The Arab Unified Agreement for the transfer of capital to Arab Countries: Issues and Challenges

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Objectives of the agreement:

• Enhance economic development and Arab economic integration.

• Creating conducive Investment climate for investment and mobilization of Arab economic resources.

• Establishing a clear and definite legal system for the utilization of Arab Capital within Arab countries.
Main features

The agreement consists from eight chapters and (45) provisions:

- Arab investors receive national treatment in all state parties.

- The invested Arab capital is granted protection by the host state against Non-commercial risks.
Main features ......cont’d

• The State parties shall grant extra privileges to other bilateral or multilateral agreements.

• Dhaman (Arab Investment Guarantee and Export Credit Corporation) shall provide insurance coverage against non-commercial risks for inter-Arab and foreign investments in development projects in the Arab countries.

• Dhaman, furthermore, provides insurance against commercial and non-commercial risks, for inter-Arab and worldwide Arab export credits.
Assessment of the agreement

• The agreement is under the supervision of the Arab ECSOC.
• Arab ECSOC has, in 1998, directed LAS and Dhaman to conduct a study on the compatibility of the agreement terms with global the changes.
Dispute Settlement mechanism

- The agreement contains an integrated dispute settlement mechanism between the investor and the host country through conciliation, arbitration and Arab Investment Court.
- The Arab ECSOC selects the court members from state-parties nominees.
- The court was activated in 2005, upon request from the private sector.
- Following its first ruling in 2006, discrepancies in the rules of the procedures became apparent.
- Amendments to the rules of the court were finalized by Arab ECSOC in Sept2008.
- LAS covers court costs, while the investor pay nominal fees.
- Currently, four cases are brought before the court awaiting a ruling during Dec2010 session.
Organs of the Agreement

• Article (18) of the agreement states that Arab ECSOC in order to accomplish the objectives of the agreement will help to create systems and institutions which facilitate or encourage objectives or complement them; including executive organ for mobilization of resources.

• The biennial Conference of Arab entrepreneurs and investors, proved to be an excellent mechanism. The conference is organized on regularly since 1982 by LAS, Dhaman, GUCCIAAC and a host country. Conference participants include ministers of Economy and Investment, Investment Agencies, chambers of commerce, Arab-European joint chambers.
Figure (7): Arab Countries' Share in Global FDI Inflows (1999 - 2008)
Figure (3): Inter-Arab FDI Inflows (1995 - 2009)
Figure (4): Inter-Arab FDI, by Source Country, 2009
Figure (5): Inter-Arab Direct Investments by Sector (2009)
Figure (6): Global FDI flows into Arab Countries
Figure (2): Inter-Arab FDI Inflows

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<thead>
<tr>
<th>Country</th>
<th>2008</th>
<th>2009</th>
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<tr>
<td>KSA</td>
<td>13,500</td>
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<tr>
<td>Algeria</td>
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....key challenges faced

The most difficult challenge is mobilization of resources to achieve high growth rate depends primarily on attracting more FDI inflows through Increase Market Size in an effort to :-

• Implementing of Pan Arab Free Trade Area (PAFTA) in Jan 2005. (Arab goods are traded at zero tariff. (detailed ROO’s for some industrial goods and NTB’s remain as an obstacle.

• A framework agreement for liberalization of Arab trade in Services was adopted by Arab ECSOC in 2004 on the basis of (GATS+).

• No progress has been made in the previous four rounds of negotiations.

• A new round of will resume negotiations during ) in the first quarter of 2011 on 4 sectors (Transportation, Education, ICT and Telecommunication)

• Further measure have been taken to establish Arab custom union by 2015.
Enhancing the Role of Private Sector in Development

• The Arab summit (Algeria, 2005) recognizes the role of private sector in Economic Development, and hence called for the creation of a mechanism to involve the Private Sector in development projects.

• As a result, a representative of the private Sector had addressed Arab economic and social summit (Kuwait, Jan 2009) for the first time the first.

• The private sector is excessively involved in the preparation for the 2nd Arab Economic and social summit (Sharm El shiekh, Jan 2011).

• The first Arab Economic and Social Summit has approved a fund of 2b$ to Support of SME’s.