

MENA-OECD WORKING GROUP ON INVESTMENT AND TRADE

September 2017, Paris

CONCLUSIONS

The new MENA-OECD Working Group on Investment and Trade, co-chaired by Japan and Jordan, was launched on 28-29 September in Paris. Under the theme “Investment and trade policy reforms for inclusive growth in the MENA region”, the meeting gathered over 80 participants from MENA and OECD, regional and international organisations, including the European Union and the Union for the Mediterranean, and private sector and civil society representatives.



The meeting was opened by **H.E. Ms. Sahar Nasr**, Minister of Investment and International Co-operation, Egypt, **H.E. Mr. Othmane El Ferdaous**, Secretary of State in charge of Investment, Morocco, and **Mr. Andreas Schaal**, Director, Global Relations, OECD. The two co-chairs of the Working Group were represented by **H.E.**

Mr. Fareedon Hartouqa, Secretary General, Jordan Investment Commission, and **Mr. Ryotaro Suzuki**, Deputy Permanent Representative, Permanent Delegation of Japan to the OECD.

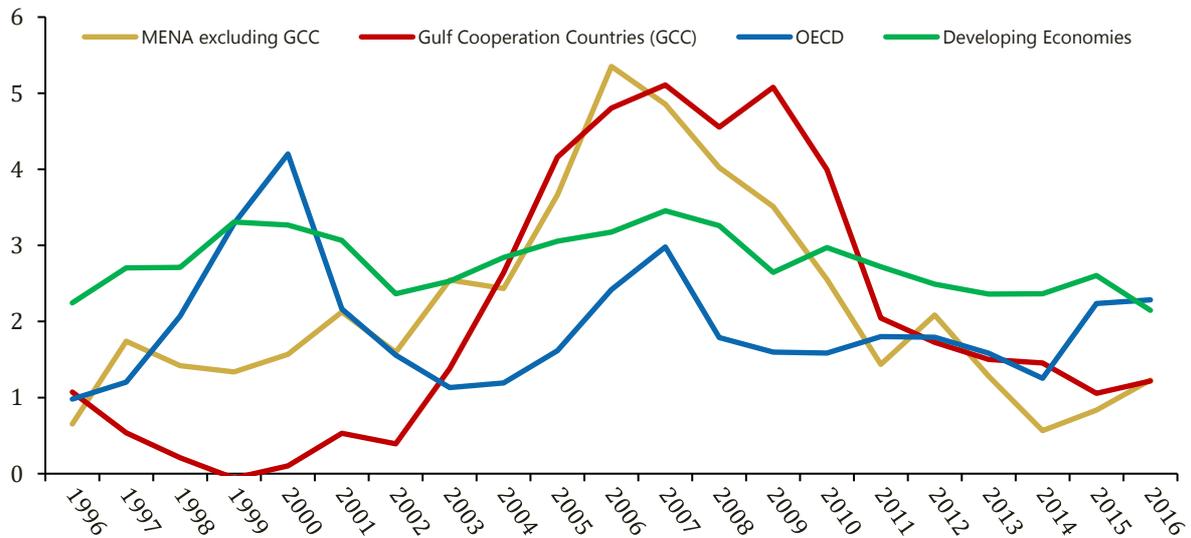
The aim of the meeting was to assess the trade and investment interconnection and discuss ways to maximise benefits for MENA economies. Discussions took place within a regional setting with 14 MENA economies represented, benefitting from exchanges with 12 OECD countries. By discussing challenges and priority reforms, participants paved the way for more policy actions and capacity-building activities on trade and investment at regional and country levels.

Main issues discussed

- **Linkages between trade and investment and ways to enhance complementary effects:** To renew with economic growth in the MENA region, there is a need to pursue an interconnected approach to trade openness and facilitation while boosting investment. However, while interconnection is strengthened by the expansion of global value chains, the growing importance of services and the digitalisation of the economy, there are still a lack of understanding of trade and investment inter-dependencies, but also fragmented international and regional rules, and inconsistent national policies, as advocated by the G20 Working on Trade and Investment.¹
- **Latest investment trends and policy reforms undertaken by countries:** To respond to the drop of FDI inflows in the region, MENA countries are engaging into significant reforms of their regulatory, institutional and administrative investment frameworks. Efforts should continue as it is recognised that investors respond positively once a critical mass of reforms have been implemented. Participants engaged in discussions on process and impact of their respective reforms and called for further exchange of experiences and lessons learnt. They also discussed restrictions to investment as reflected in the [OECD FDI Restrictiveness Index](#).

¹ See the OECD draft policy paper on “Exploring the investment and trade nexus in the MENA region” prepared for the meeting.

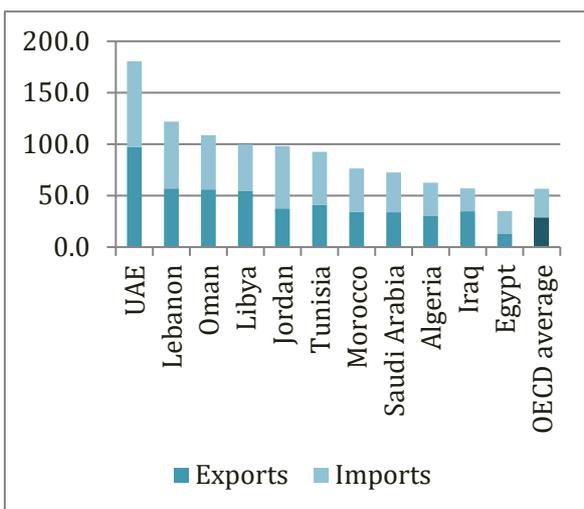
FDI Inflows, % of GDP



Source: UNCTAD latest data and OECD Staff calculations

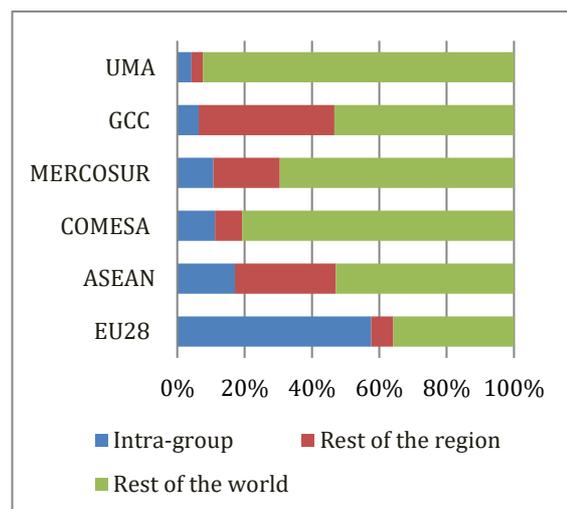
- Potentialities and challenges of trade co-operation and facilitation at the intra-regional level:** Trade specificities of the MENA region lies on the difference of trade weight across countries – mainly linked to the heavy role of hydrocarbons, the low share of service trade and the limited intra-regional trade as compared to other regions.

Trade as a % of GDP, 2015 or latest



Source: World Bank, World Development Indicators

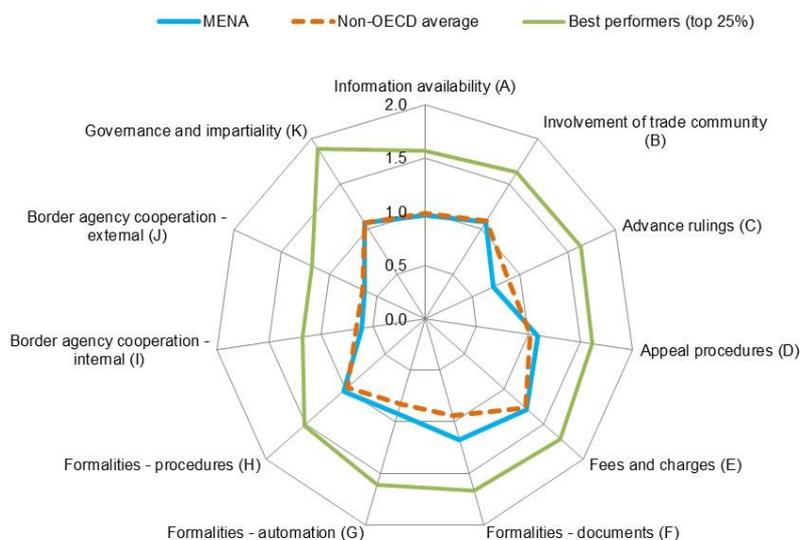
Regional Trade across the World, 2015



Source: UNCTAD Data Centre

More effective facilitation, integration and diversification efforts, accompanied by structural and labour market reforms, are needed to build more dynamic and inclusive economies. The OECD trade policy tools that were presented ([Trade Facilitation Indicators](#) and [Service Trade Restrictiveness Index](#)) show that MENA economies have ample room to further facilitate trade and that open services markets are a gateway to global value chains and would significantly help SMEs. Participants called for wider inclusion of their countries into these tools.

OECD Trade Facilitation Indicators (from 0 (worst performance) to 2 (best), 2015)



- **Integration of MENA economies into global value chains:** MENA economies are unequally and insufficiently integrated into global value chains (GVCs) and suffer from incomplete trade statistics which hamper adequate policy making. Participants were introduced to the [OECD-WTO Trade in Value Added initiative](#) (TiVA) which evaluates the participation of country and firms into GVCs. They discussed what benefits integration into GVCs can bring and which policies are needed to expand their participation into GVCs.
- **Promotion and measurement of quality and responsible investment:** MENA countries are increasingly concerned about attracting not just more, but also better and responsible investments for better growth and for fulfilling the Sustainable Development Goals (SDGs). Quality FDI not only depends on the type of FDI, but also on the policies, institutions and other framework conditions of the host economies and the contributions of multinational enterprises. Participants discussed how to develop FDI quality indicators and promote responsible business conduct – through the [OECD Guidelines for MNEs](#). Fighting corruption has also become a concern in the region with strong popular demands for higher transparency and integrity and the need for convergence of regulatory frameworks and businesses with internationally-recognised integrity norms, standards and best practices.

Key take-away

Throughout the various sessions, participants called for action and proposed to:

1. **Provide evidence on the trade and investment nexus in the MENA region**, based on OECD and G20 work by:
 - Fostering **analysis** on trade and investment in the MENA region, identifying opportunities, challenges and barriers.
 - Supporting collection and harmonisation of reliable and comparable **statistical data**.
 - Focusing on **digitalisation, services and regional value chains**.
 - Better analysing **balance** between national objectives and trade and investment openness.
 - Discussing policy **recommendations** or guiding principles to improve trade and investment in the region.
2. **Support current trade and investment reforms** by:
 - Sharing experiences between MENA and OECD countries, using **best practices and OECD tools**, leveraging on existing projects for better implementation.
 - Measuring the **impact of reforms** with a view to better quantify the positive effects of trade and investment and the negative distributional impact at the socio-economic level, with a particular focus on territorial development, informality, job creation for youth, and women empowerment.

- Ensuring that **inclusion**, sustainable trade and investment, labour standards are duly taken into consideration and even are at the core of the reforms.
 - Improving **policy coherence** between trade, investment and other policies (such as financial, environmental, social, SME, skills, innovation, sectoral, human capital policies) through better institutional coordination and governance frameworks.
- 3. Strengthen regional trade and investment integration** while recognising the impediments inherent to the regional context, through:
- Policies fostering **diversification** of products, markets and partnerships.
 - Support to **regional organisations** and initiatives, in particular the Agadir Agreement (enlargement and expansion).
 - Impact analysis and implementation of **trade and investment agreements**.
- 4. Improve the dialogue with the private sector** by :
- Exploring how the private sector can better **support governments** in facilitating economically sound, environmentally sustainable and socially just private investment that help create jobs.
 - Better **connecting** business associations and private sector representatives to the policy dialogue and capacity-building activities.

Next Steps

- ▶ Expand **research and data on trade and investment in the MENA region**:
 - Update the OECD draft policy paper “Exploring the investment and trade nexus in the MENA region” for the next year meeting.
 - Work with countries to make better use of OECD statistical tools (FDI Benchmark Definition, TiVA) and benchmarking instruments (trade facilitation and quality investment indicators, IPA survey, Services Trade and FDI Restrictiveness Indexes).
- ▶ Implement on-going **regional and country-specific projects** led by the OECD including:
 - [The EU-OECD Programme on promoting investment in the Mediterranean](#) which includes a series of capacity-building activities and technical workshops on investment policy and promotion,
 - The Investment Policy Review of Egypt in the context of the MENA Transition Fund Project on Enhancing the Investment Climate in Egypt,
 - The Project on “Supporting the Development of the Suez Canal Economic Zone”, and
 - The Morocco Country-Programme.
- ▶ Foster synergies with **regional organisations** (including the Union for the Mediterranean and Agadir Technical Unit), improve dialogue with Gulf Cooperation Council (GCC) countries and explore links with the One Belt and One Road Initiative (OBOR).
- ▶ Improve involvement of the **private sector** in the policy dialogue and capacity-building activities and work closely with the **MENA-OECD Business Advisory Board (BAB)**, a regional platform launched by the MENA-OECD Competitiveness Programme to build consensus on economic reforms in the MENA region.

Contact:

Ms. Marie-Estelle REY

Senior Advisor
 MENA-OECD Competitiveness
 Programme, Global Relations
Marie-estelle.rey@oecd.org

Ms. Diane PALLEZ

Policy Analyst
 MENA-OECD Competitiveness
 Programme, Global Relations
 Secretariat
Diane.pallez-guillevic@oecd.org

Learn more about our work on Investment in the
 MENA region:

www.oecd.org/mena/competitiveness/investment-and-trade.htm