

Preface

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The Arab world increasingly finds itself in the spotlight of world attention, with most analysis and discussion focused on political and security issues in the region, particularly since 9/11 and the momentous events that followed. While this is perhaps inevitable, given the region's strategic importance as the principal source of energy for the global economy, there is growing acceptance among prominent leaders in these countries, that only reform—and comprehensive economic reform—will enable the region's development agenda to move forward, and to broaden the sources of growth. This *Report* is intended as a contribution to better understanding the problems and challenges which confront the Arab countries. What will it take to revitalize growth? What are the priorities for authorities and policymakers, as they seek to unleash a process of modernization that will release the vast, unfulfilled potential of the Arab world? What are the costs of inertia and inaction?

As we will see in the following chapters, the countries of the Arab world have had varied growth experiences, and attained very different per capita income levels. They also vary in levels of political and economic stability, and in their relatively diverse market structures, with some countries almost solely exporters of energy, and others having more diversified economies. But notwithstanding these differences, all must boost job creation and income levels. The paths to achieving these aims will certainly be different. Indeed, the evidence suggests that policy prescriptions themselves may vary, reflecting the region's diversity, and the differing stages of development within it. But no one questions the urgent need for all of them to implement policies aimed at enhancing national competitiveness. How this can be done, and in what areas, is the main goal of this *Report*.

The population in the region continues to grow at break-neck speed. This has led multilateral development institutions to project that the region will have the largest labor force expansion in the world over the next 15 years. And while unemployment is already very high in many of these countries, at least 80 million new jobs will have to be created by 2020, just to keep the present levels of unemployment unchanged. More dramatically, in order to lower unemployment rates to more *sustainable* levels, some 100 million new jobs will be needed—a task that would require doubling annual employment growth in the next 15 years. Clearly, there is no time to lose. Failure

to act now could have disastrous consequences, for the economies as a whole, and for the regimes that sustain them. Unless countries in the Arab world can ensure gainful employment for their fast-growing populations—particularly the young—the significant political difficulties that are already emerging could worsen, with unpredictable consequences.

In this context, what is needed is a new growth strategy, aimed at increasing the region's competitiveness. This will require far-reaching reforms to diversify and open up markets, with greatly increased participation in the economy by the private sector. The kinds of reform required will be explored in detail in the chapters of this *Report*. Reform can be painful. In the present context of high oil prices and the associated windfall for many Arab world countries, there is no small danger that commitment to reform will slacken. But the increasing pressure placed on these economies by labor force growth, suggests that the authorities must press on, undeterred, if they wish to build a prosperous and stable future.

The World Economic Forum is proud to present the second edition of *The Arab World Competitiveness Report*. As a supplement to our *Global Competitiveness Report 2004–2005*, this *Report* is intended to serve as a guide to policymakers and business executives alike.

We would like to thank the many authors who have contributed to this *Report*. Knowledgeable, and deeply committed to seeing the region fulfil its potential, they have given generously of their time and expertise to present a progressive reform agenda. My appreciation also goes to Augusto Lopez-Claros, the Director of the Global Competitiveness Program at the World Economic Forum, and his team members for their efforts in putting this volume together. Together with *The Global Competitiveness Report*, and special reports on other regions and topics, *The Arab World Competitiveness Report* is part of a family of research studies which truly mirror the increased integration of the world economy. We hope that this *Report* will help to shed new light on the particular economic and competitive challenges and achievements of the Arab region as a whole.

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