Mr. Moderator, Excellencies, Distinguished Panellists, Ladies and Gentlemen,

I am here today to share with you some UNCTAD thinking on how South-South cooperation - through what we call *developmental regionalism* - can harness the long history of cooperation among Arab States to unleash the region's development potential.

The history of Arab states' economic cooperation and integration is long and rich. South–South cooperation may have risen to prominence relatively recently at the global level, but cooperation among Arab states boasts much deeper roots. This history dates back to 1945 when the League of Arab states was formed to coordinate closer collaboration between member States, and to consider the affairs and interests of the Arab world, as a whole. Ever since, the League of Arab States has exerted significant efforts towards economic, scientific, educational and cultural collaboration among its member States.

Among the most important economic objectives of the League was establishment of an Arab Common Market. Several attempts have been made at different forms of regional economic integration under the auspices of the League, ranging from bilateral treaties to more ambitious programmes.

One of the key integration initiatives among Arab countries was the establishment of the Greater Arab Free Trade Area, or GAFTA, in 1997. The goal of GAFTA was liberalizing trade among Arab countries by phasing out tariffs and
non-tariff barriers to trade. Despite significant progress, a number of non-tariff barriers still persist today and hold back the great potential of intra-Arab trade. For example, from 2006 to 2011, South-South intra-Arab trade grew only half as much as Arab States' trade with other regions of the South.

More thus can be done to enhance intra-Arab trade. Two significant non-trade barriers deserve particular attention. First, cumbersome and un-harmonized institutional frameworks slow down trade at the country level. Secondly, high transportation and communication costs can inhibit trade as well, largely due to weak national and regional infrastructures. Closer regional cooperation can do a lot to address these barriers through sharing knowledge and pooling resources.

In recognition of the importance of regional cooperation for development in the Arab States, UNCTAD recently conducted a project on regional growth-oriented economic and trade policies to support human development in the Arab world\(^1\). The project found that deep regional integration among Arab states, including factor market integration, will not only allow access to larger markets closer to home, but will also allow better use of regional pools of labour, capital and financial resources.

Deeper economic integration among Arab States can also promote social and political stability. It can enhance investment in social and physical infrastructure and promote employment-intensive economic growth to absorb the young and growing labour force across the Arab World. It can alleviate poverty, create more and better jobs, provide better wages and social security, and ensure access to basic commodities at affordable prices for households in all member States. This is especially true in vulnerable non-oil exporting countries, which face severe social

\(^1\) United Nations Development Account Project entitled ‘Promoting Sub-Regional Growth-Oriented Economic and Trade Policies Towards Achieving the Millennium Development Goals in Selected Arab Countries’
and political pressures from legions of unemployed youth with dim prospects for productive and decent employment.

Development complementarities in the Arab World abound. Taken together, the Arab World is rich with abundant financial, natural and human resources that can be leveraged to enhance economic development in all member States. Pooling the Arab World's financial resources, human capital, natural resources and markets will provide a platform to unleash the requisite forces for sustainable economic growth and can trigger a virtuous circle of investment, productivity growth, income growth and employment creation.

This can be achieved by harnessing the favourable balance of payment positions enjoyed by some Arab countries. For instance, in the last two years, the Gulf Cooperation Council (GCC) countries boasted a combined current account surplus around 20 per cent of GDP. The build-up of large regional foreign exchange reserves and sovereign wealth funds can be leveraged to strengthen regional cooperation, and to help overcome the institutional barriers and infrastructure bottlenecks that have held back intra-Arab trade. This could provide financial diversification, while serving as a catalyst for region-wide infrastructure, and while supporting the development of regional productive capacities. Increased regional financial cooperation also offers member States the opportunity for greater voice in the governance of regional development banks and greater regional ownership of development initiatives, while limiting conditionalities associated with traditional North-South financial cooperation.

Another issue of region-wide importance is migration, which UNCTAD argues should be leveraged to achieve maximum development impact. Arab States are both source and destination for large numbers of migrant workers. Labour market integration and historically high levels of mobility among Arab states are
facilitated by a shared cultural heritage, and a common language. The skills, expertise and remittances of expatriate workers have been of fundamental importance to the economies of both the home and host countries. Remittances have had stabilizing impact on the balance of payments, but there is still a large scope to leverage expatriate workers' remittances to finance productive investment in source countries, where capital is scarce.

I would like to conclude by stressing that so far the Arab World has made significant progress in building an institutional framework for regional cooperation among its member states. Yet it can continue to build on what has been achieved so far and redouble efforts to break down the barriers to deeper regional integration covering not just trade in goods but also factor markets, including FDI, capital and labour markets. The potential for deeper cooperation among Arab states is striking, and with their rich history and deep history, Arab States can lead the way and provide a model for other regions of the world to emulate.

Thank you very much.