Closer trade integration would reward countries in the Middle East with increased growth and jobs

Countries in the Middle East and North Africa (MENA) have lagged behind emerging market and developing economies in both economic growth and trade over the past two decades, and trade has not been the significant engine of growth in these countries that it has been in others. Not surprisingly, lackluster economic growth in the MENA region has restrained employment growth, which has not kept pace with a rapidly expanding workforce.

GDP per capita and exports in the MENA region are significantly lower than the average for emerging market and developing economies.

(Real GDP per capita, annual percent change)

Source: IMF, World Economic Outlook database.

Market access

Trade restrictiveness is one important problem holding back the region. It remains high despite significant tariff reforms. Most MENA oil importers have streamlined and lowered tariffs over the past two decades, often via trade agreements with the European Union and the United States. But oil importers’ tariffs—averaging about 10 percent in 2011—remain high.

MENA countries have considerable trade restrictions among the 139 countries surveyed.

(Overall trade barriers, ranking from 1 to 144, with 1 being the least restrictive)

Trade integration

Trade, particularly in the North African countries, remains oriented mainly toward Europe, and the region has thus benefited relatively little from the high growth of many emerging markets. Deeper trade integration with international markets could give the MENA region a substantial economic boost. Empirical evidence suggests that increasing the region’s openness to equal that of emerging Asia could raise annual per capita GDP growth by almost a full percentage point. MENA oil importers also trade little with their immediate neighbors. Given their close proximity (distance is one of the most important determinants of trade), these countries could be exporting about 50 percent more than they currently are.

Source: IMF, Direction of Trade Statistics database.

1Egypt, Jordan, Lebanon, and Syria.
2Algeria, Libya, Mauritania, Morocco, and Tunisia.

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