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Transition in the MENA Region: Challenges, Opportunities and Prospects

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This paper discusses the transition agenda and provides the key economic characteristics of selected Middle East and North Africa countries (MENA: Algeria, Morocco, Tunisia, Libya, Egypt, Lebanon, Jordan and Syria) in comparison with selected Central, East and Southeast European countries (CESEE). We intend to identify some regularities in transition processes by looking at CESEE experience and thus to draw policy lessons for transitions in MENA countries.

The key underlying problems relating to MENA and CESEE transitions are the same: political legitimacy, economic inefficiency and the necessity of institutional reforms. Similarly to reforms undertaken in CESEEs, MENA is facing policy challenges to liberalize domestic and international markets, privatization and increased competition in the state-controlled sectors as well as institutional reforms in most markets. However, there are also a number of substantial differences: the majority of MENA countries are at a much lower level of economic development than the majority of Central European transition countries, though a number of transition countries in Southeast Europe, as well as many countries in the CIS, have economic development levels similar to MENA.

One of the key challenges facing MENA is their populations' fast growth. As a consequence, there has been hardly any per capita income catching-up in MENA countries, despite fairly high GDP growth (which has however been lagging behind other emerging market countries – especially those in South East Asia). MENA have not (at least so far) suffered from 'transformational recessions' like the CESEE in the early 1990s ; they were also spared the effects of the recent crisis which hit the CESEE disproportionally hard. Still, the Arab Spring is expected to have adverse short-term effects on economic growth.

Among the key challenges facing the MENA region are job creation, fighting corruption, public sector reforms and trade diversification. In contrast to CESEE, the MENA countries' way towards a functioning market economy based on predominantly privately owned businesses should not necessarily be as long, painful and controversial: the dimension of privatization tasks is smaller and the barriers to private entrepreneurship are of a different nature. Capitalism will not have to be established from scratch as was the case in CESEE; the main task in the MENA countries will typically be a thorough modernization and expansion based in part on already existing structures with the help of external assistance and foreign direct investments..

MENA countries had been implementing market-oriented reforms for more than a decade. These reforms, together with free trade agreements concluded with the EU, have contributed to an increase of FDI inflows to several MENA countries – especially since the late 1990s. Still, MENA countries have been lagging behind in terms of export performance, competitiveness and trade restructuring. The EU is the most important trading partner for

MENA and intra-regional trade is underdeveloped – the latter fact being one of the culprits for the low development levels. The EU-MENA free trade agreements have many drawbacks: they do not apply to agricultural products, and services trade and FDI flows are hampered by cumbersome investment regimes. The share of more sophisticated products in MENA exports is very low and there is a huge asymmetry in EU-MENA trade: less than 2% of EU trade is conducted with the MENA region. In contrast to the CESEE countries, MENA countries have failed to increase their export market shares not only in the EU but globally. In contrast to CESEE, they have not managed to increase their shares of exports in GDP either. Measures aimed at increasing the export potential and competitiveness should therefore become one of the principal components of the transition strategy and the impediments to trade and FDI need to be overcome. In view of CESEE experiences and other studies, a comprehensive EU-MENA trade agreement, possibly with an intra-MENA (and Turkey) Customs Union arrangement, would be beneficial to both MENA and the EU. All in all, should the MENA countries opt for a modernization path and export-led growth strategy similar to that of the more advanced CESEE countries, they must be aware of the fact that foreign capital is an indispensable component of transition, modernization and restructuring as we know it. Moreover, there are important lessons to be learned also with respect to job creation and income growth related to FDI.

MENA's future transition challenges are mostly of a political and social nature; the economic transition will not require a radical overhaul of the existing system as was the case in CESEE after the 1989-1991 changes. The available evidence suggests that there is no straightforward progress in individual countries or regions in this respect. Social inclusion and job creation depend on economic growth, labour market policies and distributional issues. As far as MENA is concerned, the sine qua non condition is to achieve high per capita GDP growth, i.e. GDP growth which is higher than the increase in the population. Better social inclusion will require policies (taxation, labour market, health and education) which will reduce the existing inequalities and discrimination (women, religion and other minorities).

Two broad economic reform areas (modernization and integration) probably open the greatest space for the involvement of the international community. The experience of CESEE suggests that FDI inflows are instrumental to modernization, private sector development and job creation. Similarly, regional integration can be fostered with the help of the EU and other IFIs by promoting the broadening of existing bilateral free trade agreements and lifting the existing barriers. There is no guarantee for success – as illustrated by the experience of CESEE. Moreover, the current global crisis makes policy implementation not easier. If anything, future scenarios must reckon with a slow process of improvements, many backlashes and no success guarantees. It is also quite certain that some countries (such as Tunisia) will fare better than others (e.g. Egypt). The abundance of natural resources represents an additional challenge (Algeria and Libya vs. Russia and Azerbaijan).

Transitions and sustainable reforms need to be anchored in a supportive international environment. In the case of many CESEE countries, the EU provided such an anchor. In the case of MENA such a strong anchor is missing. The decade-long involvement of the IFIs in many MENA countries – even Association Agreements with the EU – has obviously not been sufficient. Therefore, the newly designed international involvement and especially the strengthened role of the EU will play a crucial role.

Keywords: *transition, integration, foreign trade, FDI, labour market*

JEL classification: *E24, F13, F53, O2, O43, O57, P52*

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Transition in the MENA region: challenges, opportunities and prospects

1 Introduction[1]

This paper discusses the *transition agenda* and provides the key economic characteristics of the selected Middle East and North Africa countries (MENA: Algeria, Morocco, Tunisia, Libya, Egypt, Lebanon, Jordan, Palestine Territories and Syria) in comparison with selected Central, East, and Southeast European countries (CESEE).[2] We identify the main challenges of economic transitions in the MENA region and attempt to outline possible common features and differences with the ongoing transition in CESEE. We analyse both MENA and CESEE regions in the context of EU Neighbourhood Policy and therefore address also institutional, trade and other economic linkages with the EU. The expectation is that some regularity in these processes can be discerned and thus policy lessons for transitions in MENA countries can be drawn from comparisons with the CESEE – the huge diversity of both MENA and CESEE countries notwithstanding.

At the outbreak of the 'Arab Spring' in early 2011, there were routinely references and comparisons to the transition in Eastern Europe 20 years ago (IMF 2011a, various EU statements, Barack Obama's statement in the meeting with CESEE leaders in Warsaw in Spring 2011, G8 2011 Deauville Declaration, etc.). Later on, there have been more frequent references to different strategies that were followed by CESEE countries in their transition from socialist planned economy and whether some of these strategies are applicable to the changes in the MENA countries (Aghion et al., 2011; Phelps, 2011; Taylor, 2011). The comparison of the initial conditions, economic challenges and the structural and policy differences in the CESEE and MENA countries attempted below is only a starting point. Economic transition is a long-term process and the reforms that it requires have to be implemented over the long term. Moreover, the patterns of transition in the two groups of countries may not be identical or indeed even very similar in several respects. On the other hand, a number of economic and institutional reforms that have been addressed by CESEE and are required from MENA are clearly similar. Comparisons with various stages

1 This paper was prepared as a background note for the wiiw-BMF-OeKB Workshop on 'MENA Transition and International Response', 2 December 2011, Vienna (for programme and presentations see: http://www.wiiw.ac.at/?action=events&opt=details&id=121). The authors wish to thank Mario Holzner and Gábor Hunya (both wiiw) for valuable contributions to an earlier draft, and Beate Muck, Renate Prasch and Barbara Swierczek for statistical assistance.

2 The *MENA* region consists of two sub-regions, the *Maghreb* (Algeria, Libya, Morocco and Tunisia) and the Mashreq (Jordan, Lebanon, Occupied Palestine Territories and Syria). Finally, Egypt will be included to provide the complete MENA coverage. The *CESEE* region comprises here the New EU Member States (NMS), South East European countries (SEE: Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia and Kosovo) as well as selected CIS countries (Armenia, Azerbaijan, Georgia, Moldova, Russia and Ukraine).

on the transformation path can be useful. If the transition in CESEE exemplifies in one or another way the regularities that could be characteristic of the process of transition in general, that experience, or the set of differing experiences across countries in transition, could serve as a blueprint to the experiment in democratization and economic reforms being attempted in the MENA countries.

In addition to the demand for democratization and for economic reforms and social inclusiveness, there are policy lessons that can be drawn from the CESEE transitions. Though the challenges to be faced may be different in the depth of the reforms needed, there is certainly a need for market liberalization, for privatization of state-owned or state-controlled companies, and for various regulatory and institutional reforms. In these policy areas, MENA countries today are not at the point where CESEE socialist countries were in 1989-1991, but all subsequent reforms undertaken by the latter group took a lot of time and it might prove useful to compare different transition countries at different points in the reform process with the various tasks that different MENA countries are facing now. Lessons can be learned from the gradual as well as from shock therapies, from persistent vs. hesitant reforms, from partial and comprehensive reform programmes, and from mistakes with the application of the Washington Consensus as well as from successes of the less orthodox strategies of reforms.

Transitions and sustainable reforms need to be anchored in a supportive international environment. In the case of many CESEE transition economies, the EU provided such an anchor: the varying prospects of EU accession played the crucial role of providing a weaker or stronger anchorage for institutional and policy reforms. In CEE candidate countries for EU membership, institutional reforms were underpinned by the takeover of the *acquis communautaire* while economic restructuring was supported by the asymmetric trade liberalization agreements which in turn stimulated investment flows. In those CESEE countries where the EU accession anchorage was either weaker (SEE), delayed or even non-existent in the foreseeable future (Russia, Ukraine, Moldova, Belarus) the transition processes and economic restructuring have been much slower and less successful (Grinberg et al., 2008). MENA countries cannot hope and are in fact not looking for such a strong anchor. Nevertheless, the EU has been looking for ways to strengthen and reshape its Neighbourhood Policy for the MENA region – not least as a reaction to recent events – and to improve it relying on the experience of transition in CESEE.[3] Even without an EU accession perspective, democratization and economic reforms still need international support and anchorage; the year-long involvement of the IMF and The World Bank in many MENA countries has obviously not been sufficient – just as in many CESEE countries which lacked a strong EU accession anchor. Because of that, the newly designed international involvement and especially the strengthened role of the EU will play a crucial role. Com-

[3] See 'A new response to a changing neighbourhood. Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions', Brussels, 25/05/2011, COM(2011) 303.

parisons with the different experiences of the Central European and Baltic countries in transition and those of the Balkan countries or Eastern Partnership neighbouring countries of the former Soviet Union may shed some light on the importance of the EU anchorage and on its functional substitutes if any can be found. The 'return to Europe', i.e. the departure from regional autarchy under Soviet dominance, was a declared aim of transition – at least in Central and Eastern Europe. For these countries, the perspective of EU accession thus brought about an important institutional 'reform anchor'.[4]

The advantage of comparing current MENA transitions with those in CESEE is that the latter group of countries is composed of subgroups that are at a different stage of the transition process and can provide for various points of reference for reform and policy challenges currently facing MENA countries or indeed subgroups among them. In some respects, Balkan transition will be instructive, in others that of CIS countries while in many respects transition in Central Europe may provide a comparator benchmark group that is interesting because its transition cannot be copied by MENA countries.

What were the causes of the Arab Spring?

Before discussing similarities and differences between MENA and CESEE in more detail, it is useful to highlight a few points regarding the MENA social and political situation before the outbreak of the Arab Spring: This is what an informed observer writes about Libya (quoted in length from Roberts, 2011):

The Jamahiriyya lasted 34 years (42 if backdated to 1969), a respectable innings. It did not work for foreign businessmen, diplomats and journalists, who found it more exasperating to deal with than the run of Arab and African states, and their views shaped the country's image abroad. But the regime was not designed to work for foreigners and seems to have worked fairly well for many Libyans much of the time. It achieved more than a tripling of the total population (6.5 million today, up from 1.8 million in 1968), high standards of healthcare, high rates of schooling for girls as well as boys, a literacy rate of 88 per cent, a degree of social and occupational promotion for women that women in many other Arab countries might well envy and an annual per capita income of $12,000, the highest in Africa. But the point about these indices, routinely cited, naturally enough, by critics of the West's intervention in reply to the propaganda that has relentlessly blackened the Gaddafi regime, is that they are in one crucial sense beside the point. The socio-economic achievements of the regime can be attributed essentially to the distributive state: that is,

[4] The lack of an EU membership perspective and alternative 'weaker' institutional anchors such as WTO membership or other policy instruments (such as European Neighbourhood Policy, Eastern Partnership or even EU association agreements) may not suffice to firmly underpin the reform process – see Havrylyshyn (2008), 'Structural Change in Transition 1990-2005: A Comparison of New Member States and Selected NIS Countries'. in R. Grinberg, P. Havlik and O. Havrylyshyn (eds), *Transition, Restructuring and Integration*, NOMOS Verlagsgesellschaft, Baden-Baden, 2008, pp. 17-45; *CEPS European Neighbourhood Watch*, No. 71, May 2011.

the success of the hydrocarbons sector and of the mechanisms put in place early on to distribute petrodollars.

There was even an attempt at reforms (perhaps in analogy to Gorbachev's 'perestroika' in the USSR):

Gaddafi seems to have realized years ago what he had done – the quasi-utopian dead end he had got Libya and himself into – and tried to escape its implications. As early as 1987 he was experimenting with liberalization: allowing private trading, reining in the Revolutionary Committees and reducing their powers, allowing Libyans to travel to neighbouring countries, returning confiscated passports, releasing hundreds of political prisoners, inviting exiles to return with assurances that they would not be persecuted, and even meeting opposition leaders to explore the possibility of reconciliation while acknowledging that serious abuses had occurred and that Libya lacked the rule of law. These reforms implied a shift towards constitutional government, the most notable elements being Gaddafi's proposals for the codification of citizens' rights and punishable crimes, which were meant to put an end to arbitrary arrests. (Roberts, ibid.)

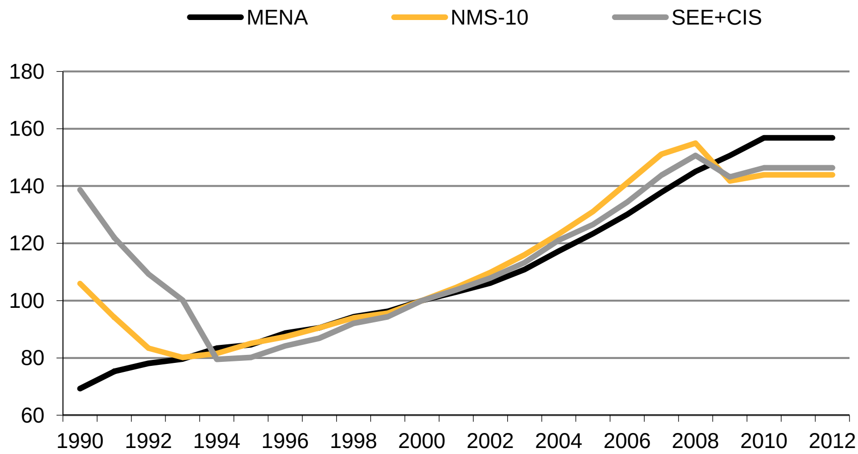
In the case of socialist countries in Europe, the lack of political legitimacy coupled with economic inefficiency was crucial for the instability of the system. Successive reforms failed to produce either stability or growth and exhausted the political space of the regime and thus the system collapsed. Still, the end came after a decade of stagnation, social strife in a number of countries, and in a political and ideological impasse. In the case of the uprisings in MENA countries, the background, in particular the economic one, is somewhat different. As shown in more detail below, the last couple of years saw respectable economic growth, though that was not necessarily reflected in an improvement of the income per capita due to demographic and distributional factors. Similar to the CESEE countries, there was clearly a crisis in political legitimacy however. It is in part fuelled by lack of voice of both the poor and of the middle classes, but it is also an issue of the need to reform some of the institutions that are proving to be a barrier to economic growth and social development.

Thus, though the underlying causes and the immediate triggers may be different, the key three problems for MENA and CESEE are the same: political legitimacy, economic inefficiency and the necessity of institutional reforms. These suggest reforms of policies that are worth exploring and comparing with the choices made by various countries in transition in the past twenty years or so. The idea is to look backwards when it comes to transition countries in order to look forwards what is perhaps awaiting the MENA countries. The aim is not just to chart similarities or provide lessons that can be copied, but also to explore the functional alternatives where the instruments that were available to CESEE (e.g. the EU accession anchor) are not appropriate for MENA countries.

Figure 1

GDP growth (real) in MENA, NMS-10 and SEE+CIS, 1990-2012

2000 = 100, unweighted averages



Sources: National statistics, wiiw, Eurostat, WEO Database, September 2011.

2 Transitions: similarities, differences, lessons and prospects[5]

Introduction

One does not want to compare only similar with similar, but also dissimilar, events or policies, if those may be experiencing the same or similar influences or have similar aims. This is why it may prove interesting and potentially useful to compare processes of transition in countries or regions that are different, except for the fact that they are undergoing the same process or are aiming at the same outcome. That is one quite general justification for comparing transitions in the CESEE region with that in the MENA countries. Both transitions started with the demand for democracy as a way to introduce economic, social, and institutional changes.

The other justification is that the underlying causes for the start of the process of transition may be similar, if not the same. For instance, these causes can be found (i) in the reasons for the dissatisfaction with the authoritarian and even totalitarian systems, (ii) in the prevalence of illiberal or protectionist economies and interventionist economic policies, and (iii) in the social development that is institutionally constrained and leads to various types of inequalities that are seen as unjust or unfair. In addition to that, there are similar influences from the outside, of particular interest and importance being the prominent economic and institutional role that the European Union, due to trade and other types of integration, plays in good times and in bad.

[5] This section was written by Vladimir Gligorov.

The third justification is the regularity of the specific process of transition itself that CESEE and MENA countries have chosen with their specific appeal to and reliance on democracy. If the presence of such regularity is assumed, then the dynamics of the process and its successes and failures that can be induced from the differentiated experiences of CESEE countries could prove useful as sources of lessons for the transition in MENA countries and could provide information that might be used to simulate the developments in MENA transitions and to assess the prospects for these countries under alternative strategies of policy choices they may be making. In that case, the differences – even quite large ones – are not only no obstacle to comparisons, but are in fact required for these regularities to be detected and to prove useful for explanations and predictions.

We first discuss the underlying causes for transitions, the lessons that could be learned from the CESEE transitions, and assess the possible outcomes in MENA countries. Then we look at the role that the EU and other international actors may play, again drawing on the experiences of CESEE transitions.

The appeal of democracy

One driving force of transitions in both CESEE and in MENA countries has been the demand for democracy.[6] The literature on the emergence of democracy and on the causes that bring it about is a vast one (e.g. Barro, 1997; Przeworski, 1991; Przeworski et al., 2000). One rather pervasive argument is that it appeals to the dissatisfied in a society as an instrument of redistribution. As such, its appeal should increase with the unfairness of the prevailing distribution – but not unconditionally, as other political regimes, including dictatorial and authoritarian ones, could also have the same appeal. Studies on the emergence of democratic procedures of decision making have looked at a number of other factors that have contributed to the process of democratization. Among those are the increased level of education, higher national income per capita, which in turn means greater role for industrialization, urbanization and openness of the economy. Finally, democracy can have more of an appeal in an autocratic regime than in a less-than-functional democratic one or in an oligarchy.

One additional factor that supported the drive for democratization in most CESEE countries was the imposed and increasingly unpopular ideological monism. One characteristic of a totalitarian society is that it relies on ideological coercion. In CESEE, which were all socialist countries with an official communist ideology, this ideological uniformity ran against the underlying demand for ideological competition and was inimical to the furthering of education and science. In some CESEE those pluralistic interests were based on religious affiliation, which was suppressed as being foreign to the communist ideology. In other countries,

6 This is different from transitions occurring in other regions, e.g. in Asia and at various times in Latin America. For some discussion see Roland (2000).

communist ideology was seen as being formally international and universal, but in practice a way to impose foreign rule. So, it was opposed on nationalist grounds. But there was also a liberal opposition that was strictly ideological in the sense that it offered a theoretical and policy alternative to the official communist doctrine. Eventually, ideological competition led to a political and legal secularization with the acceptance of the separation of church and state and with the tolerance for ideological, e.g. religious, pluralism.

The processes of transition and the strength of the appeal of democracy depend also on the overall state of security. In the case of the Balkans, for instance, nationalist and ideological animosities were externalized and provided justification for inter-state and even civil wars. Similar, though less bloody, episodes can be found in the post-Soviet Union states and regions. The existence of internal or external enemies can dim significantly the appeal of democracy. As a rule, democracy can be seen as feasible and efficacious in states that do not experience grave external or internal threats and can contemplate a more or less peaceful redistribution of power, income, opportunities and other goods of interest to a society.

Thus, clearly one influential cause of the appeal for democratization is the experience of an authoritarian regime, especially if it has become dysfunctional or is facing a problem of succession. In the case of CESEE countries, the succession problem within the ruling party was as a rule not all that well solved. The changes at the top often led to political and social instability that elicited the use of coercion or brute force to keep the ensuing political instability from spilling over into a wider demand for regime change. Similarly, in the case of authoritarian regimes in MENA countries, old dictators or expected weak successors can be seen as triggering political instability which may grow into a demand for democratization. This succession problem has been identified as one element that does affect the long-term growth advantage that democratic regimes have over the more authoritarian or totalitarian ones.[7] Unlike property, power cannot be inherited, at least not without some potential or actual challenge.

How can the appeal of democracy be understood in a more formal manner? Here the experience of the socialist countries may be useful. In those, the interests of the majority, or at least of the currently living majority, were not taken to be determinative of the ends and means of the system and of the policies. Thus, the difference between the preferences of the majority and those of the policy makers diverged systematically and permanently. This divergence can be represented in three aggregate dimensions important for political and economic stability and development. If those are prevailing and persistent, the authoritarian system will be in disequilibrium and will be pushed into a transition to democracy, often for otherwise transient reasons.

[7] In the voluminous literature on the connection of democracy and economic growth; see e.g. the influential volume by Przeworski et al. (2000).

Politically, the preferences of the rulers were permanently disconnected from those of the median voter. In other words, the outcome of the actual political process systematically differed from the outcome that a democratic decision making system would have produced. Put differently, the distribution of power under the existing dictatorial and the potential democratic system were permanently different. So, the appeal of democracy was overwhelming, though the feasibility of democratization depended on the ability to mobilize and on the strength of the forces of coercion.

In economic terms, the distribution of income was not the appropriate measure of inequality in terms of well-being and opportunities. Measures of income inequality indicated rather egalitarian societies, while the indicators of fairness of the distribution tended to support the existence of deep underlying dissatisfaction with the existing system of rewards and their distribution. This led to the divergence between the existing distribution of incomes, in the more general sense, and that which would have emerged under a fairer system of rewards for contributions and public redistribution. In contrast to the existing system of egalitarian wages and non-egalitarian privileges, the system of market distribution with private ownership rights was deemed preferable. Democracy was seen as a decision making system that would lead to that redistribution of rights and rewards via the liberalization in the markets and with privatization of the state property.

In ideological terms, the CESEE socialist countries were dominated by the ideologues that have acquired the institutionalized position of the experts in the interpretation of the official Marxist teachings. The ideological competition was organized as aiming at the orthodox interpretation and was thus organized as some sort of a jury system of experts. Pluralism was not ruled out within the ideological system entirely, but the aim was to come up with the most authentic interpretation rather than to either articulate commitments to values or to explain the facts. In that way, the system actually supported extreme views even if those had to be modified in actual political or economic policy implementation. Again, this distribution of ideological power differed from the one that would emerge in an open ideological competition. The appeal of democracy was seen as leading to redistribution in this case too: ideological competition would aim at coordinating particular with general interest, which in the system of ideological totalitarianism was not possible.

These three types of desired or desirable redistributions were the basis of the appeal of democracy in the socialist regimes in the east of Europe. The democratization drive was so potent because that decision making system was seen as being instrumental to delivering outcomes that are favoured by the majority of the people in all three dimensions. The disequilibrium between the desired system of decision making and the existing monopoly of power was stabilized institutionally with the restriction on mobilization and in the sense of executive power through the use of coercion and brute force. Thus, the equilibrium condition for such an authoritarian system is that:

The cost of coercion that has to be used to suppress mobilization or rather the expected costs of coercion are enough to make the expected benefits from mobilization not appealing enough. Once the costs of coercion keep rising or the costs of mobilization decline, this disequilibrium system cannot be sustained.[8]

How general is this democratic appeal? The socialist case is somewhat of a simple one because the system was by construction pitching the majority against the minority. So, its stability depended almost entirely on the relative costs of mobilization and those of coercion. In other authoritarian regimes the distribution of interests and powers may be more complex and that can influence the costs of mobilization and the need for coercion additionally and independently and thus lead to a different dynamic.

Theoretically, this can be expressed by differentiating between three situations. One is the typical socialist case when the majority cannot overrun the ruling minority because of high costs of mobilization and pervasive coercion. In that case, democratization can be expected as the eventual outcome, but it is rather difficult to predict at which point in time. This is the simple case when democracy is an equilibrium solution while the existing autocratic regime is not, i.e., technically speaking, democratization is Pareto-improving.

The other case is when there are two or multiple equilibria. This is how Timur Kuran's theory of preference falsification works.[9] This state of affairs was described many times by dissident writers and social scientists in Eastern Europe, perhaps most notably by Czeslaw Milosz in his book *The Captive Mind*. Kuran's idea is that revolutions, democratic or other, are a consequence of the change in public preferences in the sense that people stop falsifying their personal preferences by accepting the official public ones. Once, for instance, the representative individual, e.g. the median voter, puts his private preferences over the ruling public ones, acting on one's true preferences means that the dominant public ones need to be changed. As this is a multiple equilibria situation, sparks tend to produce prairie fires in Kuran's words, i.e. an incident like the one in Tunisia at the beginning of the Arab Spring can lead to a popular revolt and to a revolution. The spark is a mobilizing force that removes the coercion of the prevailing public preferences and thus ends the system of preference falsification. By the very description of the model, this is an unpredictable and unexpected event. All the conditions may be satisfied and indeed for quite some time and the revolution still may not happen, until there is a spark, a public scandal for instance, which can lead to sudden confrontation of the majority with the ruling minority. In a way, this is a sudden change in the ideological equilibrium that then unleashes the political and economic change.

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8 For a general theory see Acemoglu and Robinson (2005).

9 See Kuran (1989).

The third case is the more complex one where the interests of the individuals and the social groups are not democratically equilibrated but there is a complex relationship between the *de facto* and *de jure* distribution of power. This is one way to understand the Acemoglu and Robinson model of success and failure of democratization.[10] In authoritarian systems or in those with authoritarian elements, democratization may be an instrument to legalize the existing distribution of power rather than to actually change it. If the actual distribution of power is in fact a stable one and can even be sustained if the costs of mobilization are reduced and coercion is minimized, democratization may be one way to increase the stability of the existing distribution of power. Indeed, it may be a transitory arrangement that can lead to the return of the authoritarian regime once the disappointment with the change without change sets in.

Thus, the appeal of democracy may be due to (i) the authoritarian system not being an equilibrium one or (ii) a sudden change in preferences that can lead to democracy being chosen over the authoritarian equilibrium or (iii) a transitory recourse to political stabilization that requires less coercion and can accommodate more open political mobilization. In the first case, democracy may prove to be a stable decision making regime almost immediately after its introduction; in the second case the multiple equilibria may persist and democracy may prove not to be stable; in the third case, authoritarianism is in fact the preferred regime and democracy may prove to be a transitory arrangement.

Lessons from CESEE transitions

Many date post-socialist transitions at 1989 or 1990. Implicitly or explicitly, the assumption is that the change came unexpectedly and that it was sparked by one or the other action to either bring down the Berlin Wall or the border fence between Hungary and Austria or by Polish demonstrations that led to the setting up of the political round table discussions that opened up the prospect for democratic elections. Thus, the change is seen as an example of Kuran's 'sparks and prairie fire' revolution. Similarly, comparisons between CESEE and MENA unrests and changes look at the state of affairs in 1989 and 2011 and often notice the differences except for the common element of surprise.

However, the revolution in CESEE countries was foretold while that in MENA countries was more of a surprise. The latter probably more out of ignorance than due to this revolutions being the proper case of sparks and prairie fire type of social and political changes. Though the fall of Mubarak, Gaddafi and Ben Ali certainly came as a surprise, the underlying political, economic and ideological developments certainly pointed towards the need for reforms and thus to the possibility of a social and political pressures for change. In any case, this is one lesson that can be drawn from the experience of the changes in Eastern Europe.

[10] A short exposition is found in Acemoglu and Robinson (2006) and Robinson (2006).

Namely, at the point of collapse, the change of the system was long overdue. The root cause was systemic. Socialist systems either never aimed at political and social legitimacy or gave up on it long time before their actual collapse. Many observers made the mistake of believing that communist dictatorships did not have political, but did posses the economic legitimacy due to relatively low income inequality and full employment, i.e. high social security. In fact, the system was not based on any kind of legitimacy whatsoever. It basically relied on high barriers to mobilization and on pervasive coercion. There were attempts to reform one or the other aspect of the economic and even the political system and some attempts at ideological modernization were made in some countries at some crisis moments, but those were not aimed at legitimacy but at the increase of efficiency of the essentially dictatorial system.

Thus, this was not a stable system that suddenly collapsed. In fact, like in most dictatorships, maintaining stability was a constant task faced by those holding the power. In that, the system did not aim at legitimacy, it was satisfied with the maintenance of the distribution of political and other power. It collapsed at the point when further reliance on coercion and on measures to increase the costs of mobilization proved unattainable. Thus, though the erosion of the stability of the system and of its ability to maintain order took a long time, the reforms and changes introduced in order to maintain its stability were rather inessential so that political change was needed in order to introduce the economic and ideological reforms. CESSE transition was one of democracy first, economic reforms later.

One lesson then is that it is essential what the state of legitimacy of a particular system is. This is not altogether clear in the case of MENA countries. Dictatorships and authoritarian regimes may possess an underlying legitimacy even though the actual rulers may not.[11] There are quite a number of cases where a dictatorship was introduced to stabilize a dysfunctional or unpopular democratic regime and the opposite has also been the case in quite a number of cases. So, the issue of the legitimacy of the overall distribution of power, income and ideological values is crucial in order to determine how far reaching the change of the political system may be and what reforms can be expected that democratization will bring about. In the case of the CESEE countries the outcomes of political transitions have been different to a large extent due to the difference in the underlying legitimacy of the political and economic systems.

The other lesson is that it matters how radical initial political change is. In some post-socialist countries the emerging political systems were not clearly democratic but rather of a hybrid kind. In some cases presidential systems were introduced and in others elections were manipulated or political competitions were limited with the introduction of dominant parties. The latter was in some cases, e.g. in the post-Yugoslavia states, accomplished by the monopolization of the ideological competition. Nationalism played the dominant role in

[11] The work of Juan Linz on these topics is probably the most important; see e.g. Linz (2000).

those cases, but religious affiliation had a role in a number of cases too. This explains the rather differentiated picture that the political, economic and ideological systems present in the CESEE area.

That is why the third lesson is that economic reforms are crucial in order to secure the stability and durability of democracy. In some case democratic stability was secured almost immediately and so gradual reforms could be implemented in order to minimize the redistribution between the winners and the losers. In other cases, democracy needed to be stabilized and that required a rather significant redistribution of economic power and an increased ideological competition. In the case of CESEE countries, the issue of reversibility was very much discussed at the outset of the process of transition. This issue is probably even more pertinent for MENA transitions. Drawing on the experience of the Balkan countries, it can be argued that the longer political tensions are not resolved and democratic legitimacy is not introduced, the less of a chance there will be to reform the economic and social institutions and the higher is the probability that the emerging political system will not be stably democratic if it will be a democracy at all. Prolonged conflicts and indecisiveness may lead to economic deterioration and increased insecurity and that may delegitimize democratic decision making even before it was introduced.

The fourth lesson is that violent internal and external conflicts can prove to be less than helpful. By and large CESEE transitions were peaceful with the significant exception of a large part of former Yugoslavia. Military and social conflicts in these countries have retarded the process of democratization for a decade or even two and have resulted in huge economic losses. Also, the eventual outcome is not necessarily a democratic one. There are risks that these outcomes are rather likely in a number if not all MENA transitions.

The fifth lesson is that international anchorage is important. CESEE countries were supported, though in different ways and degrees, by the Western European countries, by the USA, and by the multilateral organizations. That support may not be available to MENA countries and in any case the support will be different. Even so, mutual liberalization and political and financial support are needed to stabilize these countries politically and in terms of economic development. This support is especially important in the area of institutional development. In the case of Central European and even the Balkan countries, EU institutions provided guidance for institutional development and reform. Those may not be easy to transplant into the MENA countries, but wider international experiences of institutional development, including those from countries such as Turkey, may prove useful as models for institutional reforms. In some countries, in particular the CIS, there was institutional picking and choosing from a variety of international sources in order to accommodate the existing or emerging political and economic distribution of power and wealth. Countries that chose to introduce consistent institutional frameworks were more socially and economically successful. It is not entirely obvious what that would mean in MENA countries, but hybrid regimes usually lead to disappointing political, economic and social outcomes.

Finally and probably most important, the rule of law, where introduced, was a major contribution to stability and development. In cases where the rule of law was not established or was used as a façade, the overall outcomes were suboptimal. The major part of the rule of law is to put the coercive powers and forces under strict political and legal control. In socialist CESEE, the use of coercion and brute force was the very essence of the system. In MENA countries that may be less pervasive even though the regimes are not based on rule of law and democracy, but it still must be rather pronounced. So, as long as the military and the security forces are not put under civilian and legal control, the risks to democratization and transition will be persistent and high.

Possible outcomes and the international response

Theory and CESEE experience suggest at least three possible outcomes in MENA transitions. Those can be related to the three models of democratizations discussed above and to the reform strategies discussed in the lessons from CESEE transitions. These outcomes depend primarily on the domestic actors, but can be supported or discouraged by international actions too. Especially important is the policy stance taken by the EU when it comes to economic relations and the USA when it comes to security issues.

One possible outcome is stable democratization with the introduction of significant economic and social reforms. At the moment, it does not seem that this type of transition is all that probable in most MENA countries. In many respects, these countries are still some political steps behind the 1989 breakthrough change in CESEE countries. The picture at the moment is similar to the transition in the Balkans or in some CIS countries. That does not mean that some time down the road the 1989 moment will not be reached in this region too. That will be more probable if one of the countries succeeds in democratization and economic reforms. One possible candidate is Tunisia.

The other possible outcome is that of change of the political and economic equilibrium similar to some of the other revolutions in that region and in some CESEE countries as well. The nature of the new equilibrium is hard to determine before the change has actually occurred. The regime is more likely than not to be authoritarian rather than democratic. If internal conflicts persist, authoritarian stability may prove to be preferable to democratization. It is in the nature of the change in the equilibrium state that it is rather unpredictable and can be an outcome of a spark or a scandal.

The partial or temporary democratization with gradual and inconsistent reforms seems to be the probable outcome in a number of MENA countries. Much of what goes on in the MENA countries resembles the transition in the Balkans. There are also economic and in some cases institutional similarities. Though the topic of long-term influences of the common Ottoman history holds some lessons for both regions,[12] the more proximate similarity is the emergence of various types of conflicts that reduce the efficiency of democratic resolutions and thus of the desirability of democracy. Thus, in a number of cases the experimentation with democratic mobilization and even decision making may be temporary and may be superseded by one or the other type of autocratic rule. The key test state is Egypt and the outcome there has to be watched closely.

The international response so far has not been as supportive as it was in the case of the CESEE countries, especially in the case of countries that have by now joined the EU. In fact, some of the responses resemble those to the transition in the Balkans that proved to be quite disappointing not only in political but also in economic and social terms. As argued from the lessons of the CESEE transitions, reforms and institutional development are crucial not only for economic success but also for stabilization of democracy. MENA transitions have been met with less than overwhelming international support. In order to increase that, interests of the EU in particular needs to be identified and the policy response by the international financial institutions should be made more strategic and structured.

Comparing the latter with the response to the CESEE transition, the differences are clear. At the beginning of the post-socialist transitions, there was a flurry of papers and books in addition to the programmes of the IFIs detailing the response needed and the strategy of transition that should be advised. Nothing like that has so far emerged since the beginning of MENA transition. In part that has been because of the general crisis and also the EU crisis, but in part that is the consequence of the lack of ideas and probably the realization that there are too many uncertainties surrounding this whole process.

In that again there are lessons that can be drawn from the CESEE experience. Though the state of the MENA economies today differs from that in CESEE countries in 1989 (see below), the difference diminishes if comparisons are made with some of the policy choices that had to be made in some Eastern European countries in the late 1990s and in some of them even later on. There are in fact useful comparisons to be drawn with the Balkan economies and there are some general issues of the Mediterranean transitions that could be discussed.

In the case of CESEE transitions, the international response was to support their main policy agenda especially in the area of large-scale institutional and economic reforms. The framework was already there, though it was tried in circumstances that may be more similar to those one finds now in MENA countries, which is mostly in Latin America, and was adjusted in a more or less *ad hoc* manner to the case of post-socialist systemic change. In the meantime this framework has fallen in disrepute, though not necessarily on the

[12] See e.g. Kuran (1989) and Pamuk (2011).

strength of its performance in the CESEE countries, but due to crisis in Latin America and Asia. At the moment of the eruption of the MENA demand for democracy and transitional change, the model of growth implemented in the CESEE countries has also come under critical scrutiny. Thus, the international response was supportive, but a framework of advice and support for changes that are needed has been lacking.

In fact, once democratic decision making is used and changes in the political leadership are achieved, stabilization of democracy will require profound economic and institutional reforms. Those cannot qualitatively differ from the reforms undertaken in the CESEE countries in transition. Those include policy changes to liberalize domestic and international markets, privatization and increased competition in the state-controlled sectors, institutional reform in most markets, and also the whole development agenda, which has also been important in CESEE transitions, though it was less pronounced and discussed.

3 MENA and CESEE: Economic performances and structures

Introduction

The main economic transition agenda in the CESEE was restoring/preserving macroeconomic stability, liberalizing internal and external trade and finance, privatization and corporatization, and fiscal reform with the aim to addressing the social effects of transition. Reforms were implemented at different speeds in different countries with more or less success. In the process, there were a number of political and policy challenges, including exchange rate crises, sovereign defaults, and large shifts in the labour markets. In some cases, democratic regimes did not survive and in others hybrid political regimes developed. There was a clear correlation between the consistency of the reforms and the stabilization of democracy with causality flowing from either side. In some cases countries broke up and that process led to a series of wars in the Balkans (i.e. in former Yugoslavia).

The following section compares selected MENA and CESEE countries with the aim to identify key common features, similarities and most important differences between the current economic situation of the MENA countries and the challenges facing the former socialist CESEE economies both at the outset of their transition and during the past two decades. The aim is to get an idea about the key differences and similarities between these two groups of countries that may be useful from a comparative and policy point of view. To the best of our knowledge, there is hardly any literature comparing these two groups of countries – the major exception is, at least partly, the very recent study undertaken by the European Commission (European Economy, October 2011).[13]

[13] See http://ec.europa.eu/economy_finance/publications/occasional_paper/2011/pdf/ocp86_en.pdf.

Appendix Tables 1a-1c provide a more detailed overview of key macroeconomic and structural data for the MENA and CESEE countries (the latter split into two groups: SEE-CIS and NMS).

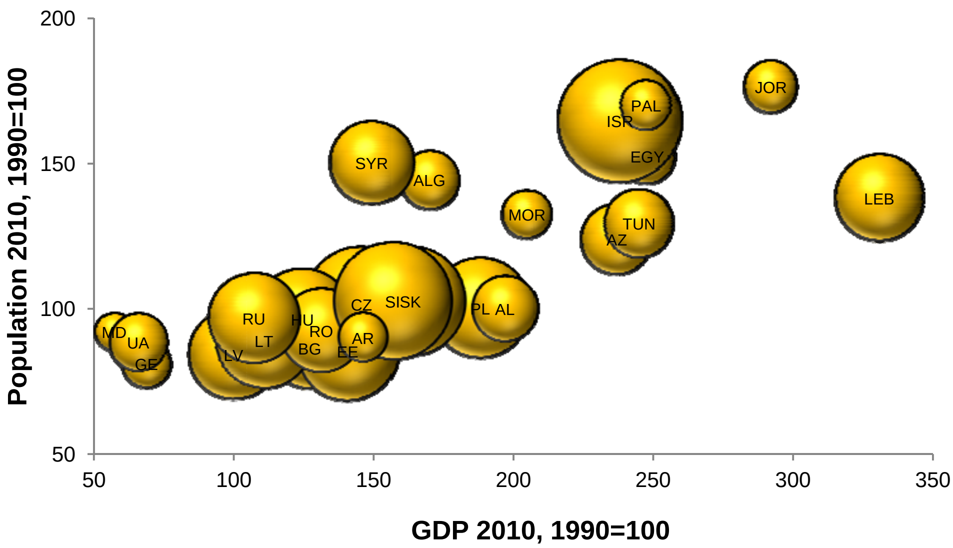
Economic growth and levels of economic development

As illustrated in Figure 2, the majority of MENA countries are at a much lower level of economic development (in terms of per capita GDP at purchasing power parity) than the majority of Central European transition countries. However, a number of transition countries in Southeast Europe, as well as many countries in the CIS, have similar economic development levels as the MENA countries (e.g. Albania, Bosnia and Herzegovina, Kosovo, Armenia, Georgia, Moldova and Ukraine). On the MENA side, the exceptions are Libya and Lebanon: their level of economic development is more similar to that of Poland, Romania and Bulgaria in their early stage of transition than to the rest of the MENA. However, on closer inspection, only Lebanon is a genuine exception among the MENA, as Libya's favourable standing is explained mainly by its revenues from oil exports and not by an indeed higher level of economic development. It is remarkable that the MENA countries with the biggest population and political weight (Egypt, Morocco, Algeria and Syria) are all at a much lower level of economic development than the majority of CESEE.

Figure 2

GDP and population growth (1990-2010) and development levels

(bubbles correspond to GDP per capita at PPP, EUR, year 2010)



Source: National statistics, wiiw, Eurostat, AMECO, IMF, The World Bank.

One of the key challenges facing MENA is their populations' fast growth: between 1990 and 2010, MENA population increased between 30% (Tunisia) and 70% (Jordan and Syria). As a consequence, there has been hardly any – or very little – *per capita income catching up in MENA countries,* despite fairly high GDP growth. In contrast, income catching up has been quite impressive in most CESEE (with the notable exceptions Georgia, Moldova and Ukraine). Needles to say, a part of per capita income growth in CESEE can be attributed to either stagnating (or even falling) populations: the latter has been quite dramatic in several CESEE countries (e.g. in Bulgaria, the Baltics and Ukraine population declined by more than 10% during the transition period). The reasons for the varying population developments are complex (and beyond the scope of this study): migration, low birth rates, culture, social stress, etc. In general, we will argue in this paper that MENA's transition is – to a much larger degree than those in CESEE countries twenty years ago – thus essentially linked with formidable *economic development* challenges.

The MENA group obviously did not manage to close the income gap vis-à-vis the EU average during the past two decades – despite GDP growth rates mostly exceeding 4% p.a. on average during 1990-2010 (Appendix Tables 1a-1c). At the same time, MENA economic growth has been lagging behind other emerging market countries, especially those in South East Asia. The failure of MENA to 'reap the fruits of globalization', their losses of export markets shares as well as the social exclusion, growing inequality and frustration of the population – their *relative lagging behind* – have all contributed to the outbreak of revolutions. At the same time, MENA did not suffer from 'transformational recessions' like the CESEE early 1990s (at least so far);[14] they were also spared the effects of the recent crisis which hit the CESEE disproportionally hard (Figure 3). According to the IMF, MENA's low degree integration with international capital markets together with spillovers from fiscal expansion in neighbouring oil-exporting countries, helped to offset the impact of the global slowdown. As a rule, MENA GDP growth even accelerated during the 2000-2010 period and their short-term growth outlook is generally positive (except for conflict-torn Syria – see IMF, 2011b). The latter suggests that MENA economic transitions could proceed without a kind of 'transformational recessions' which accompanied CESEEs – whether thanks to avoiding 'mistakes' in the reform strategy or because of a different reform agenda.

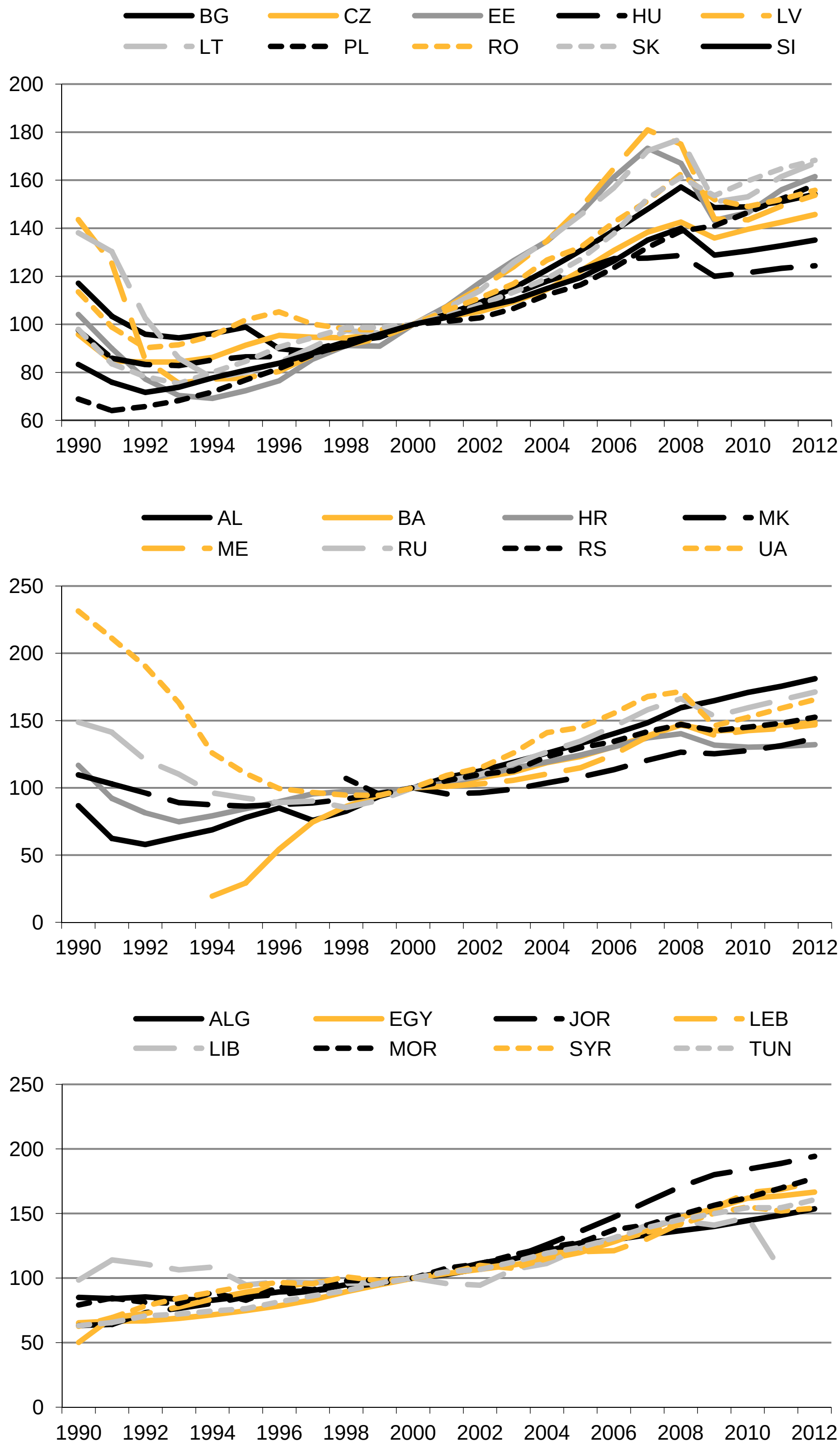
Nevertheless, the Arab Spring is expected to have adverse short-term effects on economic growth, albeit for somewhat different reasons than was the case in CESEE's transitions. The draft OECD paper prepared for the forthcoming 'Arab World Competitiveness Report 2011-2012' on opportunities and challenges in the MENA region does not explicitly mention the economic transition but rather a continuation and/or refocusing of ongoing reforms. Among the key challenges facing the MENA region job creation, corruption, public sector reforms and trade diversification are mentioned (see O'Sullivan et al., 2012).

14 Except for Libya where GDP was expected to fall by nearly 30% in 2011 (European Economy, 2011).

Figure 3

Development of GDP, selected MENA and CESEE countries, 1990-2012

2000 = 100, unweighted averages



Sources: National statistics, wiiw, Eurostat, WEO Database, Sep. 2011.

The state's role in the economy (ownership and regulation)

Liberalization, privatization, financial flows have been the core of the economic transition agenda. As is clear from the CESEE experience, a liberalizing economy has to be able to develop its tradable sector in order to significantly increase its competitiveness and exporting capacities. In that privatization the increased participation of foreign investors – often as part of the privatization process – can prove to be helpful if it contributes to modernization and restructuring. Privatization policies and outcomes (export-oriented vs. domestic market seeking FDI, sectoral FDI policies, etc) widely differ. Here, the lessons from CESSE may prove to be very useful. The impact of the changes in trade regimes and in financial openness together with the process of privatization has been important in CESEE as they will prove to be important in MENA countries too.

Prior to transition the state had an overwhelming role in the economy of CESEEs (except for Yugoslavia), ranging from direct state ownership and detailed central controls of enterprises to the monopoly of foreign trade, allocation of foreign exchange, price controls and primitive forms of financial transmission. These (and other) controls were most extensive in Albania and Romania while in Poland and Hungary relatively liberal regimes existed long before transition had started. Yugoslavia was to a significant extent a (socialist) market economy in several respects similar to some MENA countries. There was no open unemployment in CESEEs (again except for Yugoslavia). On the contrary, sizeable overemployment existed in the state sector and being out of job was usually punishable by law. Towards the end of the communist period, and again to various extents in individual countries, cautious market-oriented reform efforts were attempted. These reforms mostly failed to yield the desired results, but sometimes niches were opened up to private initiative mainly in small-scale retail trade, crafts, construction and simple household services. A major challenge and declared aim of transition was the (re-) establishment of private ownership. Initial transition measures thus included the liberalization of prices and of foreign trade (abolishment of the state foreign trade monopoly and most subsidies), the privatization of state enterprises and also the building-up of the institutional system of a market economy.

Privatization in the broad sense required facilitating business start-ups throughout the economy and the elaboration of privatization schemes in an environment where domestic private capital was extremely scarce compared to the needs of a functioning market economy. In some CESEEs (and again to various degrees) the restitution of properties to former owners or their heirs was implemented. In general, the privatization of SMEs was relatively easy whereas the privatization of big state owned enterprises established during the communist era which were often loss-making was much more difficult. The latter resulted partly from the lack of domestic capital, and partly it was due to the social and political implications (e.g. regarding 'fairness' and adverse labour market effects). In some countries, various innovative privatization schemes (such as free voucher distribution to citizens or employees' – usually management – buy-outs) were implemented. Additionally, the newly reconstructed commercial banking system was far from being able to provide the necessary support to these changes due to the lack of knowhow and capital. Frequently, the existing assets or capital were misallocated or squandered in the process (via various forms of asset stripping and outright theft). Many privatized companies had to be recapitalized by the state and then sold anew, usually to foreign investors who brought the necessary capital and know-how.

The MENA group (perhaps with the exception of Libya and Syria) is probably in a better position in this respect.[15] Though the state's direct or indirect role there is now bigger than in developed market economies and the state is 'heavily involved in many private sector activities and plays the role of the employer of first choice and last resort',[16] the MENA's way towards a functioning market economy based on predominantly privately owned businesses should not necessarily be as long, painful and controversial as it was in the former communist countries. The role of the state in the economy of MENA countries – judged by the share of government revenues and expenditures in GDP – is currently comparable to less advanced CESEE and generally lower than either in NMS or in Western Europe (Tables 1a-1c in Appendix). The dimension of privatization tasks is smaller in MENA countries and the barriers to private entrepreneurship which are to be removed are of a different nature than it has been the case in CESEE. Employment in the public sector ranges from 22% in Tunisia to around 33-35% in Syria (O'Sullivan et al, 2012). Even in Egypt, where the public sector accounts for over 40% of value added outside agriculture[17] and for 70% of non-agricultural employment, the dimension of potential privatization is smaller than it was in CESEE at the outset of transition.[18] However, there may be other, more subtle obstacles to privatization. Taking Egypt once more for an example, the role of military is substantial (quotation from Droz-Vincent, 2011):

> *Under Mubarak, the military in Egypt was a key component of the regime—much more than its counterpart in Tunisia under Ben Ali. Though in recent decades the Egyptian president was technically autonomous from the army, the high command was often consulted on fundamental issues: for example, the privatization debates post-2004 or later with the question of Mubarak's succession. And while not involved in day-to-day crackdowns (as the ministry of interior and its dreaded secret police)*

15 *The Economist* (25 June – 1 July 2011, p. 15) provided a different view, arguing that reducing the state's role in the economy will be a quite difficult chapter in MENA transition.

16 IMF (2011a) paper prepared for the G8 Summit in Deauville, France, 27 May 2011, p. 11. The simultaneous high incidence of unemployment (especially youth) and low competitiveness is being ascribed to the skill mismatch – see M. Ahmed et al. (2010), O'Sullivan et al (2012).

17 See *The Economist*, op. cit., p. 50.

18 In the case of Egypt, 'political transition does not need to be accompanied by fundamental economic changes of the sort which took place in former communist countries – see Dabrowski (2011). In CESEEs, except in Yugoslavia, usually a near state monopoly on non-agricultural assets existed at the end of the 1980s (UN ECE and wiiw, 1989).

the armed forces operated as the regime's last resort. Egypt's military also has substantial holdings within *the national economy: it owns a number of for-profit enterprises (factories for the manufacture of cement, jeeps, washing machines; the bottling of water) as well as agricultural farms and large swaths of reclaimed desert land. These economic inroads have served as an importance source of patronage for the officer corps, and they reflect how successful the military has been in shielding itself from the effects of economic liberalization and the rapid decrease in state resources*.[19]

The important challenge in MENA, as has also been the case in CESEE countries, is the fundamental reform in the regulation of business activities, including a radical reduction of cronyism, corruption and the lifting of pre-industrial era limitations to competition and transparency, a process that necessarily should involve the revision of the public sector's role in the economy. Concerning the foundations of a market economy, basic trading skills (bazaar) and small entrepreneurship have historic roots in the MENA region and the respective traditions have not been interrupted for decades even in 'quasi-socialist' countries such as Libya or Syria, as compared to the case of the majority of CESEEs. Financial institutions (and other prerequisites of a market economy) have been existing for a longer time already. In at least one of the MENA countries, namely Lebanon, banks are not less 'sophisticated' than in the developed Western world. The MENA countries all have (individually to different degrees) a middle class and an oligarchic, to a large extent rent-seeking upper class including high-ranking officers of the army which accumulated huge fortunes (of whatever origin); this means that capitalism will not have to be re-established from scratch as was the case in the CESEEs. Nevertheless, the existence of these social strata does not imply that these societies can easily be catapulted into 21st century compatible market economies and democracies. Instead of re-establishing the market economy from the scratch, as it was the case in the CESEEs, the main task in the MENA countries will typically be a thorough modernization and expansion based in part on already existing structures with the help of external assistance. Besides, the existence of widespread poverty together with large income inequalities once more illustrates that MENA transition must involve several classic economic development tasks.

The economic structure of CESEEs at the beginning of transition showed certain similarities to that of advanced industrialized countries. Industry played the key role, partly in continuation of the pre-communist structures (typically in Central Europe), partly as mainly newly created under the communist rule with a bias towards heavy industry and the military sector in particular (typically in the Balkans, and the former Soviet Union). Even if the products of these industries were mostly inferior to those of their western counterparts in terms of quality, design and the efficiency of the production processes (and services sectors were grossly underdeveloped), the societies producing them were overwhelmingly

19 See: 'Is Military Rule in Egypt Really Temporary?' (by Philippe Droz-Vincent), *Sada Journal*, 10 November 2011.

industrial, with a labour force possessing the appropriate skills. That was reflected in the employment and skill structures, ways for upward social mobility (including the role of women), and in countless aspects of everyday life (including, to a large degree, culture, religion and nationality issues). Even if a huge part of the industrial firms perished under the competitive pressure imposed by the sudden (and perhaps premature) liberalization of imports in the early process of transition, a considerable part of the involved human capital survived the initial industrial collapse and was able to adapt and get employed in the newly emerging restructured market economy. Still, the 'transformational recession' (a term first coined by the Hungarian economist János Kornai)[20] was frequently deeper than the recent 'global crisis' and resulted from the combination of factors such as the collapse of the old political cum economic and social system, resulting trade disintegration and the transition policies applied (often following external advice according to the so-called Washington Consensus). This recession left deep scars on the economies and societies of the CE-SEEs which are being felt until now, especially regarding the labour market coping with high unemployment affecting in particular young workers – the latter being one of the few common features among MENA and CESEEs presently.[21]

Labour market, demography and social indicators[22]

Most CESEE countries differ from those in the MENA region in terms of demography and a host of social indicators. However, it has been noticed that MENA countries have been undergoing significant social change when it comes to education, urbanization, and in a number of labour market indicators. Those could be usefully compared with the social and labour market indicators in the CESEE countries. They can also be used as a basis for the comparisons of social policies and also with the development of various indicators of social inequality. CESEE countries have by and large secured social sustainability of the process of transition and their policies can be compared with the challenges that MENA countries face, e.g. regarding youth unemployment and other labour market challenges. An eminent requirement is an adjustment of skill structures which most likely will require substantial changes in the educational system and incentives in the countries concerned (the skills mismatch is frequently cited as one of the reasons for high youth unemployment in MENA countries).[23]

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20 Kornai (1994).

21 However, the demographic structures of MENA and CESEE countries are very different: according to the WDI database, MENA's population is much younger whereas the majority of CESEE countries face serious aging problems like in Western Europe (Appendix Table 9).

22 This section was drafted by Hermine Vidovic with contributions by Mario Holzner.

23 See, for example, Ahmed et al. (2010), p. 25. The share of young people among the unemployed in MENA countries exceeds 40%. 'Unemployment in this region tends to increase with schooling, exceeding 15% for those with tertiary education in Egypt, Jordan and Tunisia' according to the IMF Middle East and Central Asia Department's Director Masood Ahmed (IMF, May 2011).

Age dependency ratios are relatively high throughout the MENA region. The ratio of dependents, i.e. people younger than 15 or older than 64 years, to the working-age population (those aged 15-64) stands between 40-45% in the CESEE countries and roughly 50% in the MENA region. Apart from that CESEE countries mostly deal with an ever aging society while in MENA the number of young dependents is huge. MENA societies are still growing which is reflected in fertility rates (births per woman) close to 3 while CIS countries manage to keep population stable and CEE and WBC mostly shrink with fertility rates around 1.5. Unsurprisingly in the MENA countries almost a third of the population is younger than 14. This is double the rate as compared to the CEE countries. The SEE and CIS countries are ranging somewhere in between. Conversely there are low proportions of the post productive age groups (over 65 years) in the MENA countries (about 5%) as against 10% in the CIS and 15% in the CESEE.

As a consequence the working age population in the MENA region will continue to grow in the next thirty years or so. The large inflow of new labour market entrants combined with a lower rate of workers retiring and new job creation has and will put an enormous pressure on the MENA countries' labour markets. Thus, job creation will remain a top priority in the coming years in order to remain at current unemployment levels. Estimates of international organizations on the need of additional jobs in the next decade are ranging between 25 million (MENA-OECD Investment Programme) and 50-75 million jobs (World Bank, 2011b), which would require (most likely unrealistic) annual GDP growth rates of 6.5%.

Differences can also be found when comparing other features of the labour markets. The participation rate is very low in the MENA region with less than half of the working age population participating in the labour force. This is mainly due to low female activity rates. In the other regions this value is close to 70%. In terms of unemployment, MENA countries exhibit on average a higher unemployment rate (13%) than the CEE and CIS economies, but display much lower levels than the SEEs, where unemployment tends to be two to three times higher.[24] This is similar in terms of youth unemployment where MENA, CEE and CIS countries show rates of around 25%, while again this figure is more than double that value in the SEEs. Females are more affected by unemployment than men despite their participation rates are lower than those for men. Moreover, unemployment among persons with university (and secondary education) is considerably higher than for persons with low or no education at all (EC, 2010) though the number of university graduates is still very low in the MENA region; this differs significantly from the CESEE and CIS.

In terms of education MENA countries are lagging somewhat behind its peers. Secondary school enrolment is at about 80% in MENA but almost complete in CEE. SEE and CIS

[24] Comparisons between the regions are difficult due many missing observations, inconsistencies and irregularities in reporting.

countries are ranging in between. Differences are more pronounced in tertiary school enrolment rates. Tertiary school enrolment in MENA makes only about a third of its officially corresponding age group. This rate is double the size in CEE. The SEE and CIS countries are once again in between those two figures.

In some MENA economies (Morocco, Egypt) the agricultural sector remains the major employer, absorbing 30-40% of total employment. This is a similar magnitude as in less developed CIS countries, while other MENA countries employ less people in agriculture resembling the pattern observed in SEEs (except Albania). In most CEE countries the share of agricultural employment has been declining over the past decade to below 10%. MENA countries tend to be quite militarized. Almost 4% of their labour force is employed in the armed forces. In the SEEs this share was similar at the beginning of the 2000s and declined constantly to a level below 1% indicating the end of military conflicts and authoritarian regimes in the Balkans end of the 1990s. In the CEE and CIS countries this share is rather constant at between 1% and 1.5%.

The public sector – including government agencies and state owned enterprises (SOEs) – is the most preferred source of employment for graduated (female) workers in the MENA countries accounting for up to 35% of total employment. Employment in the public sector offers higher wages, employment protection, shorter working hours and other social benefits. In the past the rise of public sector employment has been driven by social contract obligations of the governments guaranteeing a state job to all graduates, which lead to a concentration of high skilled in the state sector. Consequently 'guaranteed employment without concern for productivity in the public sector led to the prevalent rent-seeking behaviour among graduates and created strong disincentives for work in the productive sectors' (EC, 2010). Thus, governments were forced to terminate the system of guarantees, but despite reforms the share of the public sector wage bill still accounts for 8-10% of the GDP in most countries (European Commission, 2011).

Large informal sector activities are another important feature of the MENA, CIS and SEE economies. Though estimates of the size of this sector are very sensitive to the method used, all studies indicate a large share of the unofficial economy in MENA countries, comparable to some CIS countries, but much larger than in the CEE. The proportion of informal employment in non-agricultural employment in the region is estimated at between 35% and 55% by EC (2010), while other estimates, e.g. Heintz and Chang (2007), range between 30% in Syria and 67% in Morocco. Though the informal sector acts as a buffer against unemployment, like everywhere else jobs tend to be of lower quality, wages are lower and working conditions are poor.

One would expect that given the large number of young population, the lack of an adequate educational and social system, the existence of militarized and oppressive societies and significant economic inequality would act as push factors for emigration. However, MENA countries on average do not show high levels of net outward migration. On the contrary, mainly due to the fact that Syria took many refugees from Iraq, on average the MENA region displays a positive net migration rate as a share of population for both five-year periods up to 2005 and 2010. Negative net migration rates are only large for Morocco with about 1.5% of the population leaving the country in both periods. Nevertheless, emigration is expected to increase as a result of the Arab Spring (O'Sullivan et al., 2012). For the average CEE country net migration is rather balanced. While the SEEs were an area of emigration in the first half of the 2000s this trend has come to an end in the second half with net figures close to being balanced. The CIS region lost throughout the 2000s about 2% of its population due to migration. It might well be that pull factors for migration are different for the population of the MENA region as compared to its peers with migration policies in the industrial world being obstructive for immigrants from MENA.

One of the indicators with the most missing information is the Gini index of economic inequality. Moreover data stems from different surveys with the MENA countries having mostly expenditure based surveys and other countries having also income based data underlying the calculation of the Gini index. However, given these caveats it can be observed that inequality is quite similar in CEE, SEE and CIS with values between 30 and 35. Scarce data on the Gini index in the MENA region indicates values of around 35 to 40.

Also the social systems are less developed in the MENA region in comparison. Social contributions as a share of government revenues make only about 10% for the countries in the MENA region where data on this item is available (this item is threefold larger in the CEE and SEE area and about double the size in the CIS).

Opening up to the world markets: trade liberalization and restructuring

Levels of industrialization differ between the CESEEs at the beginning of transition and MENA countries now. Yet after 20 years of structural changes, many CESEEs, especially those in SEE and the CIS have comparable (and in some these countries even lower) level of industrialization (measured by the share of industry in GDP – see Figure 4, Appendix Tables 1a-1c). Still, differences between MENA and CESEE are substantial at a more detailed level; this refers to their production, export and labour force skill structures. Various features of everyday life in MENA resemble Europe of the pre-industrialization era.[25] The industrialization levels differ in that the latter mostly need to create new, robust and internationally embedded industries, more or less independently from the existing initial structure, often owned or indirectly controlled by the state. Many MENA countries had been implementing market-oriented reforms following IMF and World Bank advice – often praised as

[25] For example with respect gendered laws and the participation of women in the labour market – see O'Sullivan et al, 2012.

quite successful – for more than a decade.[26] These reforms, together with free trade agreements concluded with the EU (see below), have contributed to an increase of FDI inflows to several MENA countries – especially since late 1990s (Egypt, Jordan, Lebanon and Tunisia – see Figure 7 below and Appendix Table 7). Thus, rather than a transition reform task per se, it is again predominantly a development, restructuring and modernization agenda that has to be addressed nowadays in the MENA region (development issues were faced by a number of transition countries, primarily in the Balkans and parts of the former Soviet Union within their transition agenda as well).

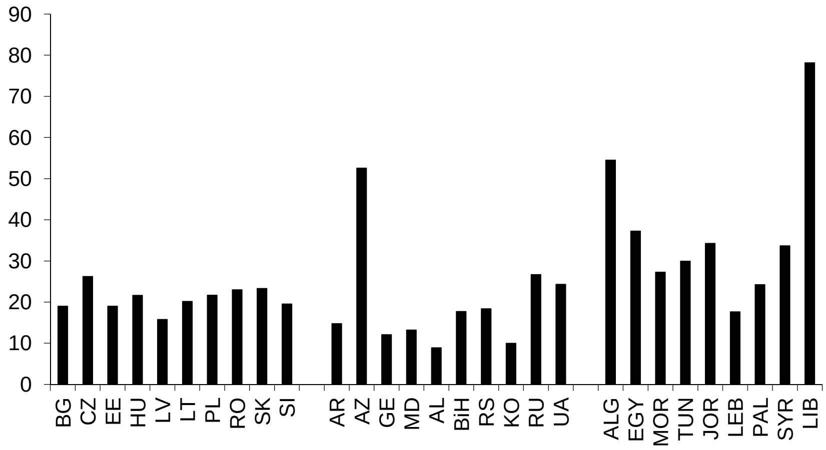
One of the most important features of early transition in the CESEEs was the radical opening up of the economy to foreign competition via the liberalization of external trade and current account (later also capital account) transactions. The external liberalization was initially associated with a huge devaluation of domestic currencies which, together with domestic price liberalization, contributed to high inflation at the beginning of transition.[27] The economic opening represented an unprecedented shock after many decades long extreme protectionism under the umbrella of the Soviet-led regional 'integration' bloc called CMEA (perhaps better known as COMECON – see below the section on intra-regional trade). After a widespread and rapid collapse of many state enterprises and even whole industries (the transformational recession resulted in a huge loss of output – see Figures 1 and 3 above), the recovery started relatively soon as parts of industry became (cost) competitive after devaluations and thanks to modernization and restructuring. These developments were closely correlated with massive inflows of FDI: foreign-owned enterprises played an outstanding role in the rapid expansion of CESEEs' exports. Many CESEEs (particularly the NMS) adopted an export-driven growth strategy, nevertheless with a completely different geographical distribution of trade, different actors (exporters) and, after FDI had helped in restructuring and modernization, also new or upgraded products. Highly developed EU economies became their main export markets, firstly in labour-intensive products, and also the main source of imports, of both consumer and investment goods. To different degrees in the individual CESEEs, strong specialization in a few groups of engineering products has occurred relatively soon after the start of transition (Dobrinsky and Landesmann, 1995) and these specialization patterns even strengthened afterwards (Havlik, 2008).

[26] Cf., the fairly positive IMF Staff Reports on Algeria, Egypt, Libya, Morocco and Tunisia preceding 2011 upheavals (http://www.IMF.org).

[27] Initially, CESEEs were not highly open to trade. In 1990, exports of goods accounted for less than 30% of GDP – approximately the same share as in MENA countries today. However, by 2010 the respective share reached almost 50% in the Central and East European NMS, while it stayed below 30% in most other CESEE countries (except Macedonia, Ukraine and Kazakhstan).

Figure 4

Share of industry in % of GDP, selected MENA and CESEE countries, 2010



Sources: wiiw, CISSTAT, Eurostat, AMECO, IMF.

In contrast, the MENA countries have been lagging behind in terms of both export performance (measured e.g. by export market shares), competitiveness, and trade restructuring (Ahmed, 2010; DG ECFIN, 2011; López-Cálix et al., 2010). MENA's lack of competitiveness and other external trade problems are evident also in their commodity trade patterns, as displayed in Appendix Tables 3-5.[28] Algeria and Libya – the most important EU trading partners among MENA – are monoculture-like exporters of fuels with hardly anything else to sell in the EU. Egypt's exports to the EU are also dominated by fuels, simple chemicals and semi-finished products. The share of more sophisticated manufactured products in MENA's exports is very low (note however the above-quoted IT success in Egypt and Tunisia whose products are probably destined mainly for local markets and not for exports). MENA's trade openness (as measured by the share of exports in GDP) is comparable to less advanced CESEE, yet it is much lower than that of NMS. (Figure 5, Appendix Tables 1a-1c). The commodity export structure is skewed towards energy (about 70% of MENA total exports and even slightly more in exports to the EU); Algeria and Libya export almost nothing else than energy. Even in Egypt and Syria, energy accounts for some 40% of total exports (Table 4a, Appendix). Food and beverages account for a minor share (less than 20%) of total exports.

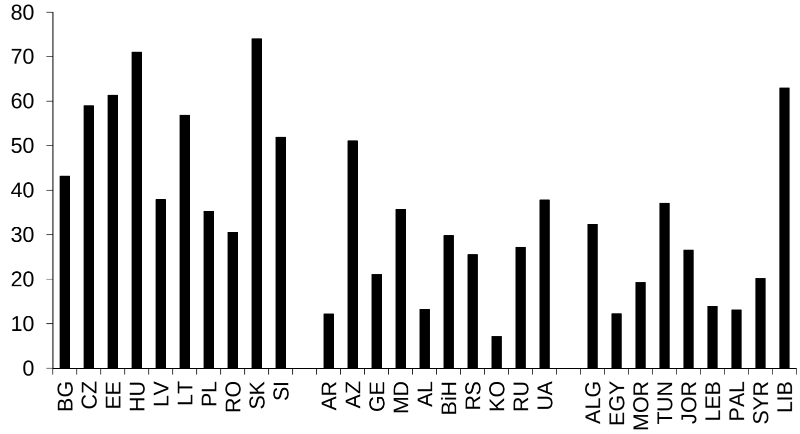
Except for Jordan and Palestine, the EU is the most important trading partner of MENA: more than half of MENA exports (more than 70% in the case of Tunisia and Libya), and about 40% of their imports are traded with the EU. The intra-regional trade is underdeveloped and is sometimes being seen as one of the brakes of MENA's general economic

[28] Due to lack of consistent export data for all the investigated countries in the period concerned, for the analysis of export structure we used mirror statistics, namely the imports from the countries concerned by the EU as reported by the Eurostat Comext database. The EU is by far the biggest export market for MENA oil importing countries – see Ahmed (2010).

backwardness (Ahmed, 2010; Chauffour, 2011).[29] The EU-MENA free trade agreements (Association Agreements) have many drawbacks: they do not apply to agricultural products; services trade and FDI flows are hampered by cumbersome investment regimes (Eurochambres, 2011).

Figure 5

Exports of goods in % of GDP, selected MENA and CESEE countries, 2010



Sources: wiiw, CISSTAT, Eurostat, AMECO, IMF.

As opposed to the pre-transition CESEEs, the MENA countries are not a regional trading bloc (on the contrary, their lack of intra-regional trade is seen as one of the culprits of low development levels) and thus may resemble countries in transition in the period immediately after liberalization.[30] However, with a 28% share of exports of goods in GDP, their trade openness is relatively low and is similar to that of Western Balkan countries in transition. However, average level of protection in individual countries of the group is significant (with import tariffs averaging about 12%) and several MENA countries are at the high end of a ranking which compared 139 countries by overall trade restrictiveness.[31] Trade openness is clearly insufficient, despite the existence of Greater Arab Free Trade Agreement (GAFTA), the Common Market for Eastern and Southern Africa (COMESA), Association Agreements with the EU, etc.[32] Yet the main problem for MENA countries' exports is not protectionism itself, but (as in the CESEEs twenty years ago) the lack of established export industries, low competitiveness, export concentration in traditional low value added products and a mismatch of skilled labour which could be relied on in case of the intention to

[29] Intra-MENA trade is analysed in detail below.

[30] Ahmed (2010).

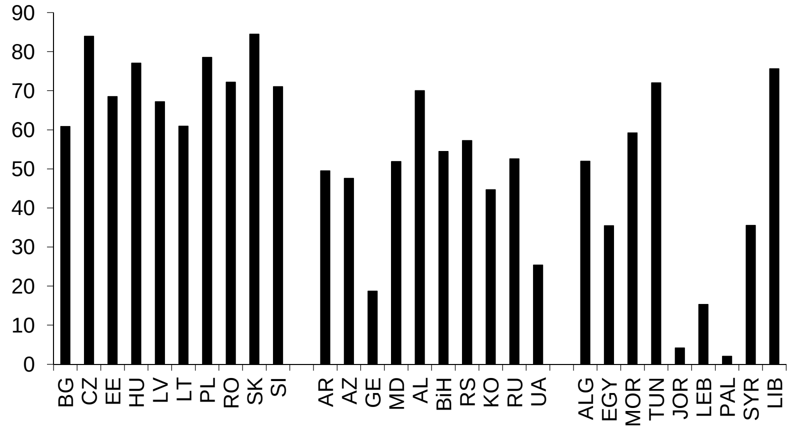
[31] IMF(2011a), p. 12.

[32] See Dabrowski (2011). A recent study for the period 1980-2004 has found that while the trade agreements significantly increased imports of the MENA countries from the EU, they had no positive impact on their exports to the EU – see Cieslik. and Hagemejer (2009).

follow the pattern of an export-driven catching-up process.[33] These problems are often compounded by trade restrictions imposed by major trading partners (e.g. on agriculture products in the case of the EU – the largest market for MENA countries).[34]

Figure 6

Exports to the EU in % of total exports, selected MENA and CESEE countries, 2010



Sources: wiiw, CISSTAT, Eurostat, AMECO, IMF.

There is a huge asymmetry in the importance of EU-MENA trade: less than 2% of EU trade is conducted with MENA region; in relative terms (shares of MENA in EU's total imports) the market share of MENA in the EU remained constant during past decade – below 2% (only Libya managed to increase its market share in the EU during 2000-2010 – largely thanks to rising energy prices). For comparison, the Central and East European NMS managed to nearly double their market share in the EU in the same period: from 3.9% of EU total imports in 2000 to 7.5% in 2010 (Table 5b in the Appendix).[35]

In the past decade Egypt's exports to the EU have increased by about 80%, whereas those of NMS rose by 140% within the same period. In 2010, Poland, with about half of Egypt's population, exported goods to the EU amounting to EUR 92 billion, while Egypt's respective deliveries amounted to less than EUR 7 billion. Morocco and Tunisia are fairly comparable with Bulgaria and Albania in terms of the composition of their exports (e.g. with respect to high shares of clothing, textiles and leather), but the expansion of their deliveries to the EU was again substantially less dynamic than in the case of the respective CESEEs (wiiw Handbook of Statistics, 2011). The MENA countries, in contrast to the CESEEs, have failed to increase their export market shares not only in the EU but in global trade in gen

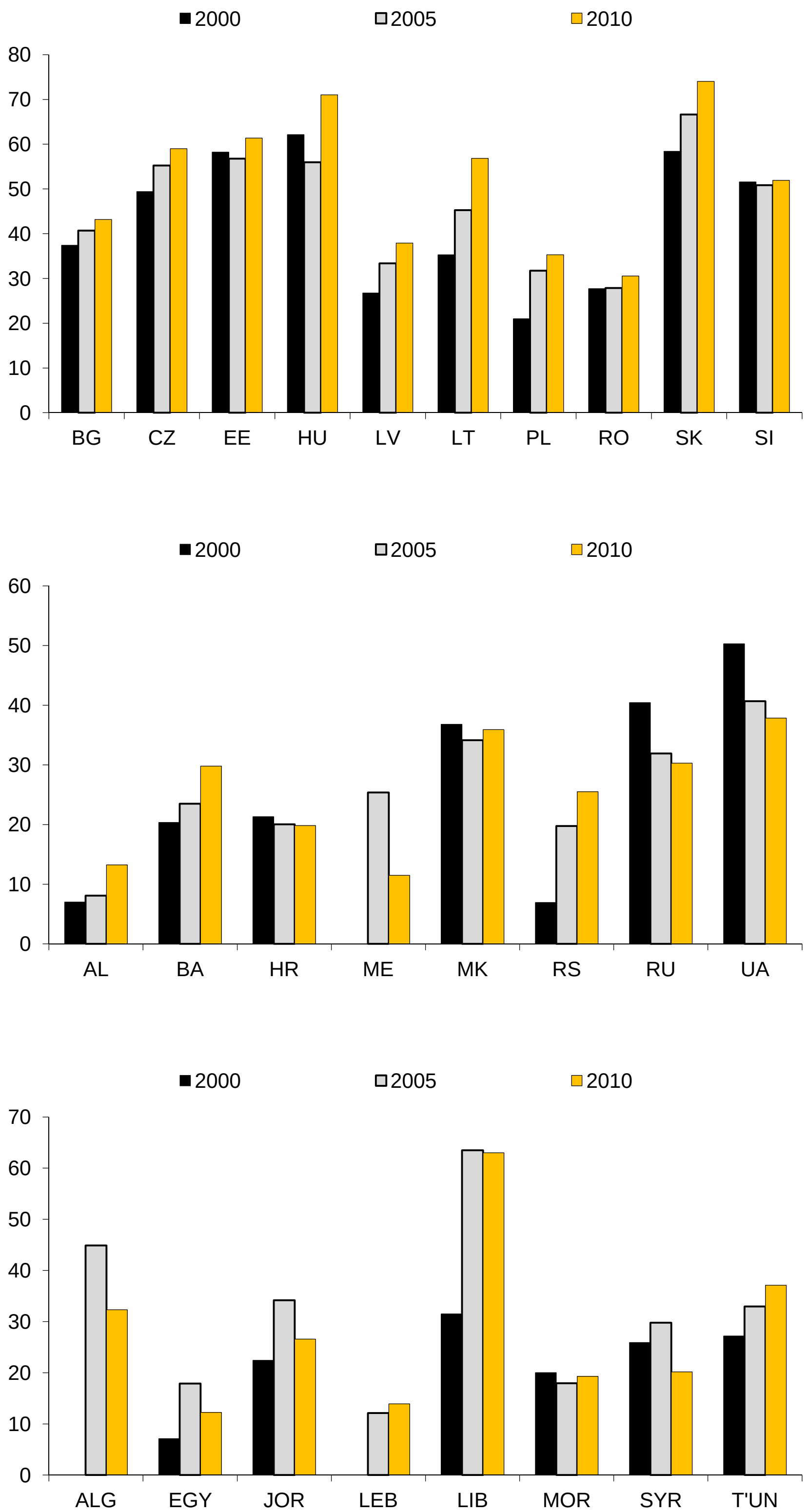
[33] However, Tunisia ('an outsourcing hub in the MENA region with car, IT and aeronautical industries') and Egypt ('attracting global IT investments') are mentioned as 'success stories' in the MENA region – see Ahmed (2010). Similarly, Libya was praised by the IMF for its achievements in modernization and diversification as late as in October 2010.

[34] For a comprehensive overview of trade impediments see Eurochambres (2011).

[35] For Austria, the NMS are multiple times more important trading partners than MENA (15% of Austrian exports are destined to NMS as compared with just 0.7% to MENA; nearly 12% of imports from NMS compared to just 1% from MENA – see Appendix Table 5a).

Figure 7

Exports of goods in % of GDP, selected MENA and CESEE countries, 2000, 2005 and 2010



Source: National statistics, wiiw, Eurostat, IMF, WEO-Database, wiiw calculation.

eral; in contrast to CESEE, they did not manage to increase their shares of exports in GDP (except for Tunisia – see Figure 7). This is another indicator that MENA region 'is not realizing the full benefits of globalization'.[36] Measures aimed at increasing the export potential and competitiveness in general should become one of the principal components of the transition strategy in the MENA region. The latter could be assisted by technology spillovers brought about by FDI.

4 Regional trade integration in MENA and CESEE[37]

Introduction

When we address here regional integration, our focus is trade among the MENA countries, but that will be supplemented by the analysis of intra-Maghreb and intra-Mashreq trade, as the respective members of these sub-groups have typically much closer geographical proximity and more common cultural features to one another than to members of the other sub-group. Egypt is located, and not only geographically, between the two groups, though sometimes it is placed into the group of the Mashreq countries.[38] It must be added that MENA also is part of a greater Arab region, which includes, besides MENA, member countries of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) plus Iraq and Yemen.

There are a number of economic and integration blocs with one or more MENA countries' participation, but there is no one overarching agreement that would cover the whole MENA region (see Figure 8).39 Additionally, there are several bilateral cooperation, trade, free trade and investment agreements in the MENA region in force (see Table 1). As illustrated by Figure 8 MENA members are typically partners in *several* agreements *simultaneously*. The high number of respective agreements is, however, no predictor about the intensity of actual trade relations across MENA.

Intra-MENA trade is a small fraction (5.9% in exports, 5.1% in imports) of the MENA countries' total trade (see Table 3a-3b in the Appendix).[40] Exports to the EU are ten times, imports from the EU eight times more relevant than intra-MENA trade flows. However, diversity is significant behind the group average. With more than 10% of total exports delivered to MENA, for Egypt, Jordan, Lebanon and Syria the MENA has been more relevant export destination than for the rest of the group. Nevertheless, in imports it is only Libya, whose

[36] See Ahmed (2010) p. 23.

[37] This section was written by Sándor Richter.

[38] Additionally, sometimes Iraq is seen as a Mashreq, Mauritania as a Maghreb country.

[39] For an overview of the history of regional integration in the Middle East and North Africa see Galal and Hoekmann (2003) and Shui and Walkenhorst (2010).

[40] 2008 trade data. As of November 2011 no more recent trade data were available including all (but Libya) MENA countries. As the latest trade data of Libya are from 2003, we used mirror statistics to create 2008 data for Libya.

Figure 8

Maps of regional integration in MENA

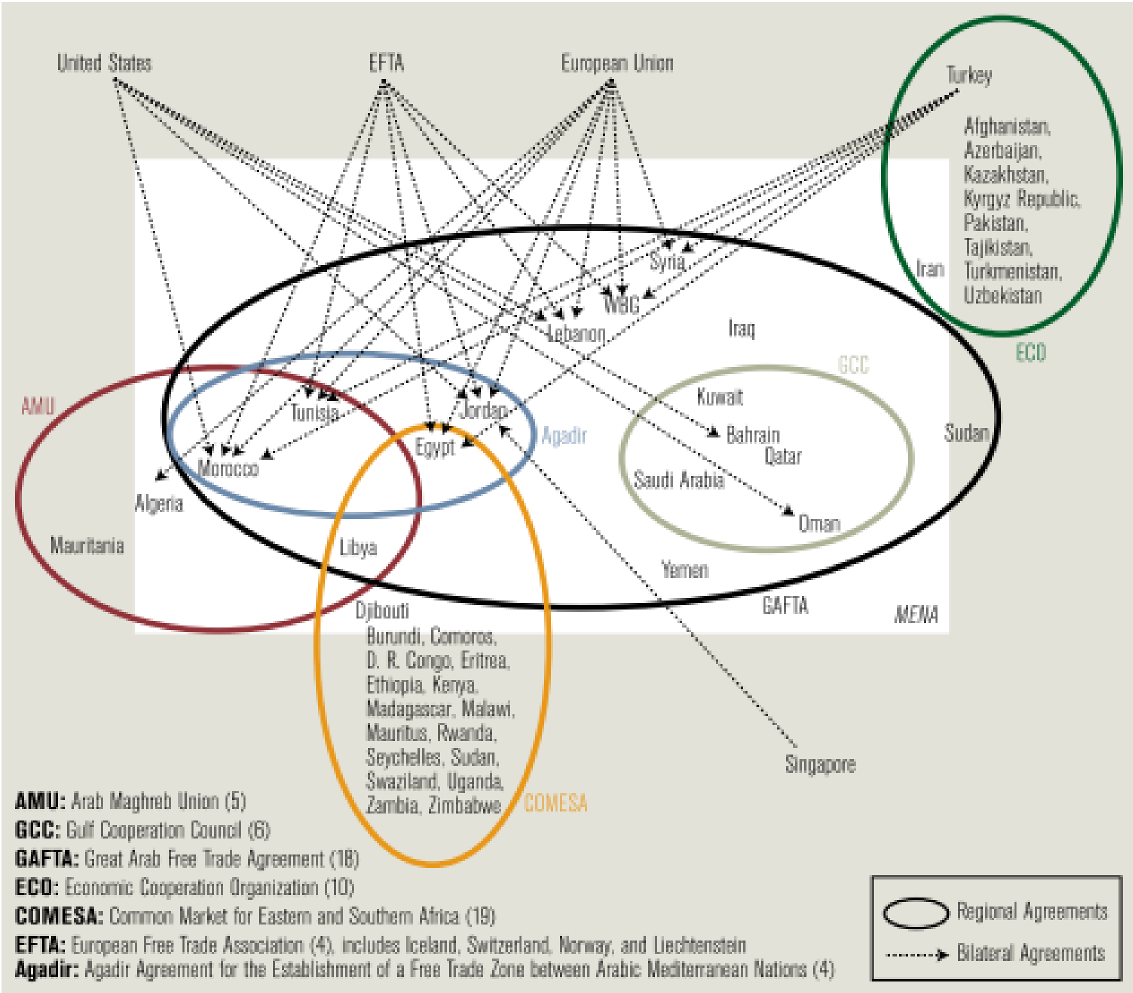


Table 1

Bilateral treaties within MENA

	Algeria	Egypt	Jordan	Lebanon	Libya	Morocco	Occ.Pal.Terr.	Syria	Tunisia
Algeria									
Egypt	BIT, TA								
Jordan	BIT, TA	BIT, FTA							
Lebanon	TA	TA,BIT	TA, BIT, FTA						
Libya	none	BIT, TA	BIT, FTA	none					
Morocco	TA	BIT, FTA	BIT, FTA	FA,BIT	BIT, TA				
Occ.Pal.Terr.	none	BIT, TA	TA	none	None	none			
Syria	BIT(a), TA	BIT, TA	BIT, FTA	BIT, TA	BIT, TA	BIT, FA	none		
Tunisia	BIT(a), TA	BIT, FTA	BIT(a), TA	BIT	BIT(a), TA	BIT(a), TA	none	TA	

Note: FA=Framework Agreements (call for cooperation and exchange of information and expertise. FTA=Free Trade Agreements (involve broad tariff reductions on a preferential basis. TA= Trade Agreements (are less demanding than FTA but more concrete than Fas, e.g. TA may include tariff reductions, special exemptions, or the creation of a free trade zone). BIT (Bilateral Investment Treaties) provide investor protection. (a) = not enforced.

Source: Shui and Walkenhorst (2010).

purchases from the MENA have a higher than 10% share in the country's total imports. For individual MENA countries trade with the EU is clearly more significant than intra-MENA trade: in exports only Jordan, Lebanon and the Occupied Palestine Territories trade more with MENA than with the EU, in imports none of the MENA countries purchases more from the own region than from the EU. As mentioned above, the insufficient regional trade integration is often seen as one of the main obstacles to development, trade and FDI in MENA region (IMF, 2011a; Eurochambres, 2011).

Sub-regions Maghreb and Mashreq

Within MENA intra-sub-region trade (intra-Maghreb and intra-Mashreq trade) displays diverging patterns. Intra-Maghreb export (2.5% of total Maghreb exports) is negligible, except for Tunisia. In imports, the share of intra-Maghreb purchases in total is somewhat above the low average intra-Maghreb share (3.7%) in the cases of Tunisia and Libya. Intra-Mashreq exports are more intense than intra-Maghreb exports, they amount to 10.4% of total Mashreq exports. In imports the share of intra-group trade is very low (2.3%).

The results of various gravity model calculations suggest that *intra-MENA* trade is below its potential (Péridy, 2005; Bolbol and Fatheldin, 2005). It is important to add, however, that these and other gravity model results also indicate that the MENA's participation in the *world trade* is as well below the potential. In the global economy the number of regional integration agreements and of the countries involved in these agreements have been rising after World War 2, and this growth has been accelerating in the last twenty years. Growing number and importance of integration blocks where MENA countries are *not involved* and the subsequent deterioration in 'outsider' MENA exporters' global competitive position, coupled with insufficient intra-MENA integration, raised a *double constraint* to successful export led growth in the MENA economies. The stagnation of the region's share in global non-oil exports, on the one hand, and the steadily low (about 7%) ratio of the region's non-oil exports relative to its GDP[41] on the other hand, are unambiguous indications for missed diversification and growth. Model simulations show that complete trade liberalization would bring substantial benefits to both MENA and their key trading partners in the EU (Eurochambres, 2011).

Although there has been some progress in intra-MENA integration, it lags behind the level achieved in middle and high income regional blocks, according to Akhtar and Rouis (2010) and World Bank (2010). There are various explanations offered in the literature for the low intensity of intra-MENA integration.

[41] Iqbal and Nabli (2010), Ahmed (2010).

Key reasons for the low level of intra-MENA trade

- Uneven level of import protection

Import protection via tariffs is uneven in the region. Eliminating tariffs between partners with highly different tariff level on external imports will have different consequences for the sectors exposed to changed conditions of import competition in the individual countries. Opening up toward regional partners may divert trade flows from more efficient third country exporters to less efficient trading bloc partner exporter. Though most favoured nation (MFN) tariffs in MENA have been reduced and they are converging to the global level, they are still high and the spread of average tariffs remained considerable, see on this Shui and Walkenhorst (2010). Furthermore, certain industries in individual countries may be politically important and thus the readiness to expose them to increased competition from regional firms may be limited.

- Non-tariff barriers to trade

Kee, Nicita and Olarreaga (2005) analysed the role of non-tariff barriers and came to the conclusion that they are higher in the MENA region than anywhere in the world, moreover, non-tariff barriers contribute to restrictiveness more than tariffs do. Free trade stipulations frequently exist only on the paper but not in real life. In some cases special import permits are required for entering the country of destination, and if an import-competing industry is thought to be harmed through the respective imports, permissions may be refused and the high MFN tariff must be paid. In an analysis about non-tariff barriers the costs of complying with non-tariff protective measures were estimated to amount to 10% of the price of the exported commodities, see Zarrouk (2003).

- No coverage of trade in services

Regional trade agreements in MENA typically omit trade in services or include it to a marginal extent (World Bank, 2010). Research results of Konan (2003) suggest that for Egypt and Tunisia comprehensive reform of services and simultaneous opening up to competition would bring about results that are two to three times more significant than tariff removal alone. Due to intra-MENA differences in regulations, restrictions on currency convertibility and physical movement of people it is often easier for a MENA services provider to operate outside than inside the region, see Shui and Walkenhorst (2010).

- Diversified and complicated rules of origin

The highly diversified and complicated sets of rules of origin in the MENA countries displace foreign investments to the Northern rim of the Mediterranean, see Ülgen (2011). A foreign investor operating from an EU member state can easily serve the individual MENA markets, contrary to a MENA investor which is handicapped by the holes in the set of individual trade agreements across MENA countries coupled with complications of the diverging rules of origin.

- Unfavourable investment climate

High transport, logistics and communication costs, coupled with lack of adequate infrastructure are factors impeding trade in the MENA region. The institutional framework does not align prices with costs and an enabling environment is also missing that would permit and entice private provision, see Page and Van Gelder (2001); All this discourages the start up of small and medium size firms which otherwise ought to figure as typical drivers of intra-regional trade, see Nabli (2007). According to The World Bank, conditions for doing business in the region are rather poor (though necessarily worse than in several CESEE - The World Bank, 2011-12 – see Tables 1a-1c, Table 8 in Appendix). In addition, other impediments to trade and FDI (such as intellectual property rights, corruption, complex rules of origin, state intervention, cultural differences and linguistic barriers) have been identified by a number of studies (Eurochambres, 2011).

Transition and regional integration of the CESEEs

Between 1949 and 1991 many CESEE had been members of the Soviet dominated integration block called Council for Mutual Economic Assistance (CMEA or COMECON). This organization provided the institutional framework for its members' mutual trade. For the CMEA independence from the capitalist (western, highly developed) part of the world economy, implemented through the possible highest level of regional autarchy was an explicit goal. Although regional autarchy had never been fully achieved, more than four decades partial isolation from the mainstream world economy had serious detrimental consequences for the intra-CMEA mutual trade. Artificial, non-market export and import prices, rigidities due to the lack of convertible foreign exchange to settle intra-regional payments, and the overwhelming role of state institutions in virtually all aspects of external economic relations led to distorted specialization- and enterprise-behaviour patterns. These patterns certainly could not be maintained once liberalization had opened up the CESEE economies to western competition in 1990/1991.[42] As a consequence, mutual trade of the transition countries dropped to very low levels. It is important to note that practically simultaneously with transition several new independent economies emerged in the region from broken-up countries like Czechoslovakia, the Soviet Union and Yugoslavia. Trade flows which were earlier part of domestic trade became overnight foreign trade.

Of the post-transition regional integration attempts of the CESEE, that of the Central European Transition Countries (CETC)[43] has been the most successful and therefore relevant to the MENA region. Immediately after the political changes in 1989/90 one of the main endeavours of the democratically elected new governments was to restore traditional trade relations with Western Europe and much less attention was paid to the future of intra-CETC trade relations. After the conclusion of the Association Agreements (including a gradual

[42] Havlik (1991), Gács, and Winckler (1994).

[43] The Czech Republic, Hungary, Poland and Slovakia.

introduction of free trade) between the EU and the individual CEEs it took one year until an agreement on the establishment of the Central European Free Trade Area (CEFTA) was concluded.[44] The reserved attitude toward intra-regional economic cooperation is explained by the suspicion in these countries that the EU's attempts to foster intra-CEFTA trade was nothing else but a disguised intention to postpone or even sabotage their full membership in the European Union. The CEEs were in the early stages of rearranging their external trade relations, and it was already discernible that this process would result in a temporary or even a medium term decline in intra-regional trade. There was a well-grounded fear that the inability to boost intra-regional trade would be regarded as the proof of the CEFTA inability to become part of a broader European integration framework.

The positive impact of the EU accession on intra-regional trade

Following the accession to the EU in 2004 intra-CETC trade underwent a spectacular revival after the collapse in the early 1990s. In 2007, three years after the EU accession, the value of aggregate intra-CETC trade was two and a half times higher than in 2003, the last year before accession. The rate of growth in CETC trade with the 'old' EU member states was only half as much as that. This sudden acceleration of intra-CETC trade cannot be explained by removal of trade barriers upon accession. Free trade for industrial commodities had been long in place. Most of the restrictions on agricultural and food industry products had also been already removed prior to May 1, 2004, the day of EU accession, and this applied to trade with the 'old' EU and intra-regional trade as well.[45]

All in all, intra-regional trade of the CETC has been a success story since these countries' EU accession.[46] Three years after the EU accession the share of intra-CETC trade attained the level experienced back in 1985. The fundamental difference is, however, that in the 1980s that level was achieved under the extreme protection provided by the CMEA which efficiently excluded competition from the world market. The current level has been attained under the conditions of the single European market, without any protection for the intra- CETC trade.

The causes of the intra- CETC trade expansion are far from obvious. Foster, Hunya, Pindyuk and Richter (2011) and Hunya and Richter (2011) looked at various possible explanations. Analysing the changes in mutual trade specialization the authors found that trade specialization itself did not explain the revival of mutual trade. It turned out that both extreme strong specialization (Hungary) and a virtual lack of specialization (Slovakia) were

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[44] For details see Richter and Tóth (1994).

[45] Nevertheless, according to Hornok (2010) the elimination of non-traditional trade barriers following the EU accession may have been a significant contribution to the upturn in mutual trade flows. The author mentions the following non-traditional trade barriers: eliminated border waiting time and customs procedures; elimination of technical barriers through completion of harmonization; lower legal and information costs for exporters and reduced political risk.

[46] This is in sharp contrast to the ongoing trade disintegration in the CIS (Havlik, 2008) and partly also in SEE.

recorded in countries achieving very high export growth rates in intra-NMS trade. Another field of investigation, intra- CETC FDI flows, demonstrated that while FDI inflows have been playing a decisive role in the economic growth of these countries, the significance of mutual FDI was small to negligible.

As main explanation for fast intra- CETC trade growth remains FDI in general which expanded fast and facilitated the inclusion of the CETC into the European production networks. Most of the exports of the CETC are generated by subsidiaries of multinational corporations from the EU-15 and other developed countries. These subsidiaries are linked by intra-company trade, sourcing and selling in the CETC region. A rationalization of subsidiaries took place to fewer locations serving several countries in the region (Bellak and Narula, 2009). Foreign investors have concentrated the production of consumer goods marketed in the region to a lower number of locations after EU enlargement which also generated trade among the CETC countries. What most probably changed in the wake of enlargement was the specialization of subsidiaries.

EU accession must have played an indirect role not tied to the exact date of enlargement. Despite the hesitant attitude of the incumbent EU members towards eastern enlargement in the 1990s and the lack of their final commitment up until 2002, with closing in on the year of accession it became more and more obvious that the accession would take place indeed. In this gradual process of self-conviction the foreign firms involved in the intra-NMS trade gradually embarked on a new, geographically more diversified sales/procurement strategy. In the new strategic concepts of the main exporting firms (mostly multinationals) the CETC region has been upgraded both as target for sales and as a host of potential co-operation partners for production.

Lessons from CETC experiences with intra-regional trade

Research results in Foster, Hunya, Pindyuk and Richter (2011) and Hunya and Richter (2011) reveal that a successful revival of intra-regional trade in Central Europe was conditional upon these countries' close integration with the EU. In the case of the CETC close integration meant full EU membership, what is for the MENA not available currently and in the near and medium term future. Nevertheless a provision of some of the main attributes of deep integration with the EU, even without full membership, may facilitate intra- CETC trade to a similar way as it did for the CETC.

A strong presence of multinational companies in the CETC manufacturing industries and the gradual involvement of these affiliates into worldwide production networks of these companies was the first step. A gradual loosening of the initial 'hub and spoke' relation (highly developed 'old' EU members as the hub and individual CETC as the spokes), further the establishment and/or gradual upgrading of intra-NMS networks of the originally 'region-blind' multinationals is a model that can be adapted to the special circumstances of intra-MENA trade. A precondition for that is an implemented free trade agreement with the EU and, with regard to problems regarding the rules of origin, a common (MENA-wide) external tariff, perhaps a customs union with the EU.[47] For a levelled playing ground key elements of the *acquis communautaire* in trade, FDI, state aid, environmental protection, etc. could be adopted by the MENA. Abolishment of non-tariff trade barriers is indispensible as well. Last but not least, an unambiguously FDI-friendly regulatory environment is a key element of a policy targeted at an upswing of intra-MENA trade, too.

While the economic preconditions of a stepped up intra-MENA trade are quite clear, the political, social and cultural implications are less so. Increased competition would have winners and losers as well, with different balance by countries, regions, social strata, industrial and services sectors, enterprise size, etc. Therefore any attempt to fulfil the above outlined preconditions for stepping up intra-MENA trade must be preceded by the elaboration of comprehensive impact analyses.

Alternative scenarios for intra-MENA trade

The NMS had the option of EU accession and these countries clearly subordinated their intra-regional cooperation to EU accession. For the MENA the EU accession option is currently missing, therefore there is sufficient room for creative solutions concerning MENA regional integration. Drawing on the work of Casero and Seshan (2010) we outline five major directions for future developments:

- **Status quo** – no change from current situation;
- **Shallow regional integration** – regional trade agreements help dismantle most tariffs and other trade barriers in merchandise trade;
- **Deeper regional integration** – MENA countries move beyond shallow integration and liberalize the services sector, introduce investment climate reforms and make efforts to improve intra-regional physical infrastructure;
- **Wider integration** – MENA countries enter a trading bloc with the EU;
- **Deeper regional integration cum wider integration** – combining the advantages of two formerly mentioned options.

The progress from lower stages of integration toward the higher ones may be slow and not necessarily desirable for *each i*ndividual MENA countries. A critical issue will be here to find the common denominator for the minimum required level of regional integration. Simultaneously, for those countries or groups of countries which are ready and able to enter higher level of integration, rapid progress should be secured. Nevertheless a rapid progress of a group of MENA countries in their individual or group-wise wider integration with the EU *before* stepping up intra-MENA integration may be a major obstacle of fostering

47 Ülgen (2011) proposes that the MENA countries could join the EU-Turkey customs union.

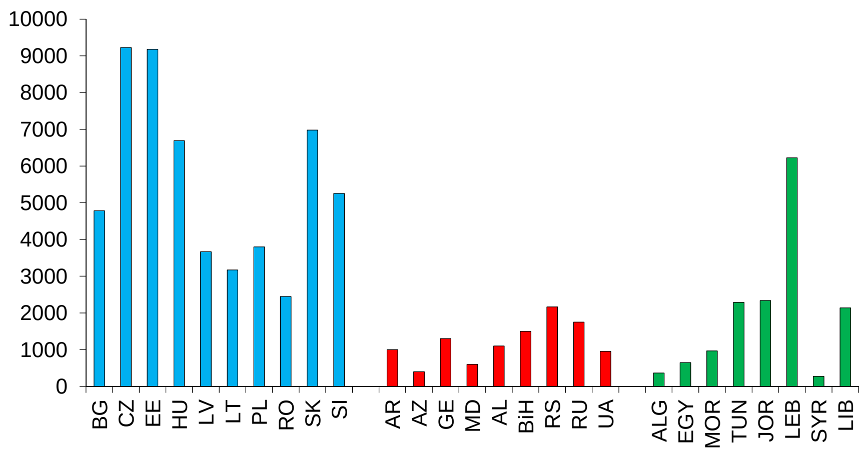
intra-MENA integration. The reason for this is a potential crowding out of intra-regional trade through obstacle-free trade flows with the EU. Nevertheless, a comprehensive EU-MENA trade agreement, possibly with intra-MENA (and Turkey) Customs Union agreement – the last option mentioned above would be beneficial (Eurochambres, 2011; Ülgen, 2011). For the time being, the existing EU-MENA trade agreements, Action Plans and other Neighbourhood Policy instruments are being frequently criticized (see, for example, Ghoneim, 2011).

Opening up to foreign capital, foreign direct investments (FDI)[48]

Indeed, foreign-owned enterprises have been the engine of restructuring and modernization in CESEEs' industry, financial services and trade. Starting almost from a scratch, 60% to 80% of exports in more advanced CESEEs (mostly NMS) are nowadays delivered by foreign-owned firms. We have no comparable data about the MENA countries at this stage, but per capita FDI stocks (or FDI stocks in GDP) display a generally smaller weight of foreign capital in the economy than in the CESEEs (Figure 9). The exceptions are, however, not negligible: Tunisia and Jordan (Lebanon is an exception) have a record comparable to the less successful FDI-absorbing transition countries, and some Balkan economies are not more successful in attracting FDI than the MENA economies.

Figure 9

FDI inward stock, EUR per capita, selected MENA and CESEE countries, 2010



Source: National statistics, wiiw, UNCTAD.

Except for Poland and Slovenia, the overwhelming part of the financial institutions and insurance companies in the CESEEs are also foreign-owned, though not in the CIS.[49] By contrast, the significance of foreign ownership in the financial sector of the MENA countries is

[48] This section was drafted by Gábor Hunya.

[49] See Hunya (2011).

smaller: foreign-owned assets amount to about one fifth of all banking system assets;[50] though the state ownership is extensive in some MENA banking and insurance sectors (70% of banking assets in Egypt, 95% in Algeria and 100% in Syria – see Eurochambres, 2011).

A strong presence of foreign investors in the local economy may be seen as a mixed blessing. On the one hand, recipient CESEE countries have been integrated into world-wide production networks and today not only produce (this was the case already before transition) but also export to the world market cars, computers and telecommunication devices which was not the case before. The mother companies of the local financial affiliates introduced a more sophisticated banking culture and technologies, provided ample liquidity for the pre-2008 economic boom in the region and, finally, helped their local affiliates to survive the worst months of the 2008-2009 global financial crisis. On the other hand, FDI firms often remain isolated islands of modernity with insufficient subcontracting activities induced among local firms and limited spillovers. The strong specialization of the foreign-owned firms in industry (e.g. on the automotive industry) is sometimes seen as one-sided and thus potentially risky. There is no national industrial policy any longer in the countries concerned, with negative consequences for domestic R & D activities and innovation. Domestic-market oriented foreign firms often crowd out domestic-owned competitors. Last but not least, a considerable part of the profit generated in the highly profitable foreign sector is transferred abroad to the mother company.

When looking at the number of greenfield investment project (fdimarkets database) over the 2003-2009 period, MENA countries have received much less new projects than the NMS peers.

Table 2

Number of greenfield projects in MENA, 2003-2011, cumulated

Destination Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total	Average annual growth
Egypt	43	36	48	57	55	86	107	74	37	543	11.7%
Morocco	39	37	59	48	59	98	48	52	63	503	11.7%
Algeria	23	19	47	51	34	77	32	20	19	322	19.4%
Tunisia	17	9	34	27	30	59	51	48	31	306	42.6%
Jordan	16	11	25	35	20	34	26	46	25	238	30.9%
Lebanon	20	23	12	19	11	9	28	31	16	169	26.7%
Syria	8	6	26	18	17	29	24	21	12	161	44.7%
Libya	4	7	15	11	21	43	17	17	2	137	42.5%
Palestine				5	4	2	1	1		13	n/a
Overall Total	170	148	266	271	251	437	334	310	205	2,392	14.9%

Source: FDI Intelligence from Financial Times Ltd

50 See Berglöf, Korniyenko, Plekhanov and Zettelmeyer (2009).

Between January 2003 and September 2011, the country attracting the greatest number of projects among MENA was Egypt, with 543 reported inward investment projects. This represents 23% of inward investment projects in the region. The country recording the highest growth in inward investment is Syria, with average growth of 45% per annum, closely followed by Tunisia (43% – see Table 2).

The MENA countries may learn a lot from the recent experience of the CESEEs in this area: they have the option to diminish the negative side-effects of FDI by a gradual and segmented opening up to foreign investment and through cleverly designed measures to shield domestic producers and providers of services from being wiped out by market-seeking FDI, as well as by preserving (or devising) elements of an industrial policy. As MENA countries have no perspective of EU accession, the outright liberalization of capital flows is not a must for them and the FDI policies in China, India or Malaysia may be more expedient. The above quoted success stories in Egypt and Tunisia should be carefully studied. All in all, should the MENA countries opt for a modernization path and export-led growth strategy similar to that of the more advanced CESEEs, they must be aware of the fact that foreign capital is an indispensable component of transition, modernization and restructuring as we know it. Moreover, there are important lessons to be learned also with respect to a job creation and income growth related to FDI (Investing for Growth and Jobs, World Bank, 2011b, pp. 31 ff).

The prospect of membership in the EU (the above mentioned EU ‘accession anchor’) and the necessity to secure the creation of a favourable legal and institutional environment for badly needed foreign direct investment compelled the CESEEs to continuously elaborate on their institutional competitiveness, going beyond the focus on traditional cost competitiveness which prevailed at the early stages of transition. That required a radical departure from the initial conditions soon after the beginning of transition. The process of institutional upgrading was generally more successful in Central Europe than elsewhere farther East or South. The MENA countries are going to face this challenge only now while the pure costs competitiveness (e.g. low unit labour costs) is probably not crucial (or the only challenge) in this context. This is clearly seen also from the results of a worldwide ranking of individual economies displayed in the regular World Bank survey ‘Ease of doing business’ which measures various indicators related to entrepreneurship in more than 180 countries in the world. The most recent results (from June resp. October 2011) show that out of the altogether 14 transition countries involved, 6 were ranked among the first 50 countries, 7 among the second 50, and 1 among the third 50 countries of the altogether 183 countries ranked. Concerning the MENA group, only one (Tunisia) was among the first 50 (see Figure 10 and Appendix Table 8).

5 Policy conclusions and recommendations

MENA's future challenges are mostly of a political and social nature; the economic transition will not require a radical overhaul of the existing system as was the case in CESEE countries after the 1989-1991 changes. This relates to a number of economic policy areas such as the labour market, public sector reforms, foreign trade and foreign direct investment, to mention just a few of the most important ones. Thus, MENA is facing the urgent task to create new jobs outside the public sector, and to improve governance and the rule of law. The agenda for MENA's economic reforms is admittedly much narrower than that faced by CESEEs twenty years ago. The above-quoted OECD paper lists the following four areas (see O'Sullivan, 2012):

- improving governance, transparency and accountability;
- increasing social and economic inclusion;
- modernization, supporting private sector development and job creation;
- fostering regional and global integration.

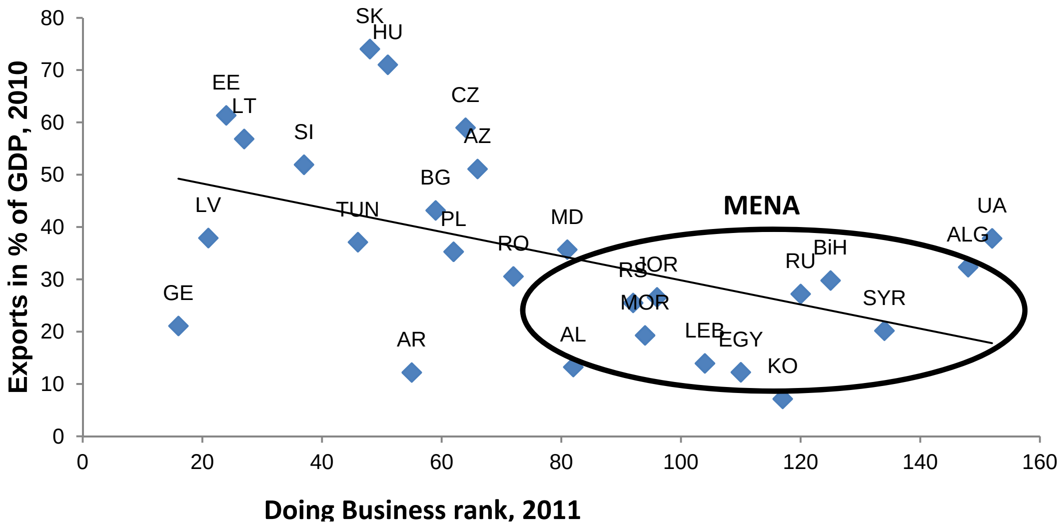
What scenarios can be developed for MENA's future, how can the success or failure of transitions be assessed? Governance and transparency can be evaluated with the help of surveys published by The World Bank (Doing Business), EBRD (BEEPS), Transparency International, World Economic Forum, etc. The available evidence suggests that there is no straightforward progress in individual countries or regions in this respect. However, there seems to be a relationship between economic openness (share of exports in GDP) and the business climate (the latter measured by the World Bank Ease of Doing Business rank): the majority of MENA countries lag considerably behind in their Ease of Doing Business ranking while having simultaneously rather low shares of exports in GDP (with the exception of Tunisia – see Figure 10). Implicitly, improvements in the business climate would stimulate exports.

Social inclusion and job creation depend on economic growth, labour market policies and distributional issues. As far as MENA is concerned, the *sine qua non* condition is to achieve high per capita GDP growth, i.e. GDP growth which is higher than the increase of population. Better social inclusion will require policies (taxation, labour market, health and education) that will reduce the existing inequalities and discrimination (women, religious and other minorities).

Two broad economic reform areas (modernization and integration) probably open the greatest space for the involvement of the international community. The experience of CESEE suggests that FDI inflows are instrumental to modernization, private sector development and job creation – although the above-mentioned caveats must be taken into account. Similarly, regional integration can be fostered with the help of the EU and other IFIs by promoting and broadening existing bilateral free trade agreements and lifting the existing barriers. Here again the experience of CESEE countries is a valuable inspiration.

Figure 10

Exports in % of GDP and 'Ease of Doing Business', selected MENA and CESEE countries



Source: National statistics, wiiw, Eurostat, The World Bank Doing Business, wiiw calculations.

In all the policy areas mentioned above (and there are plenty of others) there is no guarantee for success – as illustrated by the experience of CESEE. Moreover, the current global crisis makes the policy implementation not easier. If anything, the future scenarios must reckon with a slow process of improvements, many backlashes and no success guarantees. It is also quite certain that some countries (e.g. Tunisia) will fare better than others (Egypt). The abundance of natural resources represents an additional challenge (Algeria and Libya vs. Russia and Azerbaijan).

*A c*omparison of MENA transition with that of CESEE is useful for two reasons: (i) the common strategy of reliance on democratization for social and economic reforms, and (ii) close economic ties to the European Union. This comparison should not be concentrated only on the Arab Spring vs. the fall of the Berlin Wall events. CESEE transition was prepared by a long process of political changes that took at least a decade of acute social strife before it culminated in the transformation of 1989-1992. In addition, this transformation was not an event, but a process that lasted for at least a decade in the most successful CEE countries and even longer elsewhere. Indeed, there has been a lot of diversity across CESEE countries and regions and transition is still a challenge in SEE and the CIS. This goes for the process of democratization as well as for that of economic and institutional development. Thus, there are lessons to be learned about the role of democratization in economic development as well as about the economic and social obstacles to institutional and economic reforms based on democratic decision making.

One lesson that clearly comes out both from CESEE and from MENA experiences is that economic development and peace-meal institutional reforms tend to run into political obstacles if there is no democratic system of decision making. There is no lack of examples in CESEE countries of aborted democratizations or of the development of hybrid systems that combine democratic and authoritarian elements. This is clearly one of the main challenges that MENA countries face too. In CESEE, the pro-democratic parties believed that economic reforms aimed at the redistribution of economic power and control were necessary to prevent the return of one or the other version of authoritarianism. In addition, that redistribution needed to be such as not to lead to oligarchic concentration of economic wealth and power, which was believed to be achievable through full reliance on market liberalization and free trade across borders. In cases where privatization was not fully connected with market liberalization and where state power was used to manage the redistribution of wealth, oligarchic power structures developed and those supported more of less soft versions of autocratic rule. This is probably the key lesson for countries that rely on democratization to achieve economic aims both in terms of growth and also in terms of fair distribution of resources and opportunities. Unlike CESEE, there is some neglect of advancing economic reforms in MENA countries. Some of the reasons given for that are (i) that market economy already exists and thus the transitional agenda does not apply, and (ii) that the main challenge is development and not institutional change.

However, while the process of democratization in MENA countries is close to where it was in the 1980s in the CESEE, economic reforms are where they were in the 1990s and even early 2000s in many parts of CESEE – in particular in the Balkans and in the CIS. In some countries it was believed that democratization without market liberalization and privatization is the proper way to go and in others that economic development is more important than either democracy or market reforms. In the more successful Central European countries, however, these two processes were connected and democracy was seen as a precondition for liberalization while privatization was seen as the way to stabilize democracy and also the rule of law. Now, though MENA countries are less developed and mostly market economies, state intervention is pervasive and the distribution of wealth, income and opportunities is in most cases seen as being unfair. Indeed, the latter is seen as the main driving force of democratization in MENA countries as it was in CESEE countries as well. There is probably less of recognition in MENA countries, as was also the case in a number of CESEE countries, that an open economy is a precondition for fair distribution and of course democratic redistribution. In the CESEE countries where there was limited liberalization and nonmarket privatization the results were inferior in political and also welfare terms.

In MENA countries the issue is not so much privatization, though the state sector is not negligible, but more that of bringing down protectionist barriers and removing opportunities for rent-seeking. The latter is very much resented, but is mostly discussed as an issue of corruption. However, increased competition is certainly one precondition for the decline of the role of corruption. The other is rule of law. In CESEE, the introduction and stabilization of the rule of law took a long time and in the majority of cases it still leaves a lot to be desired. Even in the case of countries that joined or are about to join the EU, rule of law or rather the lack of it is a major deficiency. This of course is a fundamental institutional issue and does not involve only the protection of private property and the appropriate distance between political and economic power but also the whole set of individual rights which are often contested and restricted on ideological, nationalist, or religious grounds.

These are the more general lessons from the comparison between CESEE and MENA countries. More specifically, there is also the transition and development agenda. In a number of countries, a version of the transitional recession can be expected to develop. Unlike Central Europe, it will mostly be due to internal and external conflicts and will thus resemble the problems faced by some Balkan countries. The key difference with the CESEE transition is that MENA transition cannot rely on the growth model that was characteristic of European transitions. The latter ones were based on foreign finance, mainly coming from the EU. Indeed, the strategy of EU accession was not just about stabilizing democracy, though that was important, but also about access to finance and technology. This would be useful in MENA transitions too, but cannot be currently expected due to the economic problems in the EU. Alternative growth strategies mean more reliance on domestic financial resources, though the economic systems should remain open to foreign investments too.

The development agenda is mainly an issue of employment. The demography of CESEE countries is quite different, though employment problems in, for instance, the Balkans and in some CIS countries are not altogether different. The key issues are youth and women employment. Development tends to be based on productivity growth rather than employment. As a consequence, there is a need to strengthen investments in human capital and to speed up the process of industrialization. Those need to be complemented by a social safety net that is geared towards active labour market policies rather than passive income or social security supports. Employment is necessary for employment policy to work.

There are thus a lot of lessons to be learned from CESEE transition and development. One is that democratization cannot be stabilized without deep economic reforms. Those involve liberalization and privatization in order to open up competition and less unequal opportunities. The other is that open economies are needed for institutional transition and in that rule of law is fundamental. Finally, the development agenda is about education and employment and policies geared to make that possible. In all of that, closer ties with the EU are helpful, though the growth model followed by the CESEE is probably not going to be available for MENA countries for a while.

Statistical Appendix

Table 1a

Central and East European new EU member states (NMS-10): an overview of economic fundamentals, 2010

	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	*NMS-10* [1]	*EU-15*	*EU-27* [2]
GDP in EUR at exchange rates, EUR bn	36.03	149.31	14.31	97.09	17.97	27.54	354.31	121.94	65.91	35.42	*919.8*	*11314.1*	*12257.5*
GDP in EUR at PPP, EUR bn	80.17	211.29	21.01	154.62	28.23	46.79	582.70	236.29	98.19	42.85	*1502.1*	*10729.6*	*12257.5*
GDP in EUR at PPP, EU-27=100	0.7	1.7	0.2	1.3	0.2	0.4	4.8	1.9	0.8	0.3	*12.3*	*87.5*	*100.0*
GDP in EUR at PPP, per capita	10600	20100	15700	15500	12600	14200	15300	11000	18100	20900	*14700*	*26900*	*24400*
GDP in EUR at PPP per capita, EU-27=100	43	82	64	64	52	58	63	45	74	86	*60*	*110*	*100*
GDP at constant prices, 1990=100	127.2	145.7	140.7	124.5	99.9	110.8	188.2 [3]	131.3	163.1	156.8	*160.8*	*140.1*	*143.1*
GDP at constant prices, 2000=100	148.9	139.6	146.5	121.5	143.5	153.1	146.6	149.0	159.7	130.6	*143.8*	*112.7*	*115.8*
Industrial production real, 2000=100 [4]	142.3	146.1	163.6	141.8	143.4	169.4	175.0	126.1	192.1	118.7	*156.2*	*92.7*	*102.6*
Share of industry in GDP, %	19.0	26.2	19.0	21.7	15.8	20.2	21.7	23.0	23.3	19.6	*23.1*	*16.3*	*16.8*
Share of agriculture in GDP, %	4.2	1.5	2.9	3.2	4.0	3.0	3.2	6.6	3.6	2.2	*3.4*	*1.4*	*1.5*
Population - thousands, average	7534	10520	1340	10000	2239	3287	38184	21438	5430	2049	*102021*	*398230*	*501465*
Employed persons - LFS, thousands, average	3053	4885	571	3781	941	1344	15961	9239	2318	966	*43058*	*172798*	*216405*
Unemployment rate - LFS, in %	10.2	7.3	16.9	11.2	18.7	17.8	9.6	7.3	14.4	7.3	*9.9*	*9.6*	*9.7*
General gov. revenues, EU-def., in % of GDP	34.9	39.3	40.9	45.2	36.1	33.8	37.5	34.0	32.3	44.3	*37.8*	*44.6*	*44.1*
General gov. expenditures, EU-def., in % of GDP	38.1	44.1	40.6	49.5	44.4	40.9	45.4	40.9	40.0	50.1	*44.3*	*51.2*	*50.6*
General gov. balance, EU-def., in % of GDP	-3.1	-4.8	0.3	-4.3	-8.2	-7.1	-7.8	-6.9	-7.7	-5.8	*-6.4*	*-6.6*	*-6.6*
Public debt, EU def., in % of GDP	16.3	37.6	6.7	81.3	44.7	38.0	54.9	31.0	41.0	38.8	*47.1*	*82.9*	*80.2*
Price level, EU-27=100 (PPP/exch. rate)	45	71	68	63	64	59	61	52	67	83	*61*	*105*	*100*
Compensation per employee, monthly, in EUR [5]	433	1283	1119	1005	780	781	883	621	1134	2035	*898*	*3217*	*2776*
Compensation per employee, monthly, EU-27=100	15.6	46.2	40.3	36.2	28.1	28.1	31.8	22.4	40.8	73.3	*32.3*	*115.9*	*100.0*
Exports of goods in % of GDP	43.2	59.0	61.4	71.0	37.9	56.8	35.3	30.6	74.0	51.9	*47.1* [6]	*29.1* [6]	*30.4* [6]
Imports of goods in % of GDP	50.9	57.6	63.1	67.7	45.0	61.5	37.8	35.4	73.8	55.3	*48.9* [6]	*29.5* [6]	*30.9* [6]
Exports of services in % of GDP	14.3	10.6	23.9	15.1	15.4	11.3	7.0	5.4	6.7	13.1	*9.3* [6]	*9.8* [6]	*9.7* [6]
Imports of services in % of GDP	8.7	8.6	14.7	12.1	9.3	7.8	6.3	5.9	7.8	9.4	*7.8* [6]	*8.5* [6]	*8.4* [6]
Current account in % of GDP	-1.3	-3.1	3.6	1.1	3.0	1.5	-4.7	-4.0	-3.4	-0.8	*-2.9* [6]	*0.06* [6]	*-0.17* [6]
Trade with the EU													
Exports to the EU (%, share of total)	60.9	84.0	68.6	77.1	67.2	61.0	78.6	72.2	84.5	71.1			
Imports from the EU (%, share of total)	58.7	74.8	79.7	67.7	76.1	56.6	70.1	72.5	72.6	67.9			
Share in the EU total exports													
Share in the EU total imports													
World Bank Doing Business rank 2012	59	64	24	51	21	27	62	72	48	37			
FDI stock per capita in EUR, 2010 [7]	4784	9228	9179	6692	3670	3174	3801	2447	6978	5254	*4679*	*11366*	*9952*

NMS-10: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia. PPP: Purchasing power parity.

1) wiiw estimates. - 2) wiiw estimates and Eurostat. - 3) 1989=100, in the Polish case is the appropriate reference year. - 4) EU-15 and EU-27 working day adjusted. - 5) Gross wages plus indirect labour costs, according to national account concept. - 6) Data for NMS-10, EU-15 and EU-27 include flows /stocks within the region. - 7) For EU-15 and EU-27 year 2009.

Source: wiiw, Eurostat, AMECO, WEO, The World Bank.

Table 1b

Eastern neighbourhood countries and Russia: an overview of economic fundamentals, 2010

	Armenia	Azerbaijan	Georgia	Moldova	Albania	Bosnia and Herzegovina	Serbia	Kosovo	Russia	Ukraine	*NMS-10* [1]	*EU-15*	*EU-27* [2]
GDP in EUR at exchange rates, EUR bn	7.06	39.22	8.79	4.46	8.85	12.52	29.02	4.26	1115.05	103.92	*919.8*	*11314.1*	*12257.5*
GDP in EUR at PPP, EUR bn	12.85	69.31	17.11	8.40	21.70	24.91	62.28	9.31	1807.74	248.82	*1502.1*	*10729.6*	*12257.5*
GDP in EUR at PPP, EU-27=100	0.1	0.6	0.1	0.1	0.2	0.2	0.5	0.1	14.7	2.0	*12.3*	*87.5*	*100.0*
GDP in EUR at PPP, per capita	3900	7700	3800	2400	6800	6500	8500	4200	12600	5400	*14700*	*26900*	*24400*
GDP in EUR at PPP per capita, EU-27=100	16	32	16	10	28	27	35	17	52	22	*60*	*110*	*100*
GDP at constant prices, 1990=100	146.203	237.0	68.8	57.2	197.7	.	.	.	107.2	65.8	*160.8*	*140.1*	*143.1*
GDP at constant prices, 2000=100	215.6	402.5	183.4	164.6	171.4	143.3	150.4	178.1	159.5	152.4	*143.8*	*112.7*	*115.8*
Industrial production real, 2000=100	160.6	326.1	.	135.8	234.4	186.6	106.0	.	148.5	154.5	*156.2*	*92.7*	*102.6*
Share of industry in GDP, %	14.8	52.6	12.1	13.2	8.9	17.8	18.4	.	26.7	24.4	*23.1*	*16.3*	*16.8*
Share of agriculture in GDP, %	17.4	5.4	7.3	11.9	16.8	7.1	8.0	.	3.5	7.2	*3.4*	*1.4*	*1.5*
Population - thousands, average	3255	9047	4453	3562	3210	3843	7300	2210	142938	45871	*102021*	*398230*	*501465*
Employed persons - LFS, thousands, average	1104	4329	1628	1143	1100	843	2396	.	69803	20266	*43058*	*172798*	*216405*
Unemployment rate - LFS, in %	7.0	5.6	16.3	7.4	15.0	27.2	19.2	45	7.5	8.1	*9.9*	*9.6*	*9.7*
General gov. revenues, nat. def., in % of GDP	21.6	27.4	28.2	38.3	26.6	42.5	39.5	27.7	35.3	29.0	*37.8* [3]	*44.6* [3]	*44.1* [3]
General gov. expenditures, nat. def., in % of GDP	26.5	28.3	26.4	40.8	29.7	47.0	43.9	29.9	38.9	34.6	*44.3* [3]	*51.2* [3]	*50.6* [3]
General gov. balance, nat. def., in % of GDP	-4.9	-0.9	-4.5	-2.5	-3.1	-4.5	-4.4	-2.2	-3.6	-5.9	*-6.4* [3]	*-6.6* [3]	*-6.6* [3]
Public debt, nat. def., in % of GDP	39.4	7.4	36.7	26.3	61.0	39.1	36.0	6.1	8.6	39.5	*47.1* [3]	*82.9* [3]	*80.2* [3]
Price level, EU-27=100 (PPP/exch. rate)	55	57	51	53	41	50	47	46	62	42	*61*	*105*	*100*
Average gross monthly wages, EUR at exchange rate	219	307	258	195	246	622	461		526	213	*898* [4]	*3217* [4]	*2776* [4]
Average gross monthly wages, EU-27=100	7.9	11.0	9.3	7.0	8.9	22.4	16.6		18.9	7.7	*32.3* [4]	*115.9* [4]	*100* [4]
Exports of goods in % of GDP	12.2	51.1	21.1	35.7	13.2	29.8	25.5	7.2	27.2	37.8	*47.1* [5]	*29.1* [5]	*30.4* [5]
Imports of goods in % of GDP	33.7	13.0	43.2	85.4	36.8	55.7	42.0	47.6	16.9	44.2	*48.9* [5]	*29.5* [5]	*30.9* [5]
Exports of services in % of GDP	8.1	4.0	13.7	15.5	19.2	7.8	9.2	12.2	3.0	12.4	*9.3* [5]	*9.8* [5]	*9.7* [5]
Imports of services in % of GDP	10.7	7.3	9.2	17.3	17.2	3.6	9.2	11.1	5.0	8.8	*7.8* [5]	*8.5* [5]	*8.4* [5]
Current account in % of GDP	-14.7	29.0	-9.6	-11.7	-11.9	-5.6	-7.2	-15.4	4.8	-2.1	*-2.9* [5]	*0.1* [5]	*-0.17* [5]
Trade with the EU													
Exports to the EU (EUR mn, share of total)	49.6	47.6	18.7	51.9	70.1	54.5	57.3	44.7	52.6	25.4	*77.7*		
Imports from the EU (EUR mn, share of total)	23.0	25.3	28.3	43.4	64.6	45.9	56.0	38.3	41.6	31.4	*70.5*		
Share in the EU total exports	0.01	0.06	0.03	0.04	0.05	0.08	0.19	0.02	2.23	0.45	*7.7*	*56.3*	*100*
Share in the EU total imports	0.01	0.25	0.01	0.02	0.02	0.05	0.10	0.00	3.92	0.29	*7.5*	*53.7*	*100*
World Bank Doing Business rank 2012	55	66	16	81	82	125	92	117	120	152			
Type of institutional arrangement (PCA, FTA, EFTA, etc.)													
FDI stock per capita in EUR, 2010 [6]	1000	400	1300	6000	1100	1500	2164	.	1750	954	*4679*	*11366*	*9952*

NMS-10: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia. PPP: Purchasing power parity, wiiw estimates for Armenia, Azerbaijan, Georgia, Moldova, Albania, Bosnia and Herzegovina, Serbia, Kosovo, Russia, Ukraine.

1) wiiw estimates. - 2) wiiw estimates and Eurostat. - 3) EU definition: expenditures and revenues according to ESA'95, excessive deficit procedure. - 4) Gross wages plus indirect labour costs, according to national account concept. - 5) Data for NMS-10, EU-15 and EU-27 include flows within the region. - 6) For EU-15 and EU-27 year 2009.

Source: national statistics, wiiw, Eurostat, AMECO, IMF, The World Bank.

Table 1c

Southern neighbourhood countries: an overview of economic fundamentals, 2010

	Algeria	Egypt	Morocco	Tunisia	Israel	Jordan	Lebanon	Palestinian territory	Syria	Libya
GDP in EUR at exchange rates, EUR bn	119.00	164.79	68.74	33.40	164.02	19.95	29.60	5.57	44.75	53.81
GDP in EUR at PPP, EUR bn	194.14	385.09	117.77	76.89	169.65	27.19	45.93	.	83.08	70.07
GDP in EUR at PPP, EU-27=100	1.6	3.1	1.0	0.6	1.4	0.2	0.4	.	0.7	0.6
GDP in EUR at PPP, per capita	5400	4900	3700	7300	22800	4400	11800	.	4000	10700
GDP in EUR at PPP per capita, EU-27=100	22	20	15	30	93	18	48	.	16	44
GDP at constant prices, 1990=100	170.0	247.9	204.8	244.9	238.1	292.1	330.8	.	247.5	149.3
GDP at constant prices, 2000=100	144.5	161.8	162.2	154.5	135.7	184.3	166.1	.	155.0	146.9
Industrial production real, 2000=100	108.2	132.9	136.7	123.3	119.4	145.6	110.0	106.8	120.0	140.0
Share of industry in GDP, %	54.5	37.3	27.3	30.0	27.0	34.3	17.7	24.3	33.7	78.2
Share of agriculture in GDP, %	11.7	13.7	19.9	7.8	3.0	2.8	4.8	21.6	21.0	1.9
Population - thousands, average	36134	77800	31851	10544	7430	6113	3908	.	21016	6561
Population 1990=100	144.4	152.5	132.5	129.3	164.6	176.4	138.1	.	170.1	150.3
Population 2000=100	118.8	123.8	111.9	110.2	122.1	125.9	109.7	.	126.3	122.7
Employed persons - LFS, thousands, average	9472	22975	10284	3155	2841	1053	1270	717	.	.
Unemployment rate - LFS, in %	10.0	9.0	9.1	13.0	6.7	12.5	6.4	24.0	8.4	.
General gov. revenues, nat. def., in % of GDP	37.3	25.1	25.5	29.6	40.0	24.8	21.4	26.1	21.8	62.0
General gov. expenditures, nat. def., in % of GDP	38.5	33.4	29.0	30.9	44.1	30.2	28.7	41.6	26.9	53.4
General gov. balance, nat. def., in % of GDP	-1.1	-8.3	-3.5	-1.3	-4.1	-5.4	-7.3	-15.5	-5.1	8.7
Public debt, nat. def., in % of GDP										
Price level, EU-27=100 (PPP/exch. rate)	61	43	58	43	97	73	64	.	54	77
Average gross monthly wages, EUR at exchange rate	.	.	.	.	.	.	.	.	.	.
Average gross monthly wages, EU-27=100	.	.	.	.	.	.	.	.	.	.
Exports of goods in % of GDP	32.3	12.2	19.3	37.1	25.6	26.6	13.9	13.1	20.2	63.0
Imports of goods in % of GDP	26.8	21.2	35.8	47.4	26.7	51.7	45.2	65.4	25.8	37.4
Exports of services in % of GDP	2.1	11.4	13.8	13.1	11.4	19.5	38.9	.	8.9	0.7
Imports of services in % of GDP	8.4	7.4	8.2	7.6	8.3	16.1	33.2	.	5.3	8.6
Current account in % of GDP	7.9	-2.0	-4.3	-4.8	2.9	-4.9	-10.9	-8.9	-3.9	14.4
Trade with the EU										
Exports to the EU (%, share of total)	52.0	35.5	59.3	72.1	26.3	4.2	15.3	2.1	35.6	75.7
Imports from the EU (%, share of total)	52.9	27.1	51.8	57.3	34.4	20.9	36.5	8.1	25.0	48.3
Share in the EU total exports, in %	0.54	0.19	0.22	0.26	0.31	0.01	0.01	0.00	0.09	0.74
Share in the EU total imports, in %	0.41	0.39	0.36	0.29	0.38	0.07	0.12	0.00	0.10	0.18
World Bank Doing Business rank 2012	148	110	94	46	34	95	104			
Type of institutional arrangement (PCA, FTA, etc.)										
FDI stock per capita in EUR, 2010 [6)]	364	650	967	2285	8060	2341	6226	.	272	2138

Source: National statistics, wiiw, Eurostat, AMECO, IMF, WEO, The World Bank.

Table 2

GDP per capita at current PPPs (EUR)

								EU-27 = 100		
	1990	**1995**	**2000**	**2005**	**2010**	**1990**	**1995**	**2000**	**2005**	**2010**
Bulgaria	4700	4700	5400	8200	10600	35	32	28	36	43
Czech Republic	9400	10100	13000	17000	19500	70	69	68	76	80
Estonia	.	5300	8600	13800	15900		36	45	61	65
Hungary	6800	7600	10600	14200	15700	50	52	55	63	64
Latvia	7100	4600	7000	10900	12600	53	32	37	48	51
Lithuania	7200	5200	7500	11900	14200	53	36	39	53	58
Poland	4600	6100	9100	11500	15200	34	42	48	51	62
Romania	4400	4800	5000	7900	11000	33	33	26	35	45
Slovakia	6500	6900	9600	13500	18100	48	47	50	60	74
Slovenia	8900	9800	15200	19700	21300	66	67	80	88	87
NMS	5600	6300	8600	11700	14800	41	43	45	52	60
Croatia	8000	6700	9500	12800	15100	59	46	50	57	62
Macedonia	4400	4000	5100	6600	8600	33	27	27	29	35
Montenegro	.	.	5600	6900	9800			29	31	40
Turkey	3700	4400	8000	9500	11800	27	30	42	42	48
Albania	1800	2000	3500	5000	6800	13	14	18	22	28
Bosnia & Herzegovina	.	.	3900	5200	6600			20	23	27
Serbia	.	.	5000	7100	9000			26	32	37
Kazakhstan	.	3100	4200	7300	9300		21	22	32	38
Russia	7600	5300	6600	10000	12600	56	36	35	44	51
Ukraine	4800	2600	2800	4700	5400	36	18	15	21	22
Algeria	3200	3300	3900	5100	5400	24	23	20	23	22
Egypt	2200	2500	3400	4000	4900	16	17	18	18	20
Jordan	2000	2400	2800	3600	4400	15	16	15	16	18
Lebanon	3500	6100	7000	8700	11800	26	42	37	39	48
Libya	8000	7800	8400	9700	10700	59	53	44	43	44
Morocco	1700	1800	2300	3000	3700	13	12	12	13	15
Syria	2000	2800	2900	3500	4000	15	19	15	16	16
Tunisia	2700	3400	4600	6000	7300	20	23	24	27	30
EU-27 average	13500	14600	19100	22500	24500	100	100	100	100	100

Source: wiiw Database incorporating Eurostat and national statistics, IMF, wiiw estimates.

Table 3a

MENA exports by regions

TOTAL exports, 2008, USD mn

	Reporter	World	MENA	of which: MAGHREB	of which: MASHREQ	of which: Egypt	EU27	USA	China	Turkey	Rest of the World
1	Egypt	25,966.8	3,263.2	1,507.3	1,755.9	0.0	9,211.4	1,255.0	341.5	770.3	11,125.4
2	Algeria	79,297.6	2,284.6	1,623.6	54.1	606.9	41,245.4	18,952.5	503.3	2,919.7	13,392.0
3	Libya	62,817.8	1,584.2	1,163.7	159.8	260.7	47,526.4	4,350.0	1,584.2	336.3	7,436.7
4	Morocco	20,305.7	432.3	268.9	114.9	48.5	12,032.7	793.7	162.8	295.6	6,588.5
5	Tunisia	19,320.0	1,678.2	1,513.5	35.9	128.9	13,920.2	323.1	59.1	309.4	3,030.0
6	**MAGHREB (2+3+4+5)**	181,741.1	5,979.4	4,569.6	364.8	1,045.0	114,724.7	24,419.2	2,309.5	3,861.1	30,447.2
7	Jordan	6,177.0	683.0	203.6	375.4	103.9	258.6	1,037.2	110.2	27.9	4,060.0
8	Lebanon	3,478.3	538.1	68.3	342.7	127.1	533.5	49.5	55.6	206.9	2,094.8
9	Palestine (Gaza+Jericho)	389.9	34.1	0.8	32.4	1.0	8.1	3.6	0.0	0.5	343.5
10	Syria	14,380.0	3,250.0	738.3	1,781.3	730.4	5,114.3	380.2	20.8	635.4	4,979.3
11	**MASHREQ (7+8+9+10)**	24,425.2	4,505.2	1,011.0	2,531.8	962.3	5,914.5	1,470.5	186.6	870.8	11,477.7
12	**MENA (1+6+11)**	232,133.1	13,747.8	7,088.0	4,652.5	2,007.3	129,850.6	27,144.7	2,837.6	5,502.2	53,050.2

SHARES in total exports in %

	Reporter	World	MENA	of which: MAGHREB	of which: MASHREQ	of which: Egypt	EU27	USA	China	Turkey	Rest of the World
1	Egypt	100.0	12.6	5.8	6.8	0.0	35.5	4.8	1.3	3.0	42.8
2	Algeria	100.0	2.9	2.0	0.1	0.8	52.0	23.9	0.6	3.7	16.9
3	Libya	100.0	2.5	1.9	0.3	0.4	75.7	6.9	2.5	0.5	11.8
4	Morocco	100.0	2.1	1.3	0.6	0.2	59.3	3.9	0.8	1.5	32.4
5	Tunisia	100.0	8.7	7.8	0.2	0.7	72.1	1.7	0.3	1.6	15.7
6	**MAGHREB (2+3+4+5)**	100.0	3.3	2.5	0.2	0.6	63.1	13.4	1.3	2.1	16.8
7	Jordan	100.0	11.1	3.3	6.1	1.7	4.2	16.8	1.8	0.5	65.7
8	Lebanon	100.0	15.5	2.0	9.9	3.7	15.3	1.4	1.6	5.9	60.2
9	Palestine (Gaza+Jericho)	100.0	8.8	0.2	8.3	0.3	2.1	0.9	0.0	0.1	88.1
10	Syria	100.0	22.6	5.1	12.4	5.1	35.6	2.6	0.1	4.4	34.6
11	**MASHREQ (7+8+9+10)**	100.0	18.4	4.1	10.4	3.9	24.2	6.0	0.8	3.6	47.0
12	**MENA (1+6+11)**	100.0	5.9	3.1	2.0	0.9	55.9	11.7	1.2	2.4	22.9

Source: COMTRADE.

Table 3b

MENA imports by regions

TOTAL imports, 2008, USD mn

	Partner									
	World	**MENA**	*of which:*			**EU27**	**USA**	**China**	**Turkey**	**Rest of the World**
Reporter			***MAGHREB***	***MASHREQ***	***Egypt***					
1 Egypt	52,751.0	1,473.4	887.4	586.0	0.0	14,296.3	5,673.1	4,432.0	1,174.7	25,701.4
2 Algeria	39,474.7	816.8	381.7	239.6	195.6	20,867.3	2,197.6	4,066.9	1,345.8	10,180.3
3 Libya	17,411.6	1,925.4	987.4	164.4	773.6	8,411.6	703.5	1,640.4	1,074.3	3,656.4
4 Morocco	42,322.0	1,791.5	1,314.1	68.4	408.9	21,914.3	2,162.7	2,406.7	1,079.0	12,967.7
5 Tunisia	24,638.4	2,194.4	1,887.5	57.3	249.6	14,112.0	748.8	919.6	732.3	5,931.3
6 **MAGHREB (2+3+4+5)**	123,846.7	6,728.1	4,570.7	529.7	1,627.7	65,305.2	5,812.6	9,033.7	4,231.4	32,735.8
7 Jordan	16,871.6	1,307.3	78.8	498.6	729.9	3,529.2	773.7	1,750.1	437.3	9,073.8
8 Lebanon	16,136.5	941.8	106.0	377.7	458.1	5,885.7	1,848.6	1,390.9	698.5	5,371.0
9 Palestine (Gaza+Jericho)	3,568.7	76.1	0.3	52.2	23.5	289.1	37.7	126.0	68.5	2,971.3
10 Syria	18,104.7	1,161.3	236.3	304.5	620.6	4,522.7	354.4	1,978.4	498.7	9,589.2
11 **MASHREQ (7+8+9+10)**	54,681.5	3,486.6	421.5	1,233.0	1,832.1	14,226.8	3,014.3	5,245.4	1,703.0	27,005.3
12 **MENA (1+6+11)**	231,279.2	11,688.1	5,879.5	2,348.8	3,459.8	93,828.3	14,500.1	18,711.1	7,109.2	85,442.5

SHARES in total imports in %

	Partner									
	World	**MENA**	*of which:*			**EU27**	**USA**	**China**	**Turkey**	**Rest of the World**
Reporter			***MAGHREB***	***MASHREQ***	***Egypt***					
1 Egypt	100.0	2.8	1.7	1.1	0.0	27.1	10.8	8.4	2.2	48.7
2 Algeria	100.0	2.1	1.0	0.6	0.5	52.9	5.6	10.3	3.4	25.8
3 Libya	100.0	11.1	5.7	0.9	4.4	48.3	4.0	9.4	6.2	21.0
4 Morocco	100.0	4.2	3.1	0.2	1.0	51.8	5.1	5.7	2.5	30.6
5 Tunisia	100.0	8.9	7.7	0.2	1.0	57.3	3.0	3.7	3.0	24.1
6 **MAGHREB (2+3+4+5)**	100.0	5.4	3.7	0.4	1.3	52.7	4.7	7.3	3.4	26.4
7 Jordan	100.0	7.7	0.5	3.0	4.3	20.9	4.6	10.4	2.6	53.8
8 Lebanon	100.0	5.8	0.7	2.3	2.8	36.5	11.5	8.6	4.3	33.3
9 Palestine (Gaza+Jericho)	100.0	2.1	0.0	1.5	0.7	8.1	1.1	3.5	1.9	83.3
10 Syria	100.0	6.4	1.3	1.7	3.4	25.0	2.0	10.9	2.8	53.0
11 **MASHREQ (7+8+9+10)**	100.0	6.4	0.8	2.3	3.4	26.0	5.5	9.6	3.1	49.4
12 **MENA (1+6+11)**	100.0	5.1	2.5	1.0	1.5	40.6	6.3	8.1	3.1	36.9

Source: COMTRADE.

Table 4a

MENA: Foreign trade by SITC commodity groups, 2008 (shares in total trade in %)

			SITC									
		Total - World	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Egypt	Exports	100.0	9.7	0.2	4.0	44.4	0.7	11.3	18.7	4.7	6.0	0.3
Algeria	Exports	100.0	0.1	0.0	0.6	98.1	0.0	0.6	0.4	0.0	0.0	0.0
Libya	Exports	100.0	0.2	0.0	0.2	96.2	0.0	1.8	0.8	0.2	0.0	0.6
Morocco	Exports	100.0	16.8	0.2	14.7	4.2	0.5	23.2	5.6	14.7	20.0	0.1
Tunisia	Exports	100.0	4.4	0.5	1.9	17.3	4.0	15.2	9.2	20.9	26.5	0.1
MAGHREB	Exports	100.0	2.5	0.1	2.2	78.4	0.5	5.1	2.1	3.9	5.1	0.3
Jordan	Exports	100.0	11.6	1.7	10.1	0.2	0.4	40.5	9.3	5.4	20.7	0.2
Lebanon	Exports	100.0	9.8	2.4	10.2	0.3	0.5	15.4	21.2	16.6	14.1	9.7
Palestine (Gaza+Jericho)	Exports	100.0	7.4	1.2	15.9	0.4	4.8	6.1	37.6	1.1	24.6	1.0
Syria	Exports	100.0	12.7	8.1	3.9	38.6	1.1	5.2	17.6	4.6	6.9	1.2
MASHREG	Exports	100.0	11.9	5.5	6.6	22.8	0.9	15.6	16.3	6.5	11.7	2.2
MENA	Exports	100.0	4.3	0.7	2.8	68.7	0.6	6.9	5.4	4.3	5.9	0.5

			SITC									
Reporter		**Total - World**	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Egypt	Imports	100.0	12.3	0.6	9.2	10.9	2.8	12.0	22.9	23.8	3.6	1.8
Algeria	Imports	100.0	18.9	0.6	2.2	1.4	1.9	10.8	23.6	36.8	4.0	0.0
Libya	Imports	100.0	12.7	0.2	2.9	12.0	0.9	6.0	16.3	37.3	8.6	2.6
Morocco	Imports	100.0	9.4	0.4	7.0	22.3	1.5	8.4	18.2	27.7	4.8	0.3
Tunisia	Imports	100.0	7.8	0.4	6.3	16.8	1.9	9.5	22.7	27.3	7.2	0.1
MAGHREB	Imports	100.0	12.5	0.4	4.8	13.1	1.6	9.0	20.5	31.9	5.5	0.5
Jordan	Imports	100.0	14.2	0.8	1.8	21.8	1.5	9.5	18.0	23.6	6.6	2.2
Lebanon	Imports	100.0	10.9	1.8	2.8	25.3	0.9	10.1	16.1	21.0	7.9	3.2
Palestine (Gaza+Jericho)	Imports	100.0	14.2	3.5	1.1	40.9	0.5	7.7	14.4	11.7	5.9	0.1
Syria	Imports	100.0	11.5	0.5	4.3	31.4	0.8	12.1	25.5	11.5	1.2	1.2
MASHREG	Imports	100.0	12.3	1.1	2.9	27.3	1.0	10.4	19.7	18.1	5.1	2.0
MENA	Imports	100.0	12.4	0.6	5.3	16.0	1.8	10.0	20.9	26.8	5.0	1.1

Table 4b

MENA: Foreign trade by SITC commodity groups with EU-27, 2008 (shares in total trade in %)

			SITC									
		Total - EU-27	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Egypt	Exports	100.0	7.1	0.0	2.9	42.7	0.1	17.0	19.3	3.1	7.5	0.2
Algeria	Exports	100.0	0.1	0.0	0.4	98.0	0.0	0.9	0.4	0.0	0.0	0.0
Libya	Exports	100.0	9.1	0.3	2.7	24.3	0.4	5.9	8.9	35.3	7.9	5.2
Morocco	Exports	100.0	19.1	0.1	9.6	3.7	0.3	9.6	6.0	19.1	32.3	0.0
Tunisia	Exports	100.0	2.4	0.4	1.7	19.5	3.7	4.9	7.4	25.0	34.9	0.1
MAGHREB	Exports	100.0	2.3	0.1	1.4	78.6	0.5	2.4	1.9	5.1	7.6	0.1
Jordan	Exports	100.0	12.2	0.7	27.2	0.0	0.0	42.9	6.2	0.7	9.2	0.8
Lebanon	Exports	100.0	5.5	7.9	11.6	0.0	0.3	17.4	30.8	11.0	12.8	2.7
Palestine (Gaza+Jericho)	Exports	100.0	17.1	0.0	1.1	0.0	12.8	0.9	66.3	0.5	1.1	0.1
Syria	Exports	100.0	0.6	0.1	3.7	90.4	0.6	0.2	3.4	0.2	0.8	0.0
MASHREG	Exports	100.0	1.5	0.8	5.5	78.2	0.6	3.6	6.1	1.2	2.2	0.3
MENA	Exports	100.0	2.6	0.1	1.7	76.0	0.5	3.5	3.3	4.8	7.4	0.1

			SITC									
		Total - EU-27	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Egypt	Imports	100.0	5.7	0.4	11.8	2.9	0.1	18.3	18.8	37.2	4.7	0.1
Algeria	Imports	100.0	14.6	0.5	3.2	1.9	0.6	14.2	26.3	34.8	3.8	0.0
Libya	Imports	100.0	0.0	0.0	0.0	98.0	0.0	1.2	0.5	0.1	0.0	0.1
Morocco	Imports	100.0	7.8	0.4	5.1	13.7	0.2	9.9	22.3	34.2	6.1	0.3
Tunisia	Imports	100.0	5.2	0.3	3.4	7.6	0.5	10.5	28.4	33.9	10.2	0.1
MAGHREB	Imports	100.0	9.6	0.4	3.8	10.0	0.4	10.9	23.2	34.5	6.5	0.8
Jordan	Imports	100.0	9.9	0.5	3.5	2.1	0.1	14.9	11.1	46.8	7.6	3.5
Lebanon	Imports	100.0	7.6	1.5	1.6	30.3	0.1	14.1	12.7	24.4	7.8	0.0
Palestine (Gaza+Jericho)	Imports	100.0	9.1	2.2	1.0	0.3	0.4	19.2	11.8	39.5	16.3	0.1
Syria	Imports	100.0	5.5	0.8	4.5	63.6	0.2	8.2	7.1	8.2	0.8	1.2
MASHREG	Imports	100.0	7.5	1.0	3.0	33.3	0.1	12.5	10.5	25.1	5.7	1.3
MENA	Imports	100.0	8.7	0.5	4.9	12.4	0.3	12.3	20.6	33.5	6.1	0.8

Source: COMTRADE.

Table 5a

Austrian foreign trade with MENA and CESEE (shares in total trade in %)

Exports	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Egypt	0.179	0.142	0.153	0.124	0.116	0.134	0.155	0.165	0.173	0.227	0.176
Algeria	0.098	0.132	0.088	0.092	0.116	0.137	0.121	0.160	0.143	0.161	0.140
Libya	0.066	0.066	0.073	0.050	0.075	0.062	0.056	0.060	0.077	0.118	0.113
Morocco	0.038	0.050	0.042	0.049	0.052	0.051	0.073	0.057	0.063	0.076	0.076
Tunisia	0.059	0.054	0.055	0.051	0.057	0.042	0.049	0.065	0.054	0.072	0.074
Jordan	0.043	0.039	0.040	0.029	0.033	0.035	0.034	0.043	0.048	0.052	0.050
Lebanon	0.036	0.039	0.034	0.032	0.029	0.029	0.031	0.031	0.035	0.052	0.051
Palestine (Gaza+Jericho)	0.000	0.000	0.000	0.000	0.002	0.001	0.001	0.001	0.001	0.001	0.002
Syria	0.036	0.043	0.042	0.037	0.033	0.070	0.042	0.039	0.054	0.054	0.042
MENA	0.553	0.564	0.528	0.464	0.512	0.562	0.561	0.622	0.647	0.812	0.724
NMS10	12.352	12.116	12.107	12.169	12.312	12.163	13.025	14.520	15.309	14.721	14.965
NMS5	12.106	11.800	11.675	11.760	11.942	11.586	12.401	14.018	14.851	14.378	14.589
NMS8	12.267	12.033	11.954	12.089	12.245	12.085	12.779	14.427	15.211	14.615	14.851
WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Imports											
Egypt	0.012	0.015	0.013	0.011	0.010	0.011	0.010	0.010	0.043	0.045	0.056
Algeria	0.250	0.147	0.057	0.079	0.069	0.008	0.109	0.171	0.488	0.043	0.028
Libya	0.222	0.331	0.200	0.194	0.237	0.109	0.427	0.592	0.359	0.344	0.619
Morocco	0.038	0.039	0.044	0.055	0.045	0.031	0.029	0.030	0.034	0.043	0.040
Tunisia	0.010	0.009	0.011	0.102	0.025	0.055	0.068	0.077	0.114	0.078	0.070
Jordan	0.000	0.001	0.001	0.001	0.000	0.001	0.002	0.003	0.003	0.006	0.003
Lebanon	0.001	0.001	0.001	0.001	0.001	0.001	0.002	0.001	0.001	0.001	0.002
Palestine (Gaza+Jericho)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Syria	0.079	0.251	0.222	0.132	0.037	0.048	0.203	0.207	0.083	0.093	0.206
MENA	0.613	0.795	0.549	0.575	0.424	0.264	0.851	1.091	1.126	0.651	1.024
NMS10	10.745	11.659	12.509	13.347	11.490	9.893	9.718	10.135	10.775	10.565	11.874
NMS5	10.670	11.586	12.431	13.244	11.363	9.782	9.572	9.971	10.630	10.424	11.704
NMS8	10.738	11.649	12.500	13.340	11.442	9.848	9.640	10.063	10.718	10.528	11.795
WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Eurostat, COMEXT.

Table 5b

EU-27 foreign trade with MENA and CESEE (shares in total trade in %)

	Exports	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
1	Egypt	0.315	0.267	0.242	0.228	0.251	0.260	0.248	0.264	0.316	0.384	0.381
2	Algeria	0.235	0.281	0.299	0.288	0.314	0.321	0.273	0.288	0.382	0.449	0.400
3	Libya	0.097	0.111	0.116	0.115	0.117	0.110	0.101	0.107	0.143	0.192	0.174
4	Morocco	0.296	0.276	0.281	0.294	0.295	0.362	0.286	0.317	0.359	0.362	0.350
5	Tunisia	0.278	0.292	0.275	0.260	0.252	0.244	0.238	0.244	0.246	0.274	0.285
6	Jordan	0.063	0.069	0.073	0.068	0.066	0.072	0.073	0.068	0.073	0.079	0.071
7	Lebanon	0.113	0.116	0.113	0.124	0.111	0.097	0.087	0.085	0.097	0.128	0.121
8	Palestine (Gaza+Jericho)	0.003	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.002	0.002	0.002
9	Syria	0.073	0.083	0.083	0.084	0.082	0.088	0.082	0.082	0.086	0.093	0.094
	MENA	1.472	1.496	1.484	1.462	1.489	1.555	1.390	1.456	1.704	1.963	1.878
10	NMS10	4.783	5.029	5.268	5.566	5.765	6.155	6.948	7.592	7.921	7.420	7.681
11	NMS5	4.161	4.385	4.568	4.841	5.060	5.396	6.013	6.632	6.982	6.626	6.869
12	NMS8	4.553	4.821	5.055	5.361	5.560	5.948	6.701	7.376	7.682	7.173	7.460
	WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Imports											
	Egypt	0.130	0.117	0.122	0.130	0.140	0.157	0.203	0.175	0.196	0.185	0.182
	Algeria	0.611	0.585	0.526	0.529	0.505	0.629	0.640	0.511	0.671	0.522	0.527
	Libya	0.481	0.420	0.348	0.398	0.453	0.596	0.691	0.680	0.838	0.626	0.726
	Morocco	0.227	0.230	0.235	0.231	0.218	0.274	0.191	0.201	0.200	0.197	0.195
	Tunisia	0.205	0.227	0.225	0.227	0.224	0.205	0.202	0.223	0.226	0.237	0.240
	Jordan	0.007	0.006	0.011	0.008	0.009	0.012	0.006	0.005	0.007	0.005	0.006
	Lebanon	0.010	0.011	0.007	0.007	0.008	0.007	0.006	0.008	0.008	0.008	0.008
	Palestine (Gaza+Jericho)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Syria	0.131	0.158	0.162	0.112	0.085	0.091	0.092	0.084	0.086	0.070	0.091
	MENA	1.802	1.755	1.636	1.642	1.642	1.971	2.032	1.886	2.231	1.850	1.975
	NMS10	3.939	4.396	4.720	5.129	5.248	5.416	5.879	6.577	6.852	7.238	7.486
	NMS5	3.545	3.983	4.304	4.690	4.762	4.893	5.315	6.028	6.287	6.701	6.912
	NMS8	3.862	4.311	4.644	5.052	5.175	5.337	5.754	6.484	6.760	7.153	7.400
	WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Eurostat, COMEXT.

Table 6

EU-15 imports from MENA and selected CESEE countries, 1989 and 2010

Composition by SITC 1-digit commodity groups, %	**Algeria**		**Egypt**		**Morocco**		**Libya**		**Tunisia**	
	1989	**2010**	**1989**	**2010**	**1989**	**2010**	**1989**	**2010**	**1989**	**2010**
food and live animals	0	0	3	7	25	24	0	0	7	3
beverages and tobacco	0	0	0	0	0	0	0	0	0	0
crude materials, inedible, except fuels	1	0	4	3	16	6	0	0	3	2
mineral fuels, lubricants and rel. materials	80	97	67	48	2	2	96	99	19	16
animal and vegetable oils, fats and waxes	0	0	0	0	0	1	0	0	4	2
chemicals and related products, n.e.s.	1	1	1	12	9	7	3	1	10	3
manufactured goods class. chiefly by material	1	1	20	16	7	5	0	0	8	7
machinery and transport equipment	0	0	3	5	6	20	1	0	8	31
miscellaneous manufactured articles	0	0	2	9	34	35	0	0	40	36
commodities and trans. not class. elsewhere	16	0	1	0	0	0	0	0	1	0
Total	100	100	100	100	100	100	100	100	100	100
Total in EUR million	*5,854*	*20,490*	*2,391*	*6,679*	*2,675*	*7,337*	*6,307*	*27,365*	*1,982*	*9,264*

Composition by SITC 1 digit commodity groups, %	**Poland**		**Hungary**		**Romania**		**Bulgaria**		**Albania**	
	1989	**2010**	**1989**	**2010**	**1989**	**2010**	**1989**	**2010**	**1989**	**2010**
food and live animals	19	9	24	5	3	3	16	9	6	4
beverages and tobacco	0	2	1	0	0	2	6	1	1	0
crude materials, inedible, except fuels	11	3	8	3	3	4	10	7	30	7
mineral fuels, lubricants and rel. materials	12	3	3	2	33	1	7	3	3	21
animal and vegetable oils, fats and waxes	0	0	1	0	0	0	0	1	0	0
chemicals and related products, n.e.s.	6	7	10	5	4	4	12	4	3	0
manufactured goods class. chiefly by material	22	18	18	10	19	15	20	25	46	12
machinery and transport equipment	12	42	13	64	6	47	12	22	1	7
miscellaneous manufactured articles	15	14	20	9	31	24	12	27	9	48
commodities and trans. not class. elsewhere	2	1	2	1	1	1	4	2	0	0
Total	100	100	100	100	100	100	100	100	100	100
Total in EUR million	*3,863*	*71,399*	*2,588*	*37,654*	*2,548*	*19,317*	*530*	*6,589*	*100*	*857*

Source: EU/Comext.

Table 7

FDI stocks per capita

(USD)

	1993	2000	2009
Bulgaria	30	331	6,688
Czech Republic	331	2,107	11,052
Estonia	173	1,932	12,126
Hungary	539	2,240	9,867
Latvia	86	878	5,200
Lithuania	37	667	4,143
Poland	60	890	4,791
Romania	9	310	3,444
Slovakia	120	881	9,274
Slovenia	971	1,455	7,469
Albania	29	81	1,109
Bosnia and Herzegovina	n.a.	286	2,034
Croatia	59	630	8,264
Macedonia	n.a.	266	2,200
Serbia	n.a.	135	2,812
Belarus	n.a.	130	908
Moldova	n.a.	123	752
Russia	n.a.	220	2268
Ukraine	n.a.	79	1143
Algeria	62	116	487
Egypt	237	315	869
Libya	200	84	2,857
Morocco	167	311	1,292
Tunisia	1,008	1,207	3,053
Jordan	341	645	3,128
Lebanon	26	1,400	8,319
Syria	24	76	364
Turkey	242	305	1,102
Austria	1,531	3,890	20,154
World	487	1,223	2,626

Source: wiiw Database, UNCTAD World Investment Report 2010, IMF World Economic Outlook Database 2011.

Table 8

'Ease of doing business' indicators 2011

Countries ranked (altogether 183)	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Ranked from 1 to 50										
Estonia	17	37	24	13	32	59	30	4	50	70
Lithuania	23	87	59	7	46	93	44	31	17	39
Latvia	24	53	79	57	6	59	59	16	14	80
Slovakia	41	68	56	9	15	109	122	102	71	33
Slovenia	42	28	63	97	116	20	80	56	60	38
Hungary	46	35	86	41	32	120	109	73	22	62
Ranked from 51 to 100										
Bulgaria	51	43	119	62	6	44	85	108	87	83
Tunisia	55	48	106	64	89	74	58	30	78	37
Romania	56	44	84	92	15	44	151	47	54	102
Czech Republic	63	130	76	47	46	93	128	62	78	32
Turkey	65	63	137	38	72	59	75	76	26	115
Poland	70	113	164	86	15	44	121	49	77	81
Albania	82	45	170	72	15	15	149	75	89	183
Croatia	84	56	132	110	65	132	42	98	47	89
Serbia	89	83	176	100	15	74	138	74	94	86
Egypt	94	18	154	93	72	74	136	21	143	131
Ranked from 101 to150										
Bosnia-Herzegovina	110	160	139	103	65	93	127	71	124	73
Jordan	111	127	92	106	128	120	29	77	129	98
Lebanon	113	103	142	111	89	93	36	95	122	122
Morocco	114	82	98	124	89	154	124	80	106	59
West Bank and Gaza	135	173	157	76	168	44	28	111	93	183
Algeria	136	150	113	165	138	74	168	124	127	51
Syria	144	134	134	80	168	109	110	120	176	95

Source: Doing Business, Measuring Business Regulations – World Bank Group, www.doing business.org/rankings, downloaded on 24 June 2011.

Table 9

Population aged 0-14 (% of total), WDI database

Country Name	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Algeria	34.1	33.1	32.1	31.2	30.4	29.6	28.9	28.3	27.7	27.3
Egypt, Arab Rep.	36.9	36.1	35.3	34.6	33.9	33.3	32.9	32.7	32.5	32.3
Lebanon	30.5	30.0	29.4	28.8	28.2	27.6	27.0	26.4	25.8	25.3
Libya	32.2	31.5	31.0	30.7	30.5	30.3	30.2	30.2	30.2	30.1
Morocco	33.6	32.9	32.2	31.5	30.9	30.3	29.7	29.2	28.8	28.4
Syria	40.6	39.8	39.0	38.2	37.5	36.9	36.3	35.8	35.3	35.0
Tunisia	30.1	29.2	28.2	27.3	26.5	25.7	24.9	24.3	23.7	23.2
West Bank-Gaza	46.7	46.7	46.5	46.3	46.1	45.9	45.6	45.4	45.2	44.9
MENA-8	**35.6**	**34.9**	**34.2**	**33.6**	**33.0**	**32.4**	**32.0**	**31.5**	**31.2**	**30.8**
Israel	28.3	28.2	28.1	28.0	28.0	27.9	27.9	27.9	27.8	27.7
Turkey	30.6	30.1	29.7	29.3	28.9	28.5	28.1	27.7	27.2	26.8
Bulgaria	15.7	15.3	14.8	14.4	14.0	13.7	13.5	13.4	13.4	13.4
Czech Republic	16.5	16.1	15.7	15.3	15.0	14.7	14.5	14.3	14.1	14.1
Estonia	18.1	17.5	16.8	16.1	15.6	15.2	15.0	14.9	15.0	15.1
Hungary	16.8	16.5	16.3	16.0	15.8	15.5	15.3	15.1	15.0	14.8
Latvia	17.8	17.1	16.4	15.6	15.0	14.5	14.1	13.9	13.8	13.8
Lithuania	20.0	19.4	18.7	18.1	17.4	16.8	16.2	15.7	15.3	14.9
Poland	19.3	18.6	18.0	17.4	16.8	16.3	15.9	15.5	15.2	15.0
Romania	18.4	17.9	17.3	16.6	16.1	15.7	15.4	15.3	15.2	15.2
Slovak Republic	19.7	19.1	18.5	17.9	17.3	16.8	16.4	16.0	15.6	15.4
Slovenia	15.9	15.5	15.1	14.8	14.5	14.2	14.0	13.9	13.9	13.8
NMS average	**17.8**	**17.3**	**16.7**	**16.2**	**15.7**	**15.4**	**15.0**	**14.8**	**14.6**	**14.6**
Albania	30.4	29.8	29.0	28.2	27.3	26.5	25.7	24.9	24.2	23.5
Bosnia & H.	19.7	19.2	18.5	17.8	17.2	16.6	16.2	15.9	15.7	15.4
Croatia	17.0	16.7	16.5	16.3	16.1	15.9	15.7	15.5	15.3	15.1
Kosovo										
Macedonia, FYR	22.3	21.8	21.3	20.8	20.4	19.9	19.4	18.9	18.4	18.0
Montenegro	21.6	21.3	20.9	20.7	20.4	20.1	19.9	19.7	19.6	19.4
Serbia	19.9	19.6	19.3	19.0	18.7	18.4	18.2	18.0	17.8	17.7
WBC-7	**21.8**	**21.4**	**20.9**	**20.5**	**20.0**	**19.6**	**19.2**	**18.8**	**18.5**	**18.2**
Armenia	25.9	25.0	24.2	23.3	22.6	21.9	21.4	20.9	20.5	20.3
Azerbaijan	31.1	30.3	29.3	28.4	27.4	26.6	25.8	25.2	24.6	24.2
Belarus	18.8	18.1	17.4	16.7	16.2	15.7	15.3	15.0	14.8	14.7
Georgia	22.0	21.3	20.6	19.8	19.1	18.4	17.9	17.4	17.1	16.8
Kazakhstan	27.6	27.0	26.2	25.5	24.8	24.3	23.9	23.7	23.7	23.7
Kyrgyz Republic	35.0	34.3	33.5	32.7	31.9	31.3	30.7	30.2	29.7	29.4
Moldova	23.8	22.9	21.9	20.9	19.9	19.0	18.3	17.7	17.2	16.9
Russia	18.2	17.5	16.8	16.1	15.5	15.1	14.8	14.7	14.7	14.8
Tajikistan	42.4	41.9	41.3	40.7	40.1	39.4	38.8	38.1	37.5	36.9
Turkmenistan	36.3	35.5	34.7	33.9	33.1	32.3	31.6	30.8	30.1	29.5
Ukraine	17.5	16.9	16.2	15.6	15.1	14.7	14.3	14.1	13.9	13.9
Uzbekistan	37.4	36.5	35.6	34.7	33.8	32.8	31.9	31.0	30.1	29.3
CIS-12	**28.0**	**27.3**	**26.5**	**25.7**	**25.0**	**24.3**	**23.7**	**23.2**	**22.8**	**22.5**

Source: The World Bank, WDI Database.

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