

Rising Competitiveness Gap between Gulf Economies and the Rest of the Arab World

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- Over the past five years, many Arab world economies have improved their competitiveness, but the gap between Gulf countries and the rest of the region is growing
- Morocco takes second place in the North Africa region, after Tunisia
- Financial markets, labour markets and education remain key challenges
- For full rankings from The Arab World Competitiveness Review 2010 visit www.weforum.org/awcr

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Marrakech, Morocco, 25 October 2010 – The Arab World Competitiveness Review 2010 finds that the global economic crisis has further widened the competitiveness gap between the countries of the Gulf Cooperation Council (GCC) and the rest of the Arab world region. The review, published ahead of the 2010 World Economic Forum on the Middle East and North Africa, sees Qatar, Saudi Arabia and Kuwait outperforming other economies at a similar level of development in terms of competitiveness. In the overall ranking of 139 economies, they place 17th, 21st and 35th.

United Arab Emirates is the only economy from the region that has reached the most advanced innovation-driven stage of development because of its diversified structure. It places 23rd within this group and 25th overall. Kuwait places second among the factor-driven economies (lowest stage of development).

Tunisia and Morocco (efficiency-driven) rank 32nd and 75th in the overall ranking and outperform Egypt (81), Algeria (86) and Libya (100), which remain in the factor-driven stage of development.

The Arab world's competitive strengths lie in sound and transparent institutions, macroeconomic stability and business sophistication. Countries will need to accelerate efforts in raising the efficiency of their labour markets, furthering the development and stability of financial markets, and reforming education.

GCC countries have reached OECD levels on a number of categories of the index, such as institutions, infrastructure, as well as efficiency of goods, labour and financial markets. North Africa outperforms the Levant region in terms of infrastructure, macroeconomic stability, market size and innovation. The Levant region outperforms North Africa in terms of education, efficiency of goods, labour and financial markets, and business sophistication.

As the special focus highlights, while the access to education has improved greatly, the quality lags behind best practice in OECD members in most countries. Reforms in the GCC economies have significantly improved the quality of education over the past years, while North Africa and the Levant stagnated.

Over the past five years, efforts on average have improved the region's competitiveness and yielded better results in key areas such as health and primary education, higher education and training, and technological readiness.

"Uncertainty and the shifting balance of economic activity towards the developing world will require strategic responses from policy-makers across the Arab world to best place the region's economies on a sustainable economic footing going forward," said Klaus Schwab, Founder and Executive Chairman, World Economic Forum. "In such a global economic environment, it is more important than ever for countries to put into place the fundamentals underpinning economic growth and development."

Masood Ahmed, Director of the Middle East and Central Asia Department at the International Monetary Fund, said, "Enhancing MENA's competitiveness will be key for the region's ability to grow faster, create more jobs and fully reap the benefits of globalization. This will imply improving the quality of education, developing a more favourable business environment, as well as deepening and diversifying trade flows."

"Education is the key to the future competitiveness of all Arab countries, but although access to primary education is as good as in OECD countries, tertiary education remains elusive to the vast majority of young people and the progress has been slow with respect to the quality of education," said Margareta Drzeniek Hanouz, Senior Economist and Director, Centre for Global Competitiveness and Performance, World Economic Forum and co-author of the review. "On a positive note, the education gap between boys and girls has been closed, although this does not yet translate into higher labour market participation for women."

The Arab World Competitiveness Review's competitiveness analysis is based on the Global Competitiveness Index (GCI) developed for the World Economic Forum by Xavier Sala-i-Martin and introduced in 2004. The GCI, core methodology of The Global Competitiveness Report is based on 12 pillars of competitiveness, providing a comprehensive picture of the competitiveness landscape in countries around the world at all stages of development. The pillars are institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication and innovation.

The rankings are calculated from both publicly available data and the Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum together with its network of Partner Institutes (leading research institutes and business organizations) in the countries covered

by the study. This year over 13,500 business leaders were polled in 139 economies. The survey is designed to capture a broad range of factors affecting an economy's business climate. The review also includes comprehensive listings of the main strengths and weaknesses of countries, making it possible to identify key priorities for policy reform.

The review contains an extensive data section with a detailed profile for each of the 14 economies featured in the study, providing a comprehensive summary of the overall position in the rankings.

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