf	-0.155	0	0	-0.155
Algeria	NonOil	0.483	0	0.425	0.058
Algeria	OresMtls	0	0	0	0
Algeria	OthrManf	-0.107	0	0	-0.107
Algeria	PetrlPrd	-0.556	0	0	-0.556
Algeria	Textiles	0	0	0	0
Algeria	TotalNo95	-0.706	0	0.425	-1.131
Algeria	Transp	-0.002	0	0	-0.002
Jordan	Agriculture	0.575	0	0.336	0.24
Jordan	Chemical	-0.008	0	0.001	-0.009
Jordan	Food	0.575	0	0.336	0.24
Jordan	manuf	-0.137	0	0.296	-0.433
Jordan	NonOil	0.427	0	0.632	-0.205
Jordan	OresMtls	-0.012	0	0	-0.012
Jordan	OthrManf	-0.118	0	0.002	-0.12
Jordan	Textiles	-0.045	0	0	-0.046
Jordan	TotalNo95	0.427	0	0.632	-0.205
Jordan	Transp	-0.011	0	0.293	-0.304

Viner (1950) argues that trade diversion negatively impacts the economic welfare of the importing countries, which is the case of non-oil exporting countries in the case of the GAFTA's simulation. On the other hand, there are studies that argue that trade diversion can be beneficial of developing countries since they rely on tariff revenues as a part of their GDPs (Elkan, 1975). I argue that developing a solid industrial and agricultural base that is shaped through developmental state is the way to achieve economic growth. The state has to direct its resources, both labour and capital, towards achieving sustainable economic development, which can be enlarged through regional state agreements that can accept short term trade diversions to develop comparative advantages. Non-oil products have a potential of growth based on each state's comparative advantage, where the states are responsible for the development of their economies and taking the needed protection policies to achieve the targeted results.

5.Chapter 5: Conclusion, limitations, and future recommendations:

This thesis analyzed Arab integration legacy to determine the political and economic issues that have stinted past integration attempts. Arab countries are highly endowed by natural resources, particularly oil. However, the highly dependence on oil revenues have reduced the Arab incentives to develop their economies and establish a sustainable industrial and agricultural base. This dependency on oil resembles the "Dutch disease", yet, Holland as well as other European countries are highly endowed by natural resources, skilled labour, and well-established infrastructure. The lack of democracy and the dominance of corrupted dictatorships have also hindered the progress of development institutional frameworks that can manage and control economic development within Arab states. Arab integration has not yielded the targeted results given the large market size of Arab countries. Understanding the theoretical background behind regionalization provides useful tools that can help understand the poor status quo of Arab regional integration.

Several theories have discussed regionalization and international integration Agreements. The two main classification approaches in theorizing integration are the economic approach and the political science approach. The economic approach is mainly concerned with the analysis of the economic gains that accrue as a result of integration. The two dominant theories in the economic approach are the 'regional economic integration' and the 'optimal currency' theories. The regional economic integration theory which was founded by Bela Balassa (1962) analyzes the progression of economic interdependence among a number of states that starts with a preferential trade area,

followed by a free trade area, then custom union, common market and the last step is reaching a full economic and political union that witness and partial or full harmonization of law (Balassa, 1962). The 'optimal currency' theory emphasizes the socio-economic benefits that result to member states of an agreement when they use a common currency (Mundell, 1961). The Euro, in the case of the EU, serves as a good example, where the EU member states have witnessed stable exchange rates since they started using the Euro in the 1990s (Fielding and Shields, 2005).

The political science approach is mainly concerned with the governance of integration and the mechanism of achieving effectual integration. The main theories within the political science approach are functionalism, neofunctionalism, intergovernmentalism, and neoliberal institutionalism theories. I have argued that neoliberal institutionalism provides the best approach in analyzing regional integration since it emphasizes the state's role in achieving development both politically and economically. In fact, integration agreements are not only about economic gains but also long term political gains that can offset short term economic returns (Galal and Hoekman, 2003).

States are responsible for providing the needed infrastructure for trade, which is achieved through managing the state's resources (Chang, 2008). Developing local economies can only be achieved through state-centric actions that protect infant industries and engage in bilateral and multilateral trade relations that are based on an assessment of the state's comparative advantages. States are also responsible for governing the operations of the private sector through setting legislations that minimize

the negative externalities of the private sector, such as tax evasions, monopolistic moves, and labour exploitation (Fridell, 2008).

Neoclassical economists argue that 'free trade' is the only route to achieve economic growth. Such notions disguise the reality and historical evolvement of the economies of Northern states. In fact, the US and Europe have witnessed very high level of protectionism in their early stages of industrial development till they were able to achieve a level of competitiveness that enabled them to penetrate global markets and conquer other states that have not developed their comparative advantages. These notions also neglect the colonial history and its impact in destroying the local comparative advantages of many European colonies (See Chang 2008, Fridell, 2013).

International economic institutions such as the World Bank and the WTO are serving the hegemonic needs of larger economic powers, in particularly the US. Therefore, achieving successful intergovernmental integration agreements among states can help them build economic blocks that can have better negotiation capacities with these international institutions. The EU members, for examples, have collectively achieved more than what they could have achieved on individual state basis (Hosny, 2013).

Moreover, neoclassical economists measure development in terms of absolute economic growth, however, GDP growth is an element towards achieving real economic development that aims at enhancing the capabilities of human capital. Welfare states are responsible for improving the capabilities of people through providing them with the

needed access to education and health care services. In fact, such welfare policies are considered real investments that have very high returns since these calibers are the real tools towards achieving economic development (Sen, 1999). Arab states are responsible for achieving intergovernmental agreements that work for achieving economic growth that should be utilized by these states for economic and human development.

Since the 1950s Arab integration attempts have significantly increased in numbers especially after the establishment of the Arab league in 1945. Arab countries are suffering from high GDP discrepancy where rich oil-exporting petro states are reluctant to share oil returns in case of regional integration with other non-oil exporting states. There are several conditions that have hindered Arab integration. For example, Arab countries suffer from low complementarity indices, which emphasizes that Arab intra-trade capacities are relatively low especially due to similarities in their produced commodities (Saidi, 2003). This similarity stems from the colonial history that has directed the agricultural and industrial bases of their colonies to serve their needs without any development for their comparative advantages. These indices can only be improved through the diversity of Arab states' industrial bases, which results from developing their dynamic comparative advantages as proposed in table 12.

On the other hand, Arab countries share a number of factors that can increase the likelihood of regional integration attempts, such as the geographical proximity, which can significantly decrease the transactional and transportation costs. Also, from theoretical basis, Arab countries share a common language which improves trade operations on the

regional level (Wei, Shang-jin, 1996). Despite all the previously mentioned factors, Arab integration still remains on paper (Saidi, 2003).

Arab countries are also suffering from ineffectual supranationalism, where specialized supranational institutions are needed in order to enhance the scope and scale of integration. The inefficiency of these supranational institutions can be attributed to the limited number of employees and the lack of specialization as opposed to the EU. Arab integration cannot be compared to the EU which has a long history of social movements that has developed democratic institutional frameworks. The EU, for example, has a supranational legislative entity, which is the European parliament; an economic entity, namely the ECB and the counseling entity, which is the European Commission and Council. Arab countries have been relying on the Arab league with its economic council, yet, these entities have not been able to enforce integration agreements with the absence of compensations policies that can balance the economic gains among member states. Most Arab countries are ruled by corrupted rent seeking leaders, who lack a vision of integration that weights the expected long-term political economic gains against short term economic losses or compensations (Galal and Hoekman, 2003).

The EU, although all its current economic issues, provides several lessons to Arab countries in terms of integration, mainly in emphasizing the role of a regional leader that can motivate other member states towards the effective implementation of agreements' conditions (Fawzy, 2003).Arab social movements will take years to reach the targeted results towards democracy and achieve institutional frameworks that respond to the need of people through developing welfare states. The EU serves as good model in the area of

social spending as a percentage of GDP, especially in the areas of education and healthcare (European Report, 1997).

After reviewing Arab integration politics, in the third chapter of the thesis, the fourth chapter has provided an assessment of the structure of intra-Arab trade, on both intra-imports and intra-exports levels. Oil-exporting countries are suffering from a high dependence on oil as the largest contributor to their GDPs, where oil-exports represent an average of 85% of their total trade (WITS, 2015). The low contribution of non-oil exports is questioning the sustainability of the economic growth of these oil-exporting nations given the vulnerability of oil and the fact of scarcity of resources. On the development side also, oil sector is a capital intensive sector that employs limited number of labour, which are mainly foreign labour in the case of Gulf countries (Gulf research report, 2014). Gulf countries are witnessing an increase in unemployment rates and the developmental state must interfere through developing other sectors that can create the needed jobs (World Bank database, 2015).

There are four main lessons from this thesis. First, Arab integration, with all the existing economic and political obstacles, still has a potential that stems from the large Arab market size and diversity of economic resources. The GAFTA has been one of the most successful Arab integration attempts since it includes almost all Arab countries and was based on the rules of the Economic Unity agreement, which was signed in 1957. This agreement has listed 10 rules of intra-Arab integration listed in the second article of the agreement, mainly the unification if trade regulations, providing the needed infrastructure and the coordination of labor legislation to help the mobility of calibers among member

states (The Economic Unity Agreement, 2003). The GAFTA was able to increase intra-trade in the period of 1997 till 2005, however, Arab intraregional trade remains very low when compared to other regional agreements (Saidi, 2003).

Second, unless Arab countries develop their dynamic comparative advantages Arab countries integration will only result in trade diversion. Simulating a Pan-Arab trade agreement shows a negative aggregate trade impact since Pan-Arabism will create trade diversion. Scholars argue that trade diversion can have some benefits in case of countries that count on tariff revenues as a source of their national income. Arab states have to establish a solid industrial and agricultural based on competitive and comparative advantage per country. In fact, Arab states have a relative comparative advantage in some non-oil commodities. For example, Egypt and Jordan have a relative comparative advantage in food and chemicals; Morocco has a comparative advantage in food and agricultural commodities, and United Arab Emirates has been establishing a solid industrial base specialized in machinery and transportation equipment (WITS, 2015). Moreover, table 12, in chapter four, has listed some non-oil commodities that enjoy relatively high export growth rates, thus each Arab state has to identify a number of commodities that have a relative comparative advantage and start developing their competitiveness in a way that enable them to compete on a global level and benefit regional partners. Integration agreements should have a higher level of transparency in order to share a common vision that can help states to bear short-term losses as opposed to the targeted long-term gains, both economical and political.

Third, further integration agreements urges Arab states to develop the current supranational institutions or establish now economic, political and regional consulting supranational institutions that have 'real' authorities in managing and enforcing integration conditions. Without developmental states, integration agreements will provide no results but theoretical debates. Fourth, integration should not only consider absolute economic growth but also prioritize human development on top of the integration agenda since human development is the tool to sustainable economic development, where professional healthy labour capital can build and develop the needed solid industrial and agricultural base. I would like to end this argument and my thesis with a quote from Fridell (2013), as he sets the needed conditions for real economic development, which will also apply to the conditions of future Arab integration agreements, where he emphasizes that "the state has been made to act differently in the past, under the right historical conditions, and it can be made to act different in the future (Fridell, 2013, p. 135).

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Appendix

Nomencode	ReporterName	PartnerName	Product Code	ExportsBefore in 1000 USD	Exports After in 1000 USD	Export Change In Revenue in 1000 USD
S1	Algeria	Iraq	Agriculture	160.329	160.329	0
S1	Algeria	Iraq	Food	160.329	160.329	0
S1	Algeria	Iraq	manuf	0.481	0.482	0.001
S1	Algeria	Iraq	NonOil	160.81	160.811	0.001
S1	Algeria	Iraq	TotalNo95	160.81	160.811	0.001
S1	Algeria	Iraq	Transp	0.481	0.482	0.001
S1	Algeria	Bahrain	Chemical	1.478	1.478	0
S1	Algeria	Bahrain	manuf	5356.871	5356.871	0
S1	Algeria	Bahrain	NonOil	14113.16	14113.16	0
S1	Algeria	Bahrain	OresMtls	8756.285	8756.285	0
S1	Algeria	Bahrain	OthrManf	76.017	76.017	0
S1	Algeria	Bahrain	TotalNo95	14113.16	14113.16	0
S1	Algeria	Bahrain	Transp	5279.376	5279.376	0
S1	Algeria	Kuwait	Agriculture	26.037	26.037	0
S1	Algeria	Kuwait	Chemical	6312.486	6312.486	0
S1	Algeria	Kuwait	Food	26.037	26.037	0
S1	Algeria	Kuwait	manuf	6937.665	6937.665	0
S1	Algeria	Kuwait	NonOil	6995.583	6995.583	0
S1	Algeria	Kuwait	OresMtls	31.881	31.881	0
S1	Algeria	Kuwait	OthrManf	622.938	622.938	0
S1	Algeria	Kuwait	Textiles	0.644	0.644	0
S1	Algeria	Kuwait	TotalNo9	6995.583	6995.58	0

				5		3	
S1	Algeria	Kuwait	Transp	2.241	2.241	0
S1	Algeria	Qatar	Chemical	6805.399	6805.399	0
S1	Algeria	Qatar	Fuels	78.128	78.128	0
S1	Algeria	Qatar	manuf	6831.412	6831.412	0
S1	Algeria	Qatar	NonOil	6831.412	6831.412	0
S1	Algeria	Qatar	OthrManf	19.4	19.4	0
S1	Algeria	Qatar	PetrlPrd	78.128	78.128	0
S1	Algeria	Qatar	Textiles	19.372	19.372	0
S1	Algeria	Qatar	TotalNo95	6909.54	6909.54	0
S1	Algeria	Qatar	Transp	6.613	6.613	0
S1	Algeria	Lebanon	Agriculture	2523.115	2523.925	0.81
S1	Algeria	Lebanon	AgrRaw	166.698	166.74	0.042
S1	Algeria	Lebanon	Chemical	1739.293	1739.293	0
S1	Algeria	Lebanon	Food	2356.417	2357.185	0.768
S1	Algeria	Lebanon	Fuels	0.284	0.284	0
S1	Algeria	Lebanon	manuf	93104.72	93104.73	0.007
S1	Algeria	Lebanon	NonOil	95656.26	95657.08	0.817
S1	Algeria	Lebanon	OresMtls	28.426	28.426	0
S1	Algeria	Lebanon	OthrManf	45519.62	45519.62	0
S1	Algeria	Lebanon	PetrlPrd	0.284	0.284	0
S1	Algeria	Lebanon	Textiles	1079.695	1079.695	0
S1	Algeria	Lebanon	TotalNo95	95656.55	95657.36	0.817
S1	Algeria	Lebanon	Transp	45845.81	45845.81	0.007
S1	Algeria	Libya	Agriculture	25.572	25.572	0
S1	Algeria	Libya	Chemical	354.229	354.229	0
S1	Algeria	Libya	Food	25.572	25.572	0
S1	Algeria	Libya	Fuels	0.39	0.39	0

S1	Algeria	Libya	manuf	761.953	761.953	0
S1	Algeria	Libya	NonOil	787.525	787.525	0
S1	Algeria	Libya	OthrManf	387.538	387.538	0
S1	Algeria	Libya	PetrlPrd	0.39	0.39	0
S1	Algeria	Libya	Textiles	9.554	9.554	0
S1	Algeria	Libya	TotalNo95	787.915	787.915	0
S1	Algeria	Libya	Transp	20.186	20.186	0
S1	Algeria	Saudi Arabia	Agriculture	5821.433	5821.433	0
S1	Algeria	Saudi Arabia	AgrRaw	40.902	40.902	0
S1	Algeria	Saudi Arabia	Chemical	113315.8	113319.4	3.565
S1	Algeria	Saudi Arabia	Food	5780.531	5780.531	0
S1	Algeria	Saudi Arabia	Fuels	2752.814	2754.039	1.225
S1	Algeria	Saudi Arabia	manuf	159647.2	159651.5	4.258
S1	Algeria	Saudi Arabia	NonOil	166510	166514.3	4.267
S1	Algeria	Saudi Arabia	OresMtls	1041.372	1041.381	0.009
S1	Algeria	Saudi Arabia	OthrManf	35558.62	35559.3	0.678
S1	Algeria	Saudi Arabia	PetrlPrd	2733.863	2735.088	1.225
S1	Algeria	Saudi Arabia	Textiles	5917.814	5917.814	0
S1	Algeria	Saudi Arabia	TotalNo95	169262.8	169268.3	5.491
S1	Algeria	Saudi Arabia	Transp	10772.76	10772.78	0.015
S1	Algeria	Jordan	Agriculture	6961.075	6961.087	0.012
S1	Algeria	Jordan	AgrRaw	14.241	14.253	0.012
S1	Algeria	Jordan	Chemical	101643.7	101643.7	-0.011
S1	Algeria	Jordan	Food	6946.834	6946.834	0
S1	Algeria	Jordan	Fuels	0.172	0.172	0
S1	Algeria	Jordan	manuf	116070.5	116070.6	0.132

S1	Algeria	Jordan	NonOil	123859.2	123859.3	0.144
S1	Algeria	Jordan	OresMtls	827.606	827.606	0
S1	Algeria	Jordan	OthrManf	10675.58	10675.58	0
S1	Algeria	Jordan	PetrlPrd	0.172	0.172	0
S1	Algeria	Jordan	Textiles	1690.775	1690.775	0
S1	Algeria	Jordan	TotalNo95	123859.4	123859.5	0.144
S1	Algeria	Jordan	Transp	3751.2	3751.343	0.143
S1	Algeria	Morocco	Agriculture	20581.68	20581.87	0.191
S1	Algeria	Morocco	AgrRaw	245.322	245.322	0
S1	Algeria	Morocco	Chemical	39976.1	39976.15	0.05
S1	Algeria	Morocco	Food	20336.36	20336.55	0.191
S1	Algeria	Morocco	Fuels	2971.526	2971.526	0
S1	Algeria	Morocco	manuf	92282.4	92282.51	0.104
S1	Algeria	Morocco	NonOil	120194.1	120194.5	0.361
S1	Algeria	Morocco	OresMtls	7330.065	7330.131	0.066
S1	Algeria	Morocco	OthrManf	30963.64	30963.65	0.006
S1	Algeria	Morocco	PetrlPrd	2971.526	2971.526	0
S1	Algeria	Morocco	Textiles	3399.73	3399.73	0
S1	Algeria	Morocco	TotalNo95	123165.7	123166	0.361
S1	Algeria	Morocco	Transp	21342.66	21342.71	0.048
S1	Algeria	United Arab Emirates	Agriculture	7593.786	7593.786	0
S1	Algeria	United Arab Emirates	AgrRaw	39.613	39.613	0
S1	Algeria	United Arab Emirates	Chemical	13318.39	13319.4	1.011
S1	Algeria	United Arab Emirates	Food	7554.173	7554.173	0

S1	Algeria	United Arab Emirates	Fuels	6138.091	6138.112	0.021
S1	Algeria	United Arab Emirates	manuf	70564.23	70566.99	2.765
S1	Algeria	United Arab Emirates	NonOil	85466.85	85469.62	2.765
S1	Algeria	United Arab Emirates	OresMtls	7308.841	7308.841	0
S1	Algeria	United Arab Emirates	OthrManf	32417.85	32418.42	0.569
S1	Algeria	United Arab Emirates	PetrlPrd	6138.091	6138.112	0.021
S1	Algeria	United Arab Emirates	Textiles	1291.757	1291.757	0
S1	Algeria	United Arab Emirates	TotalNo95	91604.94	91607.73	2.786
S1	Algeria	United Arab Emirates	Transp	24831.37	24832.55	1.186
S1	Algeria	Oman	Agriculture	785.246	785.246	0
S1	Algeria	Oman	Chemical	2431.308	2431.308	0
S1	Algeria	Oman	Food	785.246	785.246	0
S1	Algeria	Oman	manuf	3810.759	3810.759	0
S1	Algeria	Oman	NonOil	4596.005	4596.005	0
S1	Algeria	Oman	OthrManf	806.904	806.904	0
S1	Algeria	Oman	TotalNo95	4596.005	4596.005	0
S1	Algeria	Oman	Transp	572.547	572.547	0
S1	Algeria	Syrian Arab Republic	Agriculture	13168.29	13168.31	0.02
S1	Algeria	Syrian Arab Republic	AgrRaw	4915.523	4915.543	0.02
S1	Algeria	Syrian Arab Republic	Chemical	9732.894	9732.901	0.007
S1	Algeria	Syrian Arab Republic	Food	8252.771	8252.771	0
S1	Algeria	Syrian Arab Republic	Fuels	3503.587	3504.11	0.524
S1	Algeria	Syrian Arab Republic	manuf	45702.79	45702.88	0.09
S1	Algeria	Syrian Arab	NonOil	59276.99	59277.1	0.11

		Republic				
S1	Algeria	Syrian Arab Republic	OresMtls	405.912	405.912	0
S1	Algeria	Syrian Arab Republic	OthrManf	27549.76	27549.83	0.073
S1	Algeria	Syrian Arab Republic	PetrlPrd	3443.144	3443.667	0.524
S1	Algeria	Syrian Arab Republic	Textiles	25209.05	25209.05	0
S1	Algeria	Syrian Arab Republic	TotalNo95	62776.15	62776.79	0.633
S1	Algeria	Syrian Arab Republic	Transp	8420.133	8420.142	0.009
S1	Algeria	Yemen	Agriculture	452.641	452.641	0
S1	Algeria	Yemen	AgrRaw	11.498	11.498	0
S1	Algeria	Yemen	Food	441.143	441.143	0
S1	Algeria	Yemen	manuf	18.188	18.188	0
S1	Algeria	Yemen	NonOil	470.829	470.829	0
S1	Algeria	Yemen	OthrManf	0.907	0.907	0
S1	Algeria	Yemen	TotalNo95	470.829	470.829	0
S1	Algeria	Yemen	Transp	17.281	17.281	0
S1	Algeria	Egypt, Arab Rep.	Agriculture	62961.85	62961.86	0.009
S1	Algeria	Egypt, Arab Rep.	AgrRaw	743.217	743.226	0.009
S1	Algeria	Egypt, Arab Rep.	Chemical	43070.67	43076.24	5.574
S1	Algeria	Egypt, Arab Rep.	Food	62218.64	62218.64	0
S1	Algeria	Egypt, Arab Rep.	Fuels	22829.17	22829.18	0.011
S1	Algeria	Egypt, Arab Rep.	manuf	402941.1	402947.2	6.141
S1	Algeria	Egypt, Arab Rep.	NonOil	480064.2	480070.4	6.15
S1	Algeria	Egypt, Arab Rep.	OresMtls	14161.29	14161.29	0
S1	Algeria	Egypt, Arab Rep.	OthrManf	281225.1	281225.5	0.394
S1	Algeria	Egypt, Arab Rep.	PetrlPrd	3494.941	3494.952	0.011
S1	Algeria	Egypt, Arab Rep.	Textiles	4743.283	4743.31	0.034

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S1	Algeria	Egypt, Arab Rep.	TotalNo95	502833.9	502840.1	6.162
S1	Algeria	Egypt, Arab Rep.	Transp	78645.32	78645.49	0.173

Egypt Trade Diversion Analysis

Reporter Name	PartnerName	Product Code	TradeTotalEffect in 1000 USD		TradeCreationEffect in 1000 USD	TradeDiversionEffect in 1000 USD
Egypt, Arab Rep.	Lebanon	Agriculture	-0.311		0	-0.311
Egypt, Arab Rep.	Lebanon	AgrRaw	0		0	0
Egypt, Arab Rep.	Lebanon	Chemical	-0.037		0	-0.037
Egypt, Arab Rep.	Lebanon	Food	-0.311		0	-0.311
Egypt, Arab Rep.	Lebanon	Fuels	0		0	0
Egypt, Arab Rep.	Lebanon	manuf	-0.292		0	-0.292
Egypt, Arab Rep.	Lebanon	NonOil	-0.606		0	-0.606
Egypt, Arab Rep.	Lebanon	OresMtls	-0.003		0	-0.003
Egypt, Arab Rep.	Lebanon	OthrManf	-0.13		0	-0.13
Egypt, Arab Rep.	Lebanon	Textiles	-0.027		0	-0.027
Egypt, Arab Rep.	Lebanon	TotalNo95	-0.607		0	-0.607
Egypt, Arab Rep.	Lebanon	Transp	-0.125		0	-0.125
Egypt, Arab Rep.	Libya	Agriculture	-0.011		0	-0.011

Egypt, Arab Rep.	Libya	AgrRaw	0		0	0
Egypt, Arab Rep.	Libya	Chemical	0		0	0
Egypt, Arab Rep.	Libya	Food	-0.011		0	-0.011
Egypt, Arab Rep.	Libya	Fuels	-0.014		0	-0.014
Egypt, Arab Rep.	Libya	manuf	-0.066		0	-0.066
Egypt, Arab Rep.	Libya	NonOil	-0.077		0	-0.077
Egypt, Arab Rep.	Libya	OresMtls	0		0	0
Egypt, Arab Rep.	Libya	OthrManf	-0.062		0	-0.062
Egypt, Arab Rep.	Libya	Textiles	-0.004		0	-0.004
Egypt, Arab Rep.	Libya	TotalNo95	-0.09		0	-0.09
Egypt, Arab Rep.	Libya	Transp	-0.003		0	-0.003
Egypt, Arab Rep.	Algeria	Agriculture	0		0	0
Egypt, Arab Rep.	Algeria	AgrRaw	0		0	0
Egypt, Arab Rep.	Algeria	Chemical	0		0	0
Egypt, Arab Rep.	Algeria	Food	0		0	0
Egypt, Arab Rep.	Algeria	Fuels	-0.048		0	-0.048
Egypt, Arab Rep.	Algeria	manuf	-0.003		0	-0.003
Egypt, Arab Rep.	Algeria	NonOil	-0.003		0	-0.003
Egypt, Arab Rep.	Algeria	OresMtls	0		0	0
Egypt, Arab Rep.	Algeria	OthrManf	-0.003		0	-0.003
Egypt, Arab Rep.	Algeria	PetrlPrd	0		0	0
Egypt, Arab Rep.	Algeria	TotalNo95	-0.051		0	-0.051
Egypt,	Algeria	Transp	0		0	0

Arab Rep.						
Egypt, Arab Rep.	Bahrain	Agriculture	-0.001		0	-0.001
Egypt, Arab Rep.	Bahrain	AgrRaw	0		0	0
Egypt, Arab Rep.	Bahrain	Chemical	0		0	0
Egypt, Arab Rep.	Bahrain	Food	-0.001		0	-0.001
Egypt, Arab Rep.	Bahrain	Fuels	-0.002		0	-0.002
Egypt, Arab Rep.	Bahrain	manuf	-0.127		0	-0.127
Egypt, Arab Rep.	Bahrain	Miscl	0		0	0
Egypt, Arab Rep.	Bahrain	NonOil	-0.173		0	-0.173
Egypt, Arab Rep.	Bahrain	OresMtls	-0.044		0	-0.044
Egypt, Arab Rep.	Bahrain	OthrManf	-0.025		0	-0.025
Egypt, Arab Rep.	Bahrain	Textiles	-0.003		0	-0.003
Egypt, Arab Rep.	Bahrain	TotalNo95	-0.175		0	-0.175
Egypt, Arab Rep.	Bahrain	Transp	-0.102		0	-0.102
Egypt, Arab Rep.	Iraq	Agriculture	0		0	0
Egypt, Arab Rep.	Iraq	AgrRaw	0		0	0
Egypt, Arab Rep.	Iraq	Chemical	-0.001		0	-0.001
Egypt, Arab Rep.	Iraq	Food	0		0	0
Egypt, Arab Rep.	Iraq	manuf	-0.005		0	-0.005
Egypt, Arab Rep.	Iraq	NonOil	-0.005		0	-0.005
Egypt, Arab Rep.	Iraq	OthrManf	-0.002		0	-0.002
Egypt, Arab Rep.	Iraq	Textiles	-0.002		0	-0.002
Egypt, Arab Rep.	Iraq	TotalNo95	-0.005		0	-0.005

Egypt, Arab Rep.	Iraq	Transp	-0.002		0	-0.002
Egypt, Arab Rep.	Jordan	Agriculture	-0.063		0	-0.063
Egypt, Arab Rep.	Jordan	AgrRaw	-0.01		0	-0.01
Egypt, Arab Rep.	Jordan	Chemical	-0.02		0	-0.02
Egypt, Arab Rep.	Jordan	Food	-0.053		0	-0.053
Egypt, Arab Rep.	Jordan	Fuels	0		0	0
Egypt, Arab Rep.	Kuwait	Agriculture	-0.005		0	-0.005
Egypt, Arab Rep.	Kuwait	AgrRaw	0		0	0
Egypt, Arab Rep.	Kuwait	Chemical	-0.007		0	-0.007
Egypt, Arab Rep.	Kuwait	Food	-0.005		0	-0.005
Egypt, Arab Rep.	Kuwait	Fuels	-0.029		0	-0.029
Egypt, Arab Rep.	Kuwait	manuf	-0.077		0	-0.077
Egypt, Arab Rep.	Kuwait	Miscl	0		0	0
Egypt, Arab Rep.	Kuwait	NonOil	-0.082		0	-0.082
Egypt, Arab Rep.	Kuwait	OresMtls	-0.001		0	-0.001
Egypt, Arab Rep.	Kuwait	OthrManf	-0.066		0	-0.066
Egypt, Arab Rep.	Kuwait	PetrlPrd	-0.029		0	-0.029
Egypt, Arab Rep.	Kuwait	Textiles	-0.001		0	-0.001
Egypt, Arab Rep.	Kuwait	TotalNo95	-0.111		0	-0.111
Egypt, Arab Rep.	Kuwait	Transp	-0.004		0	-0.004
Egypt, Arab Rep.	Qatar	Agriculture	0		0	0
Egypt, Arab Rep.	Qatar	AgrRaw	0		0	0
Egypt,	Qatar	Chemic	0		0	0

Arab Rep.		al				
Egypt, Arab Rep.	Qatar	Food	0		0	0
Egypt, Arab Rep.	Qatar	manuf	-0.02		0	-0.02
Egypt, Arab Rep.	Qatar	Miscl	0		0	0
Egypt, Arab Rep.	Qatar	NonOil	-0.02		0	-0.02
Egypt, Arab Rep.	Qatar	OresMtls	0		0	0
Egypt, Arab Rep.	Qatar	OthrManf	-0.014		0	-0.014
Egypt, Arab Rep.	Qatar	Textiles	0		0	0
Egypt, Arab Rep.	Qatar	TotalNo95	-0.02		0	-0.02
Egypt, Arab Rep.	Qatar	Transp	-0.005		0	-0.005
Egypt, Arab Rep.	Morocco	Agriculture	-0.92		0	-0.92
Egypt, Arab Rep.	Morocco	AgrRaw	0		0	0
Egypt, Arab Rep.	Morocco	Chemical	0		0	0
Egypt, Arab Rep.	Morocco	Food	-0.92		0	-0.92
Egypt, Arab Rep.	Morocco	manuf	-1.256		0	-1.256
Egypt, Arab Rep.	Morocco	NonOil	-2.178		0	-2.178
Egypt, Arab Rep.	Morocco	OresMtls	-0.002		0	-0.002
Egypt, Arab Rep.	Morocco	OthrManf	-0.023		0	-0.023
Egypt, Arab Rep.	Morocco	Textiles	-0.016		0	-0.016
Egypt, Arab Rep.	Morocco	TotalNo95	-2.178		0	-2.178
Egypt, Arab Rep.	Morocco	Transp	-1.232		0	-1.232
Egypt, Arab Rep.	Oman	Agriculture	-0.043		0	-0.043
Egypt, Arab Rep.	Oman	AgrRaw	0		0	0

Egypt, Arab Rep.	Oman	Chemical	-0.026		0	-0.026
Egypt, Arab Rep.	Oman	Food	-0.043		0	-0.043
Egypt, Arab Rep.	Oman	Fuels	-0.014		0	-0.014
Egypt, Arab Rep.	Oman	manuf	-0.062		0	-0.062
Egypt, Arab Rep.	Oman	NonOil	-0.109		0	-0.109
Egypt, Arab Rep.	Oman	OresMtls	-0.004		0	-0.004
Egypt, Arab Rep.	Oman	OthrManf	-0.016		0	-0.016
Egypt, Arab Rep.	Oman	PetrlPrd	-0.014		0	-0.014
Egypt, Arab Rep.	Oman	Textiles	-0.001		0	-0.001
Egypt, Arab Rep.	Oman	TotalNo95	-0.123		0	-0.123
Egypt, Arab Rep.	Oman	Transp	-0.02		0	-0.02
Egypt, Arab Rep.	Jordan	manuf	-0.44		0	-0.44
Egypt, Arab Rep.	Jordan	NonOil	-0.504		0	-0.504
Egypt, Arab Rep.	Jordan	OresMtls	-0.001		0	-0.001
Egypt, Arab Rep.	Jordan	OthrManf	-0.24		0	-0.24
Egypt, Arab Rep.	Jordan	Textiles	-0.075		0	-0.075
Egypt, Arab Rep.	Jordan	TotalNo95	-0.504		0	-0.504
Egypt, Arab Rep.	Jordan	Transp	-0.18		0	-0.18
Egypt, Arab Rep.	Saudi Arabia	Agriculture	-0.226		0	-0.226
Egypt, Arab Rep.	Saudi Arabia	AgrRaw	-0.001		0	-0.001
Egypt, Arab Rep.	Saudi Arabia	Chemical	-0.356		0	-0.356
Egypt, Arab Rep.	Saudi Arabia	Food	-0.225		0	-0.225
Egypt,	Saudi Arabia	Fuels	-0.412		0	-0.412

Egypt, Arab Rep.					
Egypt, Arab Rep.	Saudi Arabia	manuf	-3.076	0	-3.076
Egypt, Arab Rep.	Saudi Arabia	Miscl	0	0	0
Egypt, Arab Rep.	Saudi Arabia	NonOil	-3.31	0	-3.31
Egypt, Arab Rep.	Saudi Arabia	OresMtls	-0.008	0	-0.008
Egypt, Arab Rep.	Saudi Arabia	OthrManf	-0.992	0	-0.992
Egypt, Arab Rep.	Saudi Arabia	PetrlPrd	-0.354	0	-0.354
Egypt, Arab Rep.	Saudi Arabia	Textiles	-0.304	0	-0.304
Egypt, Arab Rep.	Saudi Arabia	TotalNo95	-3.721	0	-3.721
Egypt, Arab Rep.	Saudi Arabia	Transp	-1.728	0	-1.728
Egypt, Arab Rep.	Syrian Arab Republic	Agriculture	-1.789	0	-1.789
Egypt, Arab Rep.	Syrian Arab Republic	AgrRaw	-0.002	0	-0.002
Egypt, Arab Rep.	Syrian Arab Republic	Chemical	-0.135	0	-0.135
Egypt, Arab Rep.	Syrian Arab Republic	Food	-1.787	0	-1.787
Egypt, Arab Rep.	Syrian Arab Republic	Fuels	0	0	0
Egypt, Arab Rep.	Syrian Arab Republic	manuf	-1.154	0	-1.154
Egypt, Arab Rep.	Syrian Arab Republic	NonOil	-2.959	0	-2.959
Egypt, Arab Rep.	Syrian Arab Republic	OresMtls	-0.016	0	-0.016
Egypt, Arab Rep.	Syrian Arab Republic	OthrManf	-0.758	0	-0.758
Egypt, Arab Rep.	Syrian Arab Republic	PetrlPrd	0	0	0
Egypt, Arab Rep.	Syrian Arab Republic	Textiles	-0.668	0	-0.668
Egypt, Arab Rep.	Syrian Arab Republic	TotalNo95	-2.959	0	-2.959
Egypt, Arab Rep.	Syrian Arab Republic	Transp	-0.261	0	-0.261

Egypt, Arab Rep.	Yemen	Agriculture	-0.01		0	-0.01
Egypt, Arab Rep.	Yemen	AgrRaw	0		0	0
Egypt, Arab Rep.	Yemen	Chemical	0		0	0
Egypt, Arab Rep.	Yemen	Food	-0.01		0	-0.01
Egypt, Arab Rep.	Yemen	Fuels	-0.034		0	-0.034
Egypt, Arab Rep.	Yemen	manuf	-0.005		0	-0.005
Egypt, Arab Rep.	Yemen	NonOil	-0.014		0	-0.014
Egypt, Arab Rep.	Yemen	OresMtls	0		0	0
Egypt, Arab Rep.	Yemen	OthrManf	-0.001		0	-0.001
Egypt, Arab Rep.	Yemen	PetrlPrd	-0.034		0	-0.034
Egypt, Arab Rep.	Yemen	Textiles	0		0	0
Egypt, Arab Rep.	Yemen	TotalNo95	-0.048		0	-0.048
Egypt, Arab Rep.	Yemen	Transp	-0.004		0	-0.004
Egypt, Arab Rep.	United Arab Emirates	Agriculture	-0.806		0	-0.806
Egypt, Arab Rep.	United Arab Emirates	AgrRaw	-0.003		0	-0.003
Egypt, Arab Rep.	United Arab Emirates	Chemical	-0.373		0	-0.373
Egypt, Arab Rep.	United Arab Emirates	Food	-0.803		0	-0.803
Egypt, Arab Rep.	United Arab Emirates	Fuels	0		0	0
Egypt, Arab Rep.	United Arab Emirates	manuf	-1.846		0	-1.846
Egypt, Arab Rep.	United Arab Emirates	Miscl	0		0	0
Egypt, Arab Rep.	United Arab Emirates	NonOil	-2.697		0	-2.697
Egypt, Arab Rep.	United Arab Emirates	OresMtls	-0.045		0	-0.045
Egypt,	United Arab	OthrMa	-1.095		0	-1.095

Arab Rep.	**Emirates**	**nf**				
Egypt, Arab Rep.	**United Arab Emirates**	**PetrlPrd**	**0**		**0**	**0**
Egypt, Arab Rep.	**United Arab Emirates**	**Textiles**	**-0.443**		**0**	**-0.443**
Egypt, Arab Rep.	**United Arab Emirates**	**TotalNo95**	**-2.697**		**0**	**-2.697**
Egypt, Arab Rep.	**United Arab Emirates**	**Transp**	**-0.378**		**0**	**-0.378**
Egypt, Arab Rep.	**Tunisia**	**Agriculture**	**-0.017**		**0**	**-0.017**
Egypt, Arab Rep.	**Tunisia**	**AgrRaw**	**0**		**0**	**0**
Egypt, Arab Rep.	**Tunisia**	**Chemical**	**-0.008**		**0**	**-0.008**
Egypt, Arab Rep.	**Tunisia**	**Food**	**-0.017**		**0**	**-0.017**
Egypt, Arab Rep.	**Tunisia**	**Fuels**	**0**		**0**	**0**
Egypt, Arab Rep.	**Tunisia**	**manuf**	**-0.077**		**0**	**-0.077**
Egypt, Arab Rep.	**Tunisia**	**NonOil**	**-0.095**		**0**	**-0.095**
Egypt, Arab Rep.	**Tunisia**	**OresMtls**	**0**		**0**	**0**
Egypt, Arab Rep.	**Tunisia**	**OthrManf**	**-0.064**		**0**	**-0.064**
Egypt, Arab Rep.	**Tunisia**	**PetrlPrd**	**0**		**0**	**0**
Egypt, Arab Rep.	**Tunisia**	**Textiles**	**-0.027**		**0**	**-0.027**
Egypt, Arab Rep.	**Tunisia**	**TotalNo95**	**-0.094**		**0**	**-0.094**
Egypt, Arab Rep.	**Tunisia**	**Transp**	**-0.005**		**0**	**-0.005**

Saudi Arabia Null impact

ReporterName	PartnerName	ProductCode	ExportsBefore in 1000 USD	ExportsAfter in 1000 USD	ExportChangeInRevenue in 1000 USD
Saudi Arabia	Algeria	Agriculture	3394.956	3394.956	0
Saudi Arabia	Algeria	AgrRaw	1859.092	1859.092	0
Saudi Arabia	Algeria	Chemical	166.148	166.148	0

Saudi Arabia	Algeria	Food	1535.864	1535.864	0
Saudi Arabia	Algeria	manuf	1998.571	1998.571	0
Saudi Arabia	Algeria	NonOil	5393.527	5393.527	0
Saudi Arabia	Algeria	OthrManf	1832.423	1832.423	0
Saudi Arabia	Algeria	TotalNo95	5393.527	5393.527	0
Saudi Arabia	Bahrain	Agriculture	138146.4	138146.4	0
Saudi Arabia	Bahrain	Chemical	30986.11	30986.11	0
Saudi Arabia	Bahrain	Food	138146.4	138146.4	0
Saudi Arabia	Bahrain	manuf	383384.4	383384.4	0
Saudi Arabia	Bahrain	NonOil	805872.7	805872.7	0
Saudi Arabia	Bahrain	OresMtls	284341.8	284341.8	0
Saudi Arabia	Bahrain	OthrManf	292684.9	292684.9	0
Saudi Arabia	Bahrain	TotalNo95	805872.7	805872.7	0
Saudi Arabia	Bahrain	Transp	59713.35	59713.35	0
Saudi Arabia	Egypt, Arab Rep.	Agriculture	387555.7	387555.7	0
Saudi Arabia	Egypt, Arab Rep.	Food	387555.7	387555.7	0
Saudi Arabia	Egypt, Arab Rep.	manuf	312184.2	312184.2	0
Saudi Arabia	Egypt, Arab Rep.	NonOil	773700.3	773700.3	0
Saudi Arabia	Egypt, Arab Rep.	OresMtls	73960.43	73960.43	0
Saudi Arabia	Egypt, Arab Rep.	OthrManf	192488.1	192488.1	0
Saudi Arabia	Egypt, Arab Rep.	TotalNo95	773700.3	773700.3	0
Saudi Arabia	Egypt, Arab Rep.	Transp	119696.1	119696.1	0
Saudi Arabia	Jordan	Agriculture	17352.41	17352.41	0
Saudi Arabia	Jordan	Chemical	205462.3	205462.3	0
Saudi Arabia	Jordan	Food	17352.41	17352.41	0
Saudi Arabia	Jordan	manuf	326246.5	326246.5	0
Saudi Arabia	Jordan	NonOil	343598.9	343598.9	0
Saudi Arabia	Jordan	OthrManf	45673.49	45673.49	0
Saudi Arabia	Jordan	TotalNo95	343598.9	343598.9	0
Saudi Arabia	Jordan	Transp	75110.67	75110.67	0
Saudi Arabia	Kuwait	Agriculture	42990.6	42990.6	0
Saudi Arabia	Kuwait	Chemical	35885.46	35885.46	0
Saudi Arabia	Kuwait	Food	42990.6	42990.6	0

Saudi Arabia	Kuwait	manuf	118040.7	118040.7	0
Saudi Arabia	Kuwait	Miscl	3837.927	3837.927	0
Saudi Arabia	Kuwait	NonOil	168518.6	168518.6	0
Saudi Arabia	Kuwait	OresMtls	3649.378	3649.378	0
Saudi Arabia	Kuwait	OthrManf	77297.25	77297.25	0
Saudi Arabia	Kuwait	TotalNo95	168518.6	168518.6	0
Saudi Arabia	Kuwait	Transp	4858.014	4858.014	0
Saudi Arabia	Lebanon	Agriculture	28151.47	28151.47	0
Saudi Arabia	Lebanon	Chemical	3543.235	3543.235	0
Saudi Arabia	Lebanon	Food	28151.47	28151.47	0
Saudi Arabia	Lebanon	manuf	107866	107866	0
Saudi Arabia	Lebanon	NonOil	136017.5	136017.5	0
Saudi Arabia	Lebanon	OthrManf	53612.3	53612.3	0
Saudi Arabia	Lebanon	TotalNo95	136017.5	136017.5	0
Saudi Arabia	Lebanon	Transp	50710.45	50710.45	0
Saudi Arabia	Libya	Agriculture	1025.154	1025.154	0
Saudi Arabia	Libya	AgrRaw	492.042	492.042	0
Saudi Arabia	Libya	Food	533.112	533.112	0
Saudi Arabia	Libya	NonOil	1025.154	1025.154	0
Saudi Arabia	Libya	TotalNo95	1025.154	1025.154	0
Saudi Arabia	Morocco	Agriculture	20218.79	20218.79	0
Saudi Arabia	Morocco	Chemical	10822.52	10822.52	0
Saudi Arabia	Morocco	Food	20218.79	20218.79	0
Saudi Arabia	Morocco	manuf	15426.92	15426.92	0
Saudi Arabia	Morocco	NonOil	37205.57	37205.57	0
Saudi Arabia	Morocco	OresMtls	1559.866	1559.866	0
Saudi Arabia	Morocco	OthrManf	4604.393	4604.393	0
Saudi Arabia	Morocco	Textiles	4604.393	4604.393	0
Saudi Arabia	Morocco	TotalNo95	37205.57	37205.57	0
Saudi Arabia	Oman	Agriculture	161666	161666	0
Saudi Arabia	Oman	Chemical	32623.58	32623.58	0
Saudi Arabia	Oman	Food	161666	161666	0
Saudi Arabia	Oman	manuf	127258	127258	0
Saudi Arabia	Oman	NonOil	288924.1	288924.1	0
Saudi Arabia	Oman	OthrManf	44154.43	44154.43	0
Saudi Arabia	Oman	TotalNo95	288924.1	288924.1	0
Saudi Arabia	Oman	Transp	50480.04	50480.04	0
Saudi Arabia	Qatar	Agriculture	4225.427	4225.427	0
Saudi Arabia	Qatar	Chemical	60777.98	60777.98	0

Saudi Arabia	Qatar	Food	4225.427	4225.427	0
Saudi Arabia	Qatar	manuf	159191.7	159191.7	0
Saudi Arabia	Qatar	Miscl	3594.706	3594.706	0
Saudi Arabia	Qatar	NonOil	169049.6	169049.6	0
Saudi Arabia	Qatar	OresMtls	2037.774	2037.774	0
Saudi Arabia	Qatar	OthrManf	94123.22	94123.22	0
Saudi Arabia	Qatar	TotalNo95	169049.6	169049.6	0
Saudi Arabia	Qatar	Transp	4290.498	4290.498	0
Saudi Arabia	Syrian Arab Republic	Agriculture	189629	189629	0
Saudi Arabia	Syrian Arab Republic	Chemical	22317.37	22317.37	0
Saudi Arabia	Syrian Arab Republic	Food	189629	189629	0
Saudi Arabia	Syrian Arab Republic	manuf	62645.87	62645.87	0
Saudi Arabia	Syrian Arab Republic	NonOil	252274.8	252274.8	0
Saudi Arabia	Syrian Arab Republic	OthrManf	36683.39	36683.39	0
Saudi Arabia	Syrian Arab Republic	Textiles	20722.03	20722.03	0
Saudi Arabia	Syrian Arab Republic	TotalNo95	252274.8	252274.8	0
Saudi Arabia	Syrian Arab Republic	Transp	3645.111	3645.111	0
Saudi Arabia	Tunisia	Agriculture	9665.356	9665.356	0
Saudi Arabia	Tunisia	Chemical	10673.71	10673.71	0
Saudi Arabia	Tunisia	Food	9665.356	9665.356	0
Saudi Arabia	Tunisia	manuf	22148.29	22148.29	0
Saudi Arabia	Tunisia	NonOil	34007.16	34007.16	0
Saudi Arabia	Tunisia	OresMtls	2193.52	2193.52	0
Saudi Arabia	Tunisia	OthrManf	2200.988	2200.988	0
Saudi Arabia	Tunisia	Textiles	1182.234	1182.234	0
Saudi Arabia	Tunisia	TotalNo95	34007.16	34007.16	0
Saudi Arabia	Tunisia	Transp	9273.59	9273.59	0
Saudi Arabia	United Arab Emirates	Agriculture	543929.8	543929.8	0
Saudi Arabia	United Arab Emirates	Chemical	247465.1	247465.1	0
Saudi Arabia	United Arab Emirates	Food	543929.8	543929.8	0

Saudi Arabia	United Arab Emirates	manuf	463872.1	463872.1	0
Saudi Arabia	United Arab Emirates	NonOil	1114610	1114610	0
Saudi Arabia	United Arab Emirates	OresMtls	106808.3	106808.3	0
Saudi Arabia	United Arab Emirates	OthrManf	152061.2	152061.2	0
Saudi Arabia	United Arab Emirates	TotalNo95	1114610	1114610	0
Saudi Arabia	United Arab Emirates	Transp	64345.75	64345.75	0
Saudi Arabia	Yemen	Agriculture	169209.6	169209.6	0
Saudi Arabia	Yemen	AgrRaw	4163.021	4163.021	0
Saudi Arabia	Yemen	Food	165046.6	165046.6	0
Saudi Arabia	Yemen	manuf	2591.421	2591.421	0
Saudi Arabia	Yemen	NonOil	171801	171801	0
Saudi Arabia	Yemen	OthrManf	2591.421	2591.421	0
Saudi Arabia	Yemen	TotalNo95	171801	171801	0

Morocco Trade Diversion Analysis

Reporter Name	PartnerName	Product Code	TradeTotal Effect in 1000 USD	TradeCreationEffect in 1000 USD	TradeDiversionEffect in 1000 USD
Morocco	Egypt, Arab Rep.	Agriculture	-0.396	8.383	-8.779
Morocco	Egypt, Arab Rep.	AgrRaw	0.098	0.124	-0.026
Morocco	Egypt, Arab Rep.	Chemical	-0.458	0.185	-0.644
Morocco	Egypt, Arab Rep.	Food	-0.495	8.259	-8.754
Morocco	Egypt, Arab Rep.	Fuels	-0.113	0	-0.113
Morocco	Egypt, Arab Rep.	manuf	-9.399	2.442	-11.841
Morocco	Egypt, Arab Rep.	NonOil	-10.069	10.825	-20.894
Morocco	Egypt, Arab Rep.	OresMtls	-0.274	0	-0.274
Morocco	Egypt, Arab Rep.	OthrManf	-9.161	0.187	-9.348
Morocco	Egypt, Arab Rep.	PetrlPrd	-0.109	0	-0.109
Morocco	Egypt, Arab Rep.	Textiles	-0.907	0.074	-0.981
Morocco	Egypt, Arab Rep.	TotalNo95	-10.154	10.825	-20.979
Morocco	Egypt, Arab Rep.	Transp	0.22	2.07	-1.85
Morocco	Iraq	Agriculture	7.735	3.825	3.91
Morocco	Iraq	Food	7.735	3.825	3.91
Morocco	Iraq	Fuels	-3.578	0	-3.578
Morocco	Iraq	NonOil	7.735	3.825	3.91
Morocco	Iraq	TotalNo95	4.157	3.825	0.332
Morocco	Algeria	Agriculture	0.638	0.425	0.213
Morocco	Algeria	Chemical	-0.046	0	-0.046
Morocco	Algeria	Food	0.638	0.425	0.213

Morocco	Algeria	Fuels	-1.189	0	-1.189
Morocco	Algeria	manuf	-0.155	0	-0.155
Morocco	Algeria	NonOil	0.483	0.425	0.058
Morocco	Algeria	OresMtls	0	0	0
Morocco	Algeria	OthrManf	-0.107	0	-0.107
Morocco	Algeria	PetrlPrd	-0.556	0	-0.556
Morocco	Algeria	Textiles	0	0	0
Morocco	Algeria	TotalNo95	-0.706	0.425	-1.131
Morocco	Algeria	Transp	-0.002	0	-0.002
Morocco	Bahrain	Agriculture	0	0	0
Morocco	Bahrain	Chemical	0	0	0
Morocco	Bahrain	Food	0	0	0
Morocco	Bahrain	manuf	-0.01	0	-0.01
Morocco	Bahrain	NonOil	-0.026	0	-0.026
Morocco	Bahrain	OresMtls	-0.015	0	-0.015
Morocco	Bahrain	OthrManf	-0.01	0	-0.01
Morocco	Bahrain	Textiles	-0.002	0	-0.002
Morocco	Bahrain	TotalNo95	-0.026	0	-0.026
Morocco	Bahrain	Transp	0	0	0
Morocco	Oman	Agriculture	-0.042	0.002	-0.044
Morocco	Oman	Chemical	0.166	0.113	0.053
Morocco	Oman	Food	-0.042	0.002	-0.044
Morocco	Oman	manuf	0.119	0.113	0.006
Morocco	Oman	NonOil	0.076	0.115	-0.038
Morocco	Oman	OthrManf	-0.045	0	-0.045
Morocco	Oman	Textiles	0	0	0
Morocco	Oman	TotalNo95	0.076	0.115	-0.038
Morocco	Oman	Transp	-0.002	0	-0.002
Morocco	Saudi Arabia	Agriculture	-0.095	0.024	-0.119
Morocco	Saudi Arabia	AgrRaw	-0.028	0	-0.028

Morocco	Saudi Arabia	Chemical	-1.995	0.008	-2.003
Morocco	Saudi Arabia	Food	-0.067	0.024	-0.091
Morocco	Saudi Arabia	Fuels	-6.032	0	-6.032
Morocco	Saudi Arabia	manuf	-4.437	0.271	-4.709
Morocco	Saudi Arabia	NonOil	-4.56	0.295	-4.855
Morocco	Saudi Arabia	OresMtls	-0.028	0	-0.028
Morocco	Saudi Arabia	OthrManf	-2.304	0.264	-2.568
Morocco	Saudi Arabia	PetrlPrd	-0.161	0	-0.161
Morocco	Saudi Arabia	Textiles	-0.068	0.088	-0.156
Morocco	Saudi Arabia	TotalNo95	-10.592	0.295	-10.887
Morocco	Saudi Arabia	Transp	-0.138	0	-0.138
Morocco	Syrian Arab Republic	Agriculture	-0.099	0.004	-0.103
Morocco	Syrian Arab Republic	AgrRaw	-0.005	0	-0.005
Morocco	Syrian Arab Republic	Chemical	-0.244	0.011	-0.255
Morocco	Syrian Arab Republic	Food	-0.094	0.004	-0.098
Morocco	Syrian Arab Republic	Fuels	0	0	0
Morocco	Syrian Arab Republic	manuf	-1.128	0.024	-1.152
Morocco	Syrian Arab Republic	NonOil	-1.235	0.028	-1.263
Morocco	Syrian Arab Republic	OresMtls	-0.008	0	-0.008
Morocco	Syrian Arab Republic	OthrManf	-0.877	0.012	-0.89
Morocco	Syrian Arab Republic	PetrlPrd	0	0	0
Morocco	Syrian Arab Republic	Textiles	-0.171	0	-0.171
Morocco	Syrian Arab Republic	TotalNo95	-1.235	0.028	-1.263
Morocco	Syrian Arab Republic	Transp	-0.007	0	-0.007
Morocco	Tunisia	Agriculture	-15.366	2.085	-17.451
Morocco	Tunisia	AgrRaw	0.013	0.036	-0.023

Morocco	Tunisia	Chemical	-0.539	0.003	-0.542
Morocco	Tunisia	Food	-15.379	2.049	-17.428
Morocco	Tunisia	Fuels	0	0	0
Morocco	Tunisia	manuf	-5.115	0.341	-5.456
Morocco	Tunisia	NonOil	-20.546	2.426	-22.972
Morocco	Tunisia	OresMtls	-0.065	0	-0.065
Morocco	Tunisia	OthrManf	-3.711	0.018	-3.729
Morocco	Tunisia	PetrlPrd	0	0	0
Morocco	Tunisia	Textiles	-0.846	0.003	-0.848
Morocco	Tunisia	TotalNo95	-20.544	2.426	-22.97
Morocco	Tunisia	Transp	-0.865	0.319	-1.185
Morocco	Kuwait	Chemical	-0.106	0	-0.106
Morocco	Kuwait	Fuels	-0.49	0	-0.49
Morocco	Kuwait	manuf	-0.119	0	-0.119
Morocco	Kuwait	NonOil	-0.121	0	-0.121
Morocco	Kuwait	OresMtls	-0.002	0	-0.002
Morocco	Kuwait	OthrManf	-0.013	0	-0.013
Morocco	Kuwait	PetrlPrd	-0.49	0	-0.49
Morocco	Kuwait	Textiles	0	0	0
Morocco	Kuwait	TotalNo95	-0.611	0	-0.611
Morocco	Kuwait	Transp	0	0	0
Morocco	Lebanon	Agriculture	-0.228	0.011	-0.239
Morocco	Lebanon	AgrRaw	-0.058	0.003	-0.062
Morocco	Lebanon	Chemical	0.12	0.098	0.022
Morocco	Lebanon	Food	-0.169	0.007	-0.177
Morocco	Lebanon	Fuels	0	0	0
Morocco	Lebanon	manuf	-0.531	0.103	-0.634
Morocco	Lebanon	NonOil	-0.76	0.113	-0.874
Morocco	Lebanon	OresMtls	-0.001	0	-0.001
Morocco	Lebanon	OthrManf	-0.574	0.004	-0.578

Morocco	Lebanon	PetrlPrd	0	0	0
Morocco	Lebanon	Textiles	-0.001	0	-0.001
Morocco	Lebanon	TotalNo 95	-0.76	0.113	-0.874
Morocco	Lebanon	Transp	-0.077	0	-0.078
Morocco	Libya	Chemical	-0.015	0	-0.015
Morocco	Libya	Fuels	-0.003	0	-0.003
Morocco	Libya	manuf	-0.107	0	-0.107
Morocco	Libya	NonOil	-0.107	0	-0.107
Morocco	Libya	OthrManf	-0.055	0	-0.055
Morocco	Libya	PetrlPrd	-0.003	0	-0.003
Morocco	Libya	TotalNo 95	-0.11	0	-0.11
Morocco	Libya	Transp	-0.037	0	-0.037
Morocco	Qatar	Chemical	-0.378	0	-0.378
Morocco	Qatar	Fuels	-0.001	0	-0.001
Morocco	Qatar	manuf	-0.411	0	-0.411
Morocco	Qatar	NonOil	-0.411	0	-0.411
Morocco	Qatar	OthrManf	-0.033	0	-0.033
Morocco	Qatar	PetrlPrd	-0.001	0	-0.001
Morocco	Qatar	Textiles	-0.003	0	-0.003
Morocco	Qatar	TotalNo 95	-0.413	0	-0.413
Morocco	Qatar	Transp	0	0	0
Morocco	United Arab Emirates	Agriculture	2.691	3.747	-1.056
Morocco	United Arab Emirates	AgrRaw	-0.005	0	-0.005
Morocco	United Arab Emirates	Chemical	-0.148	0.246	-0.394
Morocco	United Arab Emirates	Food	2.696	3.747	-1.051
Morocco	United Arab Emirates	Fuels	-0.06	0	-0.06
Morocco	United Arab Emirates	manuf	-4.717	0.503	-5.22
Morocco	United Arab Emirates	NonOil	-2.103	4.25	-6.352
Morocco	United Arab	OresMtl	-0.077	0	-0.077

	Emirates	s			
Morocco	United Arab Emirates	OthrManf	-4.295	0.255	-4.55
Morocco	United Arab Emirates	PetrlPrd	-0.06	0	-0.06
Morocco	United Arab Emirates	Textiles	-0.397	0.137	-0.534
Morocco	United Arab Emirates	TotalNo95	-2.158	4.25	-6.407
Morocco	United Arab Emirates	Transp	-0.274	0.001	-0.276
Morocco	Jordan	Agriculture	0.575	0.336	0.24
Morocco	Jordan	Chemical	-0.008	0.001	-0.009
Morocco	Jordan	Food	0.575	0.336	0.24
Morocco	Jordan	manuf	-0.137	0.296	-0.433
Morocco	Jordan	NonOil	0.427	0.632	-0.205
Morocco	Jordan	OresMtls	-0.012	0	-0.012
Morocco	Jordan	OthrManf	-0.118	0.002	-0.12
Morocco	Jordan	Textiles	-0.045	0	-0.046
Morocco	Jordan	TotalNo95	0.427	0.632	-0.205
Morocco	Jordan	Transp	-0.011	0.293	-0.304
Morocco	Yemen	Agriculture	-0.001	0	-0.001
Morocco	Yemen	Food	-0.001	0	-0.001
Morocco	Yemen	manuf	0	0	0
Morocco	Yemen	NonOil	-0.001	0	-0.001
Morocco	Yemen	OthrManf	0	0	0
Morocco	Yemen	Textiles	0	0	0
Morocco	Yemen	TotalNo95	-0.001	0	-0.001