

**MENA
INVESTMENT
MINISTERIAL MEETING
2006**

Under the Patronage of His Majesty King Abdullah II Bin Al Hussein

13-14 February 2006
King Hussein Bin Talal Convention Center
Dead Sea, Jordan

Opening Statement

H.E Mr. Sharif Ali Zu'bi
Minister of Industry & Trade
Hashemite Kingdom of Jordan

Chair of the MENA -OECD Investment Programme

Your Highnesses;

Your Excellencies;

Ladies and Gentlemen;

I would like to start by thanking His Majesty King Abdullah II for his royal patronage of this important event.

It is my pleasure to be here today off the shores of this ancient sea for the opening of the First Ministerial Conference of the MENA-OECD Investment Program, and to welcome you all to Jordan. I look forward to a constructive opportunity for sincere discussions and fruitful dialogue to make this region a better place for us and for generations to come.

Not that long ago, I sat at the other end of the table! As lawyers, my colleagues and I were actively advocating for the rights of foreign and local investors. Now that the tables have turned I find myself in a position where I am obliged to practice what I had preached!

It is insightful to be part of two worlds; the private and public sectors. For this is not only an eye opener for the importance of economic reform but also provides the tools for trying to make a difference particularly in today's rapidly changing world where countries and nations have no alternative but to adapt. Unless they do so; they will find it very difficult to maintain and/or achieve economic competitiveness.

Your Excellencies;

Ladies and Gentlemen:

As the government agencies most in contact with foreign and local investors; Investment Promotion Agencies are generally well placed to be an important source of feedback to policy-makers. MENA Investment Promotion Agencies can become strong advocates for changes to the regulatory framework and for the enactment of investment-friendly legislation and policies. This advocacy role depends to a large extent on their capability to analyze and recommend policies that contribute to the Governments' decision-making process.

To achieve higher levels of investments, policy makers in MENA countries are challenged to rethink their priorities in accordance with investors' needs. The Government Investment Promotion Agencies (IPAs) in the region should evaluate investor requirements from different perspectives and adopt systematic approaches to identify and seek solutions to investors' hindrances and maintain a strong advocacy role on such issues. Competition for attracting FDI is increasing, and in order to achieve higher levels of inward investments each IPA needs to differentiate its products and services from others. Currently, there are almost 500 IPAs worldwide with similar missions, yet using different tools.

Our region, ladies and gentlemen, has never been in more need of reform than it is today. The deficit in human capabilities is grave: Arab unemployment stands at 15%, the highest in the developing world. Poverty is increasing for a large segment of the population. Illiteracy is estimated at 41.4%, and although it is decreasing as a percentage, the number of illiterates is increasing with 65 million illiterate Arab adults, two thirds of whom are women, and 10 million children are out of school. Only 0.6% of Arabs use the Internet, and spending on research and development (R & D) is one seventh of the world average.

While the region has some of the most ancient civilizations in the world, Arabs themselves include the largest number of young people of any region. The age structure of the population is significantly younger than the global average, with almost 38% under the age of 14. Millions over millions are flooding the labor market every year while others desperately try to cross the sea in the search of a stolen dream. Ignorance, frustration and despair have become a life companion for the underprivileged. This has led many to lose hope and fall into the traps of the few who sow anger to reap hatred and disarray.

A World Bank study of 16 MENA countries shows that up to 47 million new jobs need to be created by 2012 merely to keep pace with new entrants into the Arab labor market. An additional 6.5 million jobs would be needed to reduce the unemployment rate to just below 10 percent. Reform is hence crucial if the Arab countries are to control the migration of talent and make use of this key resource at home.

What sends alarming signals too is that the Arab world only receives one-third of FDI expected for a developing country of a comparable size. According to UNCTAD's 2003 figures and numbers, 21 Arab countries received less than 9 billion dollars out of a world market of 660 billion dollars of FDI inflows. A simple calculation will indicate that the 21 Arab countries were able to attract a modest figure of 1.5% of the world FDI market.

Apart from attracting a larger share of the world FDI market; the Arab world has an opportunity to employ the surpluses of its 420 Billion Dollars of annual oil revenues. To seize the moment, Arab countries must develop their internal capacity to create compelling investment opportunities just as they are the creators of investment capital. As today's Arab capital is smarter than that of the 70's and 80's, it can and should play a major role in creating economic prosperity in the region.

The need for reform, ladies and gentlemen, is not a modern invention. It is an ongoing aspiration that we derive from our heritage, culture and faith. It is part of our human nature that always seeks a better future. However, the question isn't about the need for reform but the kind of reform we seek. What tools shall we use and what's the most effective process?

When His Majesty spoke at the University of Mississippi two weeks ago he spoke about Jordan's path and vision for home grown reform. Economic reform in the Arab world will achieve its objectives only if it stems from the aspirations, culture and uniqueness of its stakeholders. And since there is no one recipe for economic reform, each country has to develop its own capacity to achieve the aspirations of its people. The international community has an ethical obligation of supporting this process through technical and financial assistance.

It is always easier to come up with reasons not to do something than it is to do something. There is never a right time to take a new or brave initiative. And there are always good reasons not to do anything. May I also say that it is easier for decision makers to sit in their offices and say they will do absolutely nothing, because the only way to avoid making bad decisions is to make no decisions! But we in the Arab world do not have the option of sitting and praying and hoping something will turn up, as in Beckett's novel. We have to do something to galvanize our economy.

Effective integration into the world economy requires us to pursue a comprehensive reform: economic, political, social, educational, legal and judicial. For such reforms to be successful and sustainable, they should be self initiated. In Jordan, a substantial number of laws and regulations have been revised to enhance the investment, standards and specifications, intellectual property rights, competition law, customs procedures, clearance of imported goods and securities among others.

Jordan instated prudent economic policies leading to financial and monetary stability, reduction of government debt, an increase in foreign currency reserves, lowering interest rates and the privatization of a significant portion of public institutions. The legal and administrative framework that governs these reforms provides both the Jordanians and foreign investors with an enabling environment in which their businesses can flourish and prosper.

Jordan is transforming from an economy dominated by an ever-present government and burdensome bureaucracy to a:

- Market economy in which the private sector leads and the government facilitates.
- An export-driven economy intent on meeting international standards.
- A merit-based economy in which hard work pays off; and

- A developing economy that places the necessary tools in the hands of entrepreneurs who are always looking for a better, less costly, a more convenient and efficient way to go about one's business and life

Jordan's support towards OECD's MENA investment program falls within the government's vision for Jordan's future. This regional effort initiated and led by countries in the Middle East and North Africa (MENA) promotes broad reforms to enhance the investment climate, modernize governance structures and operations, strengthen regional and international partnerships, and promote sustainable economic growth. We hope that the program will also strengthen our countries' capacity to design and implement policy reforms.

After the program's first steering committee meeting in Amman two years ago; 5 areas of reform were identified: Transparent and open investment policies, encouraging investment promotion agencies and business associations to act as driving forces for economic reform; providing a tax framework for investment and assessing incentives; promoting policies for financial sector and enterprise development in support of economic/investment diversification.

Through a series of Working Group meetings held in different cities from the Maghreb till the Mashreq; policy makers from MENA and OECD countries shared & discussed their experience in designing and implementing investment policies. However, and in order to maintain the positive outcome, MENA countries should rightfully and continuously feel ownership and commitment towards the MENA investment program. Otherwise, very little can be achieved. Our region, ladies & gentlemen, is home for great talent and leadership, perhaps, it is our role at this crucial stage to give opportunity and hope a chance.

The full financial and technical support from OECD countries, G8 countries and key international organisations is critical. Also without the political support of all partners, it will be difficult to implement the recommendations and reforms, whilst keeping in mind the need to involve the business associations as they are the rightful representatives of the private sector.

If these points and others are taken into consideration, the program will strongly contribute to the aimed regional development, first and foremost, at improving the living standards of people in the region and promoting a closer partnership with the international community, including the OECD.

Your Excellencies;

Ladies and Gentlemen;

I would like to extend my thanks to the OECD, for the time, effort and resources invested in organizing this event.

I would also like to invite our dear guests, from this lowest point on earth, to enjoy and savor the countless wonders that Jordan is blessed with: Aqaba's splendid Red Sea marine life, the unforgettable rose-red ancient city of Petra as well as many other wonders of nature and history.

Thank you all and I wish you a pleasant stay!