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MENA in transition: any lessons from CESEE?

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Introduction

In the wake of the 'Arab Spring' several observers compared the changes in the Middle East and North Africa (MENA) to the transition of the former communist countries in Central, East and Southeast Europe (CESEE) to parliamentary democracy and market economy starting two decades ago.[1] Relying on the wiiw's long standing experience in analysing both the centrally planned economic systems and the institutional and economic aspects of transition, the following Policy Note attempts – without claiming to have a detailed knowledge regarding MENA countries at the moment - to find possible common features, similarities and/or differences between the economic situation of the MENA countries and the challenges facing the former centrally planned economies during the past two decades. The aim of this note is to contribute to discussion regarding the elaboration of a strategy assisting MENA's economic transition.

Levels of economic development differ widely

As illustrated in Table 1, the majority of MENA countries are at a generally lower level of economic development than the majority of transition countries (TCs) were at the beginning of transition twenty years ago. A spectacular exception, on the part of the TCs, is Albania: its per capita GDP at purchasing power parity (PPP) fits better the MENA group than the TCs as it is one of the least developed countries in Europe. On the MENA side, the exceptions are Libya and Lebanon. Their level of economic development (measured by GDP per capita at PPP) is, in relative terms, more similar to that of Poland, Slovakia and Hungary 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 substantially

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[1] Thus, for example, EBRD President T. Mirow stated at EBRD Annual Meeting in Astana that EBRD's 'experience with transition is something that can and should be shared'. EBRD (2011), "EBRD stands ready to support North Africa", May. Among MENA we will focus on Algeria, Egypt, Lebanon, Libya, Morocco, Syria and Tunisia.

lower level of economic development than the TCs. And in contrast to most TCs, the MENA countries, with a few exceptions, did not manage to substantically close the income gap vis-à-vis the EU average during the past two decades. From this point of view, MENA's transition is thus essentially linked with formidable economic and development challenges.

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

Prior to transition the state had an overwhelming role in the economy in the TCs, 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, Hungary and Yugoslavia relatively liberal regimes existed long before transition had started. There was no open unemployment (except for Yugoslavia). On the contrary, sizeable over-employment 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 the individual TCs, 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 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. 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 East European TCs. For these countries, the perspective of EU accession brought about an important institutional "reform anchor".[2]

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 countries (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 newly (during the communist era) established big (and often loss-making) state enterprises was much more difficult. The latter resulted partly from the lack of domestic capital, partly it was due to the social and political implications (e.g. regarding 'fairness' and adverse labour market effects). In some

[2] The lack of 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.

countries, various innovative privatization schemes (such as free voucher distribution 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 know how 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) is probably in a better position in this respect.[3] 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',[4] 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 dimension of privatization tasks is smaller and the barriers to private entrepreneurship which are to be removed are of a different nature. Even in Egypt, where the public sector accounts for over 40% of value added outside agriculture,[5] the dimension of potential privatization is much smaller than it was in TCs at the outset of transition. [6]

The main challenge in MENA 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 (typically down-scaling) 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 TCs. 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)

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[3] Recently, *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.

[4] 'Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity', IMF 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), 'Trade Competitiveness and Growth in the MENA Region', *The Arab World Competitiveness Review* 2010, pp. 23-26.

[5] See *The Economist*, op. cit., p. 50.

[6] 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, M. (2011), 'Egypt: Political Transition vs. Economic Challenges?', CASE Network E-briefs, No. 07/2011, June. In TCs, usually a near state monopoly on non-agricultural assets existed at the end of the 1980s – see 'Economic Reforms in the European Centrally Planned Economies', *Economic Studies No. 1*, UN ECE and wiiw (1989).

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 TCs. 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 TCs, the main task in the MENA countries will typically be a thorough modernization and expansion based on in part 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.

Economic structures: restructuring, de- and reindustrialization

The economic structure of the TCs 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 USSR). 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, the societies producing them were overwhelmingly 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 in TCs perished under the competitive pressure imposed by the sudden (and perhaps premature) liberalization of imports in the 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 emerging market economy. Still, the 'transformational recession' (a term first coined by the Hungarian economist János Kornai)[7] was frequently deeper than the recent 'global crisis' and resulted from the combination of factors such as the collapse of the old 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 TCs which are being felt until now, especially regarding the labour market with high unemployment affecting in particular young and low-skilled workers – the latter being one of the few common features among MENA and TCs presently.[8]

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[7] Kornai, J., (1994), 'Transformational Recession: The Main Causes', Journal of Comparative Economics, Vol. 19, No. 1, pp. 39 63.

[8] However, demographic structures of MENA and TCs are much different: according to WDI database, MENA's population is much younger whereas the majority of TCs face serious aging problems like in Western Europe (Table 5).

Contrary to the TCs at the outset of transition, the MENA countries are not fully-fledged industrial societies. This refers to their production, export and skill structures. Various features of everyday life resemble Europe of the pre-industrialization era. The task here is not so much the transformation of the existing economic structure to a more competitive and efficient one, as it was in TCs, but rather, again varying from country to country, the creation of new, robust and internationally embedded industries, more or less independently from the existing initial structure, often owned or indirectly controlled by the state. Moreover, many MENA countries had been implementing market-oriented reforms following IMF and World Bank advice – often quite successfully for more than a decade.[9] Thus, rather than the classical transition reform tasks per se, it is again predominantly a development and modernization agenda that has to be addressed in the MENA region. An eminent condition for this to happen 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).[10]

Foreign trade: integration and competitiveness challenges

One of the most important features of early transition in the TCs was the radical open-ing 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 and, together with domestic price liberalization, contributed to high inflation at the beginning of transition.[11] The economic opening represented an unprecedented shock for the TCs after the decade-long extreme protectionism under the umbrella of the Soviet-led regional 'integration' bloc called CMEA (perhaps better known as COMECON). After a widespread and rapid collapse of many state enterprises and even whole industries (the transformational recession resulted in a huge loss of output),[12] the recovery started relatively soon as parts of industry became (cost) competitive after devaluations. Many TCs (particularly those in Central Europe) adopted an export-driven growth strategy, nevertheless with a completely different geographical distribution of trade, different actors (exporters) and, after FDI had helped in

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[9] Cf., for example, the fairly positive recent IMF Staff Reports on Algeria, Egypt, Libya, Morocco and Tunisia (http://www.IMF.org).

[10] See, for example, Ahmed et al. (2010), op. cit., 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).

[11] Initially, TCs 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).

[12] Nearly 50% of output was lost at the beginning of the 1990s, for instance, in Ukraine – see Grinberg et al. (eds), op. cit. p. 49.

restructuring and modernization, also new or upgraded products. Highly developed EU economies became the TCs' 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 TCs, strong specialization in a few groups of engineering products has occurred.[13] These developments were closely correlated with the massive inflow of FDI: foreign-owned enterprises played an outstanding role in the rapid expansion of TCs' exports.

As opposed to the pre-transition TCs, the MENA countries are under no protective umbrella of a regional trading bloc (on the contrary, their lack of intra-regional trade is seen as one of the culprits of low development levels).[14] However, with a 28% share of exports in GDP, their trade openness is relatively low and the 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.[15] 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.[16] Indeed, the main problem for MENA countries' exports is not protectionism itself, but (as in the TCs 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 follow the pattern of the TCs' export-driven catching-up process.[17] 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).

MENA's lack of competitiveness and other external trade problems are evident also in trade patterns, as displayed in Table 2.[18] Algeria and Libya are monoculture-like exporters of fuels with hardly anything else to sell in the EU 15. Egypt's exports to the EU 15 are also dominated by fuels, simple chemicals and semi-finished products. The share of more

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[13] R. Dobrinsky and M. Landesmann (eds), Transforming Economies and European Integration, Edward Elgar, Aldershot, 1995. Grinberg et al. (eds) (2008), op.cit.

[14] Ahmed (2010), op. cit.

[15] IMF, op. cit. p. 12.

[16] See Dabrowski (2011), op. cit.. The recent study for the period 1980-2004 has found that while the trade agreements increased significantly imports of the MENA countries from the EU they had no positive impact on their exports to the EU – see Cieslik, A. and J. Hagemejer (2009), 'Assessing the Impact of the EU-sponsored Trade Liberalization in the MENA Countries', Journal of Economic Integration, Vol. 24, No. 2, pp.343-368.

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

[18] 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 15 as reported by the EU/Comext. EU is by far the biggest export market for MENA oil importing countries – see Ahmed (2010), op. cit., p. 24.

sophisticated manufactured products in MENA's exports is very low (but note the above-quoted IT success in Egypt and Tunisia whose products are probably destined largely for the local market). In the past two decades Egypt's exports to the EU 15 have tripled, whereas those of Poland rose 18-fold and those of Hungary 14-fold within the same period. In 2010, Poland, with about half of Egypt's population, exported goods to the EU-15 amounting to EUR 71 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 15 in the period 1989-2010 was again substantially less dynamic than in the case of the respective two TCs. The MENA countries, in contrast to the TCs, have failed to increase their export market shares not only in the EU but in global trade in general. The MENA region 'is not realizing the full benefits of globalization'.[19] 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.

Foreign direct investment: key to modernization and restructuring yet no panacea

Indeed, foreign-owned enterprises have been the engine of restructuring and modernization in TCs' industry, financial services and trade. Starting almost from a scratch, 60% to 80% of TCs' exports are nowadays delivered by foreign-owned firms. We have no comparable data about the MENA countries at this stage, but per capita FDI stocks display a generally smaller weight of foreign capital in the economy than in the transition countries (see Table 3). The exceptions are, however, not negligible: Tunisia and Jordan have a record comparable to the less successful FDI-absorbing transition countries, and some Balkan economies – which admittedly do not represent the 'best practice' - are not more successful in attracting FDI than the MENA economies.

Except for Poland and Slovenia, the overwhelming part of the financial institutions and insurance companies also are foreign-owned in the TCs.[20] By contrast, the significance of foreign ownership in the financial sector of the MENA countries is substantially smaller: foreign-owned assets amount to about one fifth of all banking system assets.[21]

Nevertheless, a strong presence of foreign investors in the economy may be seen as a mixed blessing. On the one hand, TCs have been integrated into worldwide production

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19 See Ahmed, 2010, op. cit, p. 23.

20 See G. Hunya (2011), *Diverging Patterns of FDI Recovery. wiiw Database on Foreign Direct Investment in Central, East and Southeast Europe*, May 2011.

21 E. Berglöf, Y. Korniyenko, A. Plekhanov and J. Zettelmeyer (2009), 'Understanding the crisis in emerging Europe', *EBRD Working Paper* No 109, Chart 6.

networks and today they not only produce (this was the case already before transition) but also export to the world market cars, computers and telecommunication devices they could not have dreamed of to achieve on their own initiative before. The mother companies of the local financial affiliates introduced to TCs 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 in the TCs 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, thus contributing to external imbalances.

The MENA countries may learn a lot from the recent experience of the TCs 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 than those of the TCs. 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 TCs, they must be aware of the fact that foreign capital is an indispensable component of transition, modernization and restructuring as we know it. Whether that is compatible with the involved societies' sensibility, cultural traditions and visions about the future, is a question still to be answered. It is definitely no panacea and TCs opted for foreign capital inflows in the privatization process only reluctantly – either because of financial constraints (as in Hungary which needed to service its high external debt) or after attempts to privatize 'domestically' failed (Czech Republic).

Competitiveness: a difficult and moving target

The prospect of membership in the EU (the above mentioned EU 'membership anchor') and the necessity to secure the creation of a favourable legal and institutional environment for badly needed foreign direct investment compelled the TCs 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 and Eastern Europe than elsewhere. 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 World Bank publication 'Ease of doing business' (see Table 4). This survey is based on discernible facts (contrary to various opinion surveys). It measures the time to be devoted to various stages of the start up of a limited liability company in the country concerned. The average of the rankings achieved in the nine different dimensions of the start up procedure is then calculated and that constitutes the conclusive ranking of the countries. 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, none was among the first 50, 2 (Tunisia and Egypt) were among the second 50, and 6 among the third 50 countries.

Final remarks on lessons to be learned

The main similarity of transition in the TCs and in the MENA countries today is that both groups of countries had to or will have to face the challenge of finding a way out of a political, social and economic malaise they had or have been trapped in for historical and/or geopolitical reasons. As the two groups of countries are fairly different concerning their historical, economic, social and political traditions, pre-transition initial conditions and possibly also regarding the visions of the societal goals to be achieved in the future, the lessons learned by the TCs cannot be automatically taken over by the MENA group. Nevertheless, the similarities in policy areas and challenges which will have to be addressed or faced merit a thorough analysis of the TCs and MENA experiences. Such an analysis – which should encompass a range of problem areas (such as social and labour market policies, institutional and economic development issues, privatization, trade and FDI policies) going beyond traditional macroeconomic indicators – may help to adapt those most suitable transition practices that, by way of careful adaptation, may decisively contribute to successful transition/modernization in the MENA region while possibly avoiding certain mistakes, illusions and disappointments that may have long-lasting adverse consequences. A careful analysis of the TCs' recent transition experiences and MENA's current challenges can also contribute to supporting inclusive economic development, strengthen the two regional dimensions of the European Neighbourhood Policy, as well as help to devise mechanisms and instruments fit to deliver the objectives stated recently by the EU Commission in its new response to changing neighbourhood.[22]

[22] 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.

Table 1

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 World economic outlook, April 2011. wiiw estimates.

Table 2

EU-15 imports from the MENA and selected transition 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 3

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 4

'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 to100										
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 5

Population aged 0-14 (% of total)

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.