PHD THESIS

SUGGESTING A LEGAL FRAMEWORK TO CONSTRUCT

THE ARAB ECONOMIC UNION - POST “ARAB UPRISING”

Thesis submitted in partial fulfilment of the requirements of the degree of

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Suggesting a Legal Framework to Construct the Arab Economic Union

Post “Arab Uprising”

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STATEMENT OF ORIGINALITY

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ACKNOWLEDGEMENTS

*The inability to mobilize the considerable collective human and material of a “nation” of more than 200 million people accounts in part for the powerlessness which is the fundamental problem facing the Arabs today*” --- Edward Said, 1996

More than 20 years have passed since Edward Said stated his famous quote, since then the number of Arabs has doubled and the atrocities have multiplied. Since the start of my research I was surrounded with sceptics from all levels and professions claiming that I am fighting a losing battle by swimming against the current for trying to promote the idea of Arab economic integration with all the odds against it. It was hard and demoralizing, however the presence of a kind and loving environment of family and friends around me, and a conviction that only united we stand and divided we fall kept me going and strong.

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The date of submission of this thesis “21st of September” marks the most special date in my life, four years ago on this same day, my wife and I had our first baby boy “Al-Hussein” who made our life merrier and got the best out of me along with his younger brother the splendid “Adam” born 3 years later. To you my boys Hussein and Adam, I dedicate this special piece of work, and I encourage you to always do the right thing, and the sky will be your limit. I can only hope that I will always make you proud... I love you.

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ABSTRACT

Throughout the past decade, major non-GCC countries in the Middle East and North Africa Region (MENA), also referred to as the “Arab Region” have undergone major structural changes and reforms in their political, legal, economic, military and social regimes. However, seven years ago, the trend of change took a serious and unprecedented diversion known as the “Arab Spring” and which has brought damaging security, economic and social repercussions and aftermaths on the Arab World in general. As a result, the long-awaited dream of Arab unity has been jeopardised more than ever. Nevertheless, history has proven that times of transition are times for change, and thus the current turbulent Arab situation could be utilised as the golden gate and one-time opportunity to achieve the desired transformation towards Arab economic integration and unification, which, if successful, could place the Arab World in pole positions along with global economic giants and gurus. This research represents a new regulatory approach to regional economic integration.

The purpose of this research is to suggest legal, constitutional and structural frameworks for the creation of an Arab Economic Union. This research incorporates the findings of available and existing work on the various attempts of Arab economic integration, and it explores the development, failures and accomplishments in this sphere. In addition, the research fills into the gap of the existing work through exploring former experiences and suggesting a new innovative and speculative constitutional structure of the desired AEU. The research also displays the historic and current economic models and discusses the outcomes of main integration attempts. More importantly it suggests a comprehensive institutional structure for the desired AEU in a detailed manner, and observes economic operational liberty through the performance of currently existence trading blocs.

Moreover, and in an unprecedented manner, this research discusses the role of Arab migrant workers’ remittances to enhance the development of the desired AEU. Over and above, the research demonstrates the New Arab Model through proposing the innovative “Shamgate Treaty” and argues that times of commotion, security instability and economic disorder pose the best time for change through economic unity based on common interests between member states, based on economic functionalism.
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LIST OF ABBREVIATIONS

1. AAMM -- Arab- American Museum in Michigan
2. AC -- Arab Commission
3. ACB -- Arab Central Bank
4. ACC -- Arab Cooperation Council
5. ACC -- African Continental Council
6. ADSC -- Arab Dispute Settlement Council
7. AHRS -- Arab Human Rights System
8. AP -- Arab Parliament
9. ADSC -- Arab Dispute Settlement Council
10. AEUSAC -- Arab Economic Union Specialist Accession Committee
11. AGS -- Arab General Secretariat
12. AGLN -- Aspen Global Leadership Network
13. ALCF -- Australian Lebanese Christian Federation
14. ALECSO -- Arab League Educational, Cultural and Scientific Organisation
15. AMC -- Arab Ministerial Council
16. AMEDC -- Africa & Middle-East Development Council
17. AMF -- Arab Monetary Fund
18. AML / CFT -- Anti Money Laundering and Combating Financing Terrorism
19. AMS -- Arab Migration Strategy
20. AMU -- Arab Maghreb Union
21. APEC -- Asia-Pacific Economic Co-operation
22. ARIA -- Arab Regional Integration Agreement
23. AS -- Arab Senate
24. ASEAN -- Association of South East Asian Nations
25. ASH -- Arab Senate House
26. ASC -- Arab Supreme Council
27. ASG – Assistant Secretary General
28. ATFP -- Arab Trade Financial Program
29. ATM -- Automated Teller Machine
30. **BBA** -- Beirut Bar Association
31. **BDL** -- Central Bank of Lebanon “Banque Du Liban”
32. **BSEC** -- Black Sea Economic Co-operation
33. **CAEU** -- Council of Arab Economic Unity
34. **CAP** -- Common Agriculture Policy
35. **CARICOM** -- Caribbean Community
36. **CCASG** -- Cooperation Council for the Arab States of the Gulf
37. **CEFTA** -- Central European Free Trade Agreement
38. **CEMAC** -- Economic and Monetary Community of Central Africa
39. **CEN** -- European Committee for Standardization
40. **CENELEC** -- European Committee for Electro-technical Standardization
41. **CGCC** -- Commissioner General for Civil Society
42. **CIA** -- Central Intelligence Agency
43. **CIDA** -- Canadian International Development Agency
44. **CIS** -- Commonwealth of Independent States
45. **CLS** -- Centre for Lebanese studies
46. **COMESA** -- Common Market for Eastern and Southern Africa
47. **CSME** -- CARICOM Single Market and Economy
48. **CNN** -- Cable News Network
49. **CSOs** -- Civil Society Organisations
50. **CSOVU** -- Department Civil Society Observation and Vocational Unions
51. **DANALI** -- Development Association for Nurturing Arab Leadership & Innovation
52. **DWTC** -- Dubai World Trade Centre
53. **EAC** -- East African Community
54. **EAEC** -- East Asian Economic Caucus
55. **EAJ** -- European - American Journals
56. **ECAA** -- European Common Aviation Area
57. **ECAC** -- European Civil Aviation Conference
58. **ECCAS** -- Economic Community of Central African States
59. **ECO** -- Economic Co-operation Organisation
60. **ECOSOC** -- Economic and Social Council
61. **ECOWAS** -- Economic Community of West African States
62. EDP -- Excessive Deficit Procedure
63. EEA -- European Economic Area
64. EEC -- Eurasian Economic Community
65. EFTA -- European Free Trade Association
66. EMU -- European Monetary Union
67. ERM -- Exchange Rate Mechanism
68. ERM II -- Exchange Rate Mechanism
69. ESCWA -- Economic and Social Commission for Western Asia
70. ETSI -- European Telecommunications Standards Institute
71. EU -- European Union
72. EUROPOL -- European Union Agency for Law Enforcement Cooperation
73. FATCA -- Foreign Account Tax Compliance Act
74. FATF -- Financial Action Task Force
75. FCCIA -- Federation of Chambers of Commerce, Industry and Agriculture
76. FDI -- Foreign Direct Investment
77. FTA -- Free Trade Area
78. GAFTA -- Greater Arab Free Trade Area
79. GATT -- General Agreement on Tariffs and Trade
80. GCC -- Gulf Co-operation Council
81. GBP – Great Britain Pound
82. GDP -- Gross Domestic Product
83. GDE -- General Directorate of Emigrants
84. IBRD -- International Bank for Reconstruction and Development
85. ICC -- International Chamber of Commerce
86. ICSID – International Centre for Settlement of Investment Disputes
88. IDAL -- Investment Development Authority of Lebanon
89. IDB -- Islamic Development Bank
90. IFC -- International Finance Corporation
91. ILDES -- The Lebanese Institute for Economic and Social Development
92. ILO -- International Labour Organisation
93. IMF -- International Monetary Fund
94. IMS -- Institute for Migration Studies
95. INCSR -- International Narcotics Control and Strategy Report
96. INTERPOL -- International Criminal Police Organisation
97. IRMM -- Institute for Reference Materials and Measurements
98. KSA -- Kingdom of Saudi Arabia
99. LAS -- League of Arab States; see Arab League (AL)
100. LCBA -- Lebanese-Canadian Businessmen Association
101. LDBA -- Lebanese-Dutch Businessmen Association
102. LDE -- Lebanese Diaspora Energy
103. LEA -- Lebanese Expatriate Association
104. LERC -- Lebanese Emigration Research Centre
105. MDGs -- Millennium Development Goals
106. MENA -- Middle East & North Africa
107. MERCOSUR -- Southern Common Market
108. MNEs -- Multinational Enterprises
109. MNCs -- Multinational Corporations
110. MFAE -- Lebanese Ministry of Foreign Affairs and Emigrants
111. MRAs -- Mutual Recognition Agreements
112. NAFTA -- North American Free Trade Agreement
113. NGOs -- Non Governmental Organisations
114. NPOs -- Non-Profit Organisations
115. NTBs -- Non-Tariff Barriers
116. OAPEC -- Organisation of Arab Petroleum Exporting Countries
117. OAS -- Organisation of American States
118. OAU -- Organisation of African Unity
119. OCA -- Optimum Currency Area
120. OCR -- Optimal Currency Region
121. OECD -- Organisation for Economic Cooperation and Development
122. OPEC -- Organisation of Petroleum Exporting Countries
123. PARTA or PIF -- Pacific Regional Trade Agreement
124. PAFTA -- Pan-Arab Free Trade Agreement
125. **PPP** -- Public - Private Partnership
126. **PTA** -- Pacific Trade Agreement
127. **PTA** -- Preferential Trade Agreement
128. **SAARC** -- South Asian Association for Regional Co-operation
129. **SACU** -- Southern African Customs Union
130. **SC** -- Supreme Council
131. **SG** -- Secretary General
132. **SGP** -- Stability and Growth Pact
133. **SMEs** -- Small and Medium Enterprises
134. **TEU** -- Treaty on European Union
135. **TLE** -- Targeting Lebanese Expatriates
136. **TOKTEN** -- Transfer of know-how through Expatriate Nationals
137. **TRIPS** -- Agreement on Trade-Related Aspects of Intellectual Property Rights
139. **UAB** -- Union of Arab Banks
140. **UAE** -- United Arab Emirates
141. **UAR** -- United Arab Republic
142. **UCB** -- Union Central Bank
143. **UK** -- United Kingdom
144. **UMICs** -- Middle Income Countries
145. **UN** -- United Nations
146. **UNO** -- United Nations Organisation
147. **UNCTAD** -- United Nations Conference on Trade and Development
148. **UNDP** -- United Nations Development Program
149. **USA** -- United States of America
150. **USJ** -- Saint Joseph University in Beirut
151. **USSR** -- Soviet Union
152. **WB** -- World Bank
153. **WTO** -- World Trade Organisation
154. **WUAB** -- World Union of Arab Bankers.
155. **WWI** -- World War One
156. **WWII** -- World War Two
THESIS OUTLINE

- RESEARCH SUMMARY and INTRODUCTION

- CHAPTER (1): HISTORICAL BACKGROUND

- CHAPTER (2): ECONOMIC OPERATIONAL LIBERTY AND FREE MOVEMENT OF FACTORS OF PRODUCTION

- CHAPTER (3): SUGGESTED INSTITUTIONAL STRUCTURE OF THE ARAB ECONOMIC UNION

- CHAPTER (4): THE ROLE OF ARAB WORKERS’ REMITTANCES TO ENHANCE THE DEVELOPMENT OF AN ARAB ECONOMIC UNION - “LESSON FROM LEBANON”

- CHAPTER (5): CREATING AN ARAB FINANCIAL / MONETARY UNION - THE NEW ARAB MODEL for a NEW ARAB WORLD
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INTRODUCTION, RESEARCH SUMMARY and HYPOTHESES

A. PROLEGOMENA and HYPOTHESES

Reaching a state of economic unity amongst Arab countries, through the sound allocation of resources and skills in the most efficient and effective ways, to establish a self-contained area by promoting the Arab citizens’ wealth and transforming the Arab power into a major force on the global level, has always been a dream and a far reached vision.

Following the Arab countries’ independences through the declaration of sovereignty over their lands, the dilemma of creating an Arab union has always existed; since a full political integration or ARAB UNION would be the favourable state for Arabs, which could be highly marketable taking into consideration the successful unification examples which include the United States of America and the United Arab Emirates. On the other hand, a counter argument relies globally in the example of the Soviet Union and regionally the failure of previous attempts to establish the United Arab Republic when Egypt, through its president then, Nasser, established an Arab Union commencing in 1958 between Syria and Egypt, it collapsed in 1961. This attempt was condemned to failure due to several factors which include Syrian internal refusal and Russian external veto, but most essentially the lack of proper organisation and disrespect to the hierarchy of economic integration through trading blocs.

Based on historical chronology and major previous experiences, it has become essential to observe key facts, five of which are:

I. Seeking full political integration among Arab states requires adopting the standard hierarchical “Free Trade” ladder in order to reach an economic union.

II. An integrated economic union must meet the shared visions of Arab countries.

III. Political, legal, economical and social factors must form the bases for any unity.

IV. Security is regarded as the “essential prerequisite factor” to any unity initiative.

V. Most importantly, any unification attempt must be based on a solid legal, regulatory and legislative structure, based on the conformity of relevant Arab laws.

The Arab world witnessed drastic changes through major unprecedented uprisings and turbulence leading to the fall of long-standing regimes. It all started with the eruption of

---

1 The United Arab Republic, (UAR) was a short-lived political union between Egypt and Syria from 1958 till 1961.
the Tunisian uprising and revolution\(^2\) which was directly followed by the Egyptian revolution. This led to the emergence of revolutionary councils to run the countries in phases of transition. The situation also resulted in noticeable commotion and insecurity in major states in the Arab World, where insecurities and wars have occurred.

With the continuance of uprisings and wars, accompanied with undesirable atrocities, political regimes continue to fall, paralleled with attempts to develop new policies based on amended legal, regulatory, economic and fiscal patterns which are being formulated.

As a result, this research (which was partially dependant on observing the previous efforts of now “fallen regimes”), has faced serious challenges as a result of the so called “Arab Spring”, due to many factors, including but not limited to the following:

1. **EGYPT**, with its rich political heritage and its grand population is regarded as the heart of the Arab World and a nation which has experienced the Arab economic and political unity with Syria in the 1950s. Following the fall of the 35 years Egyptian long standing Mubarak regime, and the irreparable chaos and civil war taking place in **SYRIA** with major security threats and potential political, economical and legal transition, the target of unification seems to be far from a fetched goal at such times, and it remains to be seen whether the new regimes being formulated or the old still standing regimes will take any closer steps towards reaching Arab economic unity.

2. **SUDAN** represents the most recent separation experience, in opposite direction of unification, characterised in the official split of Sudan in to two states\(^4\), where the non-Arab Republic of South Sudan have become the newest state on the world map.

3. **YEMEN** on the other hand, which has succeeded in its unification endeavour after a long civil war, has recently undergone a change of regime, and as the events are evolving, voices of separation between the South and the North are vividly floating.

\(^2\) The Tunisian Revolution was an intensive campaign of civil resistance, including a series of street demonstrations taking place in Tunisia. The events began on 18 December 2010 and led to the ousting of long time President Zine El Abidine Ben Ali in January 2011 eventually, leading to what was seen by many a thorough democratization of the country and to free elections which marked the victory of a coalition of the Islamist Ennahda Movement at that time.

\(^4\) On July 9\(^{th}\) 2011, and after decades of violence and on-and-off civil war Christian Sudanese in the south have split from their Muslim neighbours in the north to form the Republic of South Sudan; the world's newest country. The nation is the 193rd country recognized by the United Nations, and it is the 54th U.N. member state in Africa. Source: [http://digitaljournal.com/article/308916#ixzz2N7kfqlHR](http://digitaljournal.com/article/308916#ixzz2N7kfqlHR)
4. **LIBYA**, and within a similar context, previously under the leadership of the late Colonel Ghadafi, has taken a front position in terms of enhancing Arab Unity (in Ghadafi’s specific vision), a case which Ghadafi abandoned and resorted to Africa to lead the African Union. The most famous attempt was the Arab Islamic Republic.  

5. **IRAQ**, and in spite of governmental attempts to keep the country united, seemed to be heading towards a “Sudan-like split”, since the already autonomous Province of Kurdistan has repeatedly expressed intention to form the long-awaited state, whereby this was translated through a referendum, which was refused by Iraqi government.

In light of the above, and based on the unprecedented transitions which continue to occur, the research has become more challenging and subject to impediments as a result of the significant changes which occurred, and more to come. Building a legal and regulatory framework must be strictly accompanied by political, economic and security stability, all of which are currently far from existing in a continuously chaotic Arab turbulent region.

On the other hand, historical events have proven that there could be no better moment in history than the time of crises and even atrocities, to formulate and come up with bold and innovative ideas and initiatives to enhance development and establish progress. This could surely apply in the case of the Arab World, through adopting the suggestion to construct the legal framework to establish the Arab Economic Union, which leads to the ultimate goal of reaching a sustainable Arab unity based on elements of success. There is no doubt that the first favourable vehicle for change is the legal and regulatory one.

As a result, a necessity emerges, to briefly discuss the mentioned, in order to transform challenges into opportunities by seeking best experimented courses of action. This may be accomplished through utilising the unfortunate wars in the region and capitalise on them to achieve desired results of economic unity, eventually targeting political unity.

The main hypothesis that this research aims to present, observes whether placing a legal framework to establish the Arab Economic Union based on regional common interest and economic functionalism, will support forming the AEU as an ultimate solution for Arab economic and socio-political development towards full integration.

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5 **Arab Islamic Republic** was a proposed unification of Tunisia & Libya in 1974, agreed by Libyan Ruler Gaddafi and Tunisian Pres. Bourguiba. Morocco and Algeria were later included in the proposal, which was never implemented.
B. The “ARAB ECONOMIC UNION” – A REGULATORY UNI -VISION...

Prior to discussing exploring further, the hypothesis for formulating a legal framework for the establishment or creation of an Arab Economic Union, a brief idea on some basics and specificities related to a “Union” versus a “Trading Bloc” will be presented. In addition, light will be shed on the new vision for Arab unity, particularly spurred following the Arab Uprisings, which continue to storm the Middle East and North Africa (MENA) region as these words are written.

i) A Union versus a Trading Bloc

A union is the incorporation of several sovereign states in full political integration to form one greater entity with a harmonised political and economic stand and a single ruler similar to the union of the states of America into the entity known as the United States of America (USA); this is usually referred to as a Political Union6.

On the other hand, a trading bloc is the multi-layered economic integration, a state of affairs, or a process, involving the incorporation of various types of sovereign economies into a larger entity. In specific terms, it strives for cooperation among states and is concerned with removing all trade restrictions between the member nations and evolving certain elements of cooperation and coordination amongst them, similar to the case of the European Union (EU), or the North American Free Trade Agreement (NAFTA) with a lesser degree of harmonisation than what is present in the EU. A trading bloc does not require the unification of legislations and laws; however, one of the essential elements of a union’s structure is the conformity and harmonisation of laws and legislations on a wide level. Many unification experiences have witnessed a true harmonisation of laws while preserving the legal sovereignty through maintaining the local and domestic legislations which fall hierarchically under the union (or federation) laws and regulations. This formula could be perceived as a compromise and a lubricant to formulate a union while demolishing impediments connected to rigid legal and regulatory structures.

Having said that, it is important to note that experiences have shown that the main impediments are mostly political ones which, when and if solved, tend to clear up the horizon for economic and legal barriers to be abolished as well.

---

6 A political union is a type of state which is composed of or created out of smaller states. Unlike a personal union, the individual states share a central government and the union is recognized internationally as a single political entity. A political union may also be called a legislative union or state union.
ii) Arab “Post Crises” New Vision

Following the global financial crisis and in light of the so called “Arab Spring”, also referred to as “Arab Uprising”, the process of observing the major themes in terms of pre and post global financial crisis and their effect on developing new regional programs in the MENA Region in order to suggest a framework, mainly legal, to establish the Arab Economic Union, has proven to be a “Now or Never” scenario.

It is believed that the connection between the Arab Spring, seen by some as a political and social reaction to the austerity, corruption and dictatorship in Arab countries, and the unification attempts post financial crisis are debatable. As a result, an initiative to establish an Arab Economic Union, especially from a regulatory and constitutional perspective, should be handled with ultimate prudence and concrete planning to avoid a similar situation which has recently hit the EU as a result of the Brexit, and the anti-austerity movements in Greece\(^7\), which may spur an ongoing ripple effect of crisis. The creation of an Arab Economic Union (AEU) results in reaching a status of unification between Arab countries where all Arab resources and skills can be deployed in the most efficient way to establish a self-sufficient region that promotes the Arab citizens’ wealth and transforms the Arab power into a major global force. It is a test which has neither been properly taken nor evaluated, and an initiative which never left its infancy stage.

iii) Common factors enhancing the status of the union:

Along with the oil rich Arab Gulf states, most Arab countries generally possess an adequate reserve of natural resources which include mineral salts, natural gas, oil, phosphate (with its uranium deposit), marble, iron, copper, coal and water amongst many other factors. In addition, all the Arab countries share the same Arabic language while enjoying a second international language namely English and/or French. More

---

\(^7\) The Greek government-debt crisis is one of a number of current European sovereign-debt crises and is believed to have been caused by a combination of structural weaknesses of the Greek economy coupled with the incomplete economic, tax and banking unification of the European Monetary Union. In late 2009, fears of a sovereign debt crisis developed among investors concerning Greece's ability to meet its debt obligations due to strong increase in government debt levels. This led to a crisis of confidence, indicated by a widening of bond yield spreads and the cost of risk insurance on credit default swaps compared to the other countries in the Eurozone, most importantly Germany. The downgrading of Greek government debt to junk bond status in April 2010 created alarm in financial markets, with bond yields rising so high, that private capital markets practically were no longer available for Greece as a funding source. On 2 May 2010, the Euro zone countries and the International Monetary Fund (IMF) agreed on a €110 billion bailout loan for Greece, conditional on compliance with the following three key points:

1. Implementation of austerity measures, to restore the fiscal balance.
2. Privatization of government assets worth €50bn by the end of 2015, to keep the debt pile sustainable.
importantly, the Arab countries share the same religious beliefs were the dominant religion is Islam and the second religion is Christianity with a huge gap in numbers. Other religions exist in minority groups including Judaism in Yemen and Morocco and Zoroastrianism in Iraq.

Most importantly, the vast majority of Arab countries share common laws and legislations due to the similar sources of legislations. To be more specific, the Arab States’ legislations are derived either from the Islamic Sharia’a which is purely based on the holy Quran texts, or originate from former colonial legal systems which vary between the British Anglo-Saxon legal system and the French civil Latin legal system. Such uniformity of laws and regulations, particularly economic laws, makes it more efficient and systematic to formulate a legal framework to achieve the Arab Economic Unity.

iv) Post crisis lessons and challenges

Following the brief reference to the connection between the Global Crisis and the Arab Spring, namely the impact of austerity policies, one can derive that the culture of markets is shifting. Despite the fact that modern markets have played a widely acceptable role in the global economy, the last few years have revealed the gaps and lifted the lid off the dangers and instabilities of such markets. This has led to the provision of more education in economic, financial and regulatory fields about copious new elements that were not previously surfaced, to an extent that reveals that the monetary policies adopted were insufficient, the financial modelling was faulty, and therefore credit rating agencies were all at fault, due to the false and inaccurate information provided to them for evaluation.

This resulted in unveiling many challenges and revealed important lessons to overcome such challenges, all of which will be discussed in the course of Chapter 1 of this research. In the same context, and to a certain extent, we have witnessed the Arab world surviving the global financial crisis, not necessarily due to its agility, but more likely due to failure to catch up with the global economic developments, which played as a positive factor as it delayed and weakened the effect of the credit crunch and the sub-prime crisis. However, this crisis has caused fundamental revision and review of how markets (domestic, regional and international) are operated, governed and regulated; these have also produced “Lessons to Learn”, to be further explained in the first chapter, while looking at regional post crisis models.
C. RESEARCH METHODOLOGY

The research for the purpose of this study was planned to be carried out mainly through desktop research, making use of the material existing at various libraries and academic databases. Thus, the study aims, in its essence, at wide breadth documents and materials.

An important methodological tool is using comparative assessment of the jurisprudence available in the Arab states and the Arab unification initiatives on one hand and the western unification success stories on the other hand. In addition, conducting comparative assessments between the existing global economic and political unions comprise important tools for this study.

To be more specific, the nature of this research required resorting to several methods including, but not limited to:

1) **Theoretical:** Due to the legal and economical nature of the research, many economic theories were examined. Here, the available literature mostly relates to the field of legal, economic and financial theories; some of those theories have been relegated by the recent sub-prime crisis and “Arab Spring” or “uprising” in a more factual term, while other theories have further emerged.

2) **Empirical:** Since the research involves all the countries and states in the MENA region in their different formations and systems, it requires various anticipated data collection instruments (e.g. interviews, observations, documentary analysis), but most importantly, field research, which falls within the main administration and conveyance of the research; some interviews which were conducted with professionals in the legal, economic, financial, political and social realms, in different countries across the MENA Region were not used as a result of the Arab Spring and its impact on these individuals\(^8\). In addition, visits to Arab Middle Eastern countries were planned to stand on the facts that would be used as data for the research, as well as maintaining all the updates related to the research.

---

\(^8\) Many interviews were conducted with politicians from Egypt, Syria, Libya, Yemen and Sudan. A number of those have passed away while others have been indicted as part of the fallen regimes.
3) **Secondary or desk research:** Desk research was also essential for this research. The collating and analysis of secondary data in the form of desk research, in order to compile the data that already exists and may be found or published by another party and readily available.

4) **Case studies:** Case studies play an important factor in this research, due to the experiences undergone by countries on the national level. Countries of the Arab Spring represented the majority of the case studies, especially that most of them have undergone attempts of unification initiatives, some of which have succeeded while others have failed.

5) **Library based:** Literature examined for the purpose of this research was found in legal text books, journals and reviews, in addition to economic and legal journals, special report, thematic studies as well as trusted media sources and documentaries.

6) **Existing literature review:** This is a main pillar of my methodology, derived from the library based and internet research. This tool includes the critical examination, summarization, interpretation or evaluation of existing literature in order to establish current knowledge on what is available on Arab economic integration and the legal and regulatory frameworks or structures that were involved to facilitate it.

7) **Qualitative research:** Qualitative research was essential for this study, as it helped to gain insights concerning attitudes, beliefs, motivations and behaviours; and included methods such as observation research, case studies and special interviews.

8) **Quantitative research:** Quantitative research was also essential, especially since this study is concerned with measurement of attitudes, behaviours and perceptions and includes interviewing methods such as telephonic and personal interviews.

More importantly the research examines some relevant laws, regulations and legislations in the Arab world; it identifies the related problems and proposed solutions, which is also obtained from interviews and surveys. Issues of orientation have dealt with laws, stages of legal reform, and projected policy changes and tailored solutions.
OVERVIEW OF CHAPTERS:

Chapter (1) is a “historical background study” which begins with a description of the economic and financial global crisis in the First Section, while the Second Section discusses the historic and current models of trading blocs and global economic integration models. The Third Section observes the previous and scheduled attempts to establish economic Arab unity, followed by the Fourth Section which explores the incentives, challenges and opportunities to create a legal and financial order from the eye of the Arab Spring which is claimed to be the result of political and social reaction to the austerity and corruption. In general, the overall ideas in Chapter (1) are organized in terms of (1) Exploring what currently exists, (2) Identifying problems, (3) Identifying challenges, (4) Suggesting ways of challenges’ management, and (5) Concluding ideas.

Chapter (2) adopted a study with an economic approach from a regulatory point of view. Section (1) of this chapter observes the application of trading blocs towards creating a Trade Union. It is followed by Section (2) providing a vivid distinction of the movement of factors of production (Capital, People, Services and Products). Afterwards, it discusses the first serious step towards full integration, being the creation of a “Trade Union” within the Arab region, especially with reference to the Gulf Cooperation Council (GCC) and EU models as favourable models from an institutional point of view.

Chapter (3) suggests the Institutional Structure of the Arab Economic Union, since it details the actual construction of the union. All factors and elements of the organisational structure are detailed from a substance, technical and logistical perspective. In essence, it discusses the structure of all elements including membership, location, administration, management, organisational structure, hierarchy, functions, objectives, partnerships and other relevant elements. In this chapter, there is an attempt to place Arab economic integration in its proper frame in terms of the composition and structure by looking at unions of similar functions around the world, while taking into account the Arab specificities and culture. In addition, this chapter describes the structure of the suggested newly established bodies within the Arab Economic Union with their different functions and roles.
Chapter (4) considers Lebanon as a case study and a “Lesson to Learn” due to the fact that it tops the ranking (versus Gross Domestic Product - GDP) of recipient of remittances in the Arab World. It focuses on the role of the Arab migration power and the importance of Arab workers’ remittances in the advancement of economic unity. The First Part presents information on the state of remittance inflows to Lebanon to provide an understanding on how the matter of remittances is handled at all levels, namely by addressing the regulatory and legislative position. The comprehensive research undertaken on remittances in Lebanon aims at proposing policies and programs in the form of policy recommendations, in an attempt to enhance the impact of remittances on financing sustainable economic development in the country, and create a lesson for other Arab countries, and as a supporting tool along their path to establish an Arab Economic Union. Part Two of this chapter, which comes in a form of a factual report about remittances and its stakeholders, was based on the conviction, which applies to all Arab countries (in our case Lebanon), that recipient countries suffered from lacking a proper infrastructure for migration, including the remittances factor of course. The chapter is concluded with general and policy recommendations to deploy Arab workers’ remittances as a vehicle to support the establishment of an Arab Economic Union.

Chapter (5) deals in a direct approach, with the creation of an Arab monetary union. The main aim behind this chapter is to test Arab readiness for the creation of proper trading blocs at a national level(s). An emphasis on monetary integration towards a single currency is also presented. At the end of this Chapter, there is highlight on the application of some articles from the Maastricht Treaty to utilise them in the favour of the Arab economic unification initiative. It also aims at the suggestion of the New Arab Solution through the proposal of the “New Model”. The base of this chapter is of legal and regulatory nature. The first section discusses the signing of a “Maastricht-like” treaty amongst the Arab States, which will be followed by an innovative proposal to create the “SHAMGATE Treaty” which is the equivalence of the EU Schengen Agreement. This chapter also explores the enhancement of domestic laws, legislations and regulations in order to promote for the implementation process of economic integration, especially that any legal framework for the unification process cannot take place without the conformity of the existing national laws in the sphere on a large Arab legal and legislative sphere.
CHAPTER (1)
HISTORICAL BACKGROUND

1. A The Arab World

The Arab world referred to in Arabic as (Al A’lam Al Arabi) consists of 22 countries with a high population density of about 400 million citizens. From a geographical perspective, the Arab states spread out in two main regions, (i) the Asian part and (ii) the larger African part. The Arab states extend from (a) the Atlantic Ocean in the west to the Arabian Sea in the east, and (b) from the Mediterranean Sea in the north to the Horn of Africa and the Indian Ocean in the southeast. According to (Khan, 2013), the Arab world covers a total area of 14,291,469 km² which is around 10.2% of the world’s land mass, 72.45% is located in Africa and 27.55% is located in Asia, while the distance from east to west of the Arab World is 6,000 Kilometres and 4,000 Kilometres from north to south.

From a cultural aspect, the Arab states may be divided into six districts as follows:

1. **The Levant “Al - Mashriq”** which includes the Republic of Lebanon, the State of Palestine, the Syrian Arab Republic, and the Hashemite Kingdom of Jordan.
2. **The “Persian Gulf”** which includes the oil rich states of the Kingdom of Saudi Arabia, the United Arab Emirates, the State of Qatar, the Sultanate of Oman, the Kingdom of Bahrain and the State of Kuwait.
3. **The “Maghreb”** which includes the Kingdom of Morocco, the Republic of Algeria, the Republic of Tunisia, the Republic of Libya and the Republic of Mauritania.
4. **The Bab-el-Mandeb** which includes the Republic of Yemen, the Republic of Somalia and Djibouti, and the Indian Ocean that includes the Comoros Islands.
5. **The Nile Valley** which includes the fertile lands of the Arab Republic of Egypt, the Republic of Sudan, and the Republic of Iraq.

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10 The number may well exceed 400 million citizens since the phenomenon of not registering births or delaying such registration is quite common in many rural underprivileged areas in a number of Arab countries.

In his lecture at the Islamic university, “The Arab World – an Arab perspective”, Zafarul-Islam Khans said the British coined the term “Middle East” around 1850, and since “Middle East” does not cover the whole Arab region, they have added North Africa to it (to become Middle East & North Africa – MENA) a term preferred by the American administration in a conscious effort to avoid using the word “Arab”, in Khans’ opinion.

All Arab countries share the same Arabic language as a unifying feature of the Arab world, with the majority of them having a second language namely French due to the colonization period mostly during the first half of the 20th century. The English language however is increasingly becoming the dominant second language in the Arab world especially since it is the recognized prime international language for business, and the common language for tourism. In addition, other languages are found in the Arab world spoken by minorities such as Armenian in Lebanon and Syriac in Syria, in addition to other dialects. On the religious level, the vast majority of people in the Arab World adhere to Islam and the religion has official status in most countries, with the second religion being Christianity which does not exceed 5% of the Arab population. Other religions exist in minority groups like Judaism in Yemen, Palestine and Morocco, and Zoroastrianism in Iraq. While some Arab countries have substantial reserves of natural resources like mineral salt, natural gas, petroleum, phosphate, marble, iron, copper, coal and water, the Persian Gulf is particularly well-endowed with this strategic raw material; namely Saudi Arabia, the UAE, Kuwait, and Qatar are among the top ten oil or gas exporters in the world. Other countries such as Algeria, Libya, Iraq, Bahrain, Egypt, Tunisia, and Sudan all have smaller but significant reserves, with Lebanon on the verge of extracting substantial amount of gas reserves planned to start in the year (2018). Such facts and other events have had significant impacts on regional geopolitics, leading to economic disparities between oil-rich and oil-poor Arab countries, and particularly, in the more heavily populated states of the Persian Gulf and Libya, triggering extensive labour immigration.

**Figure (1): Reveals a basic map of the Arab World or the MENA Region;**
### 1.B Table (1.1): List of Arab countries and territories (In population order)

<table>
<thead>
<tr>
<th>Country/dependent territory</th>
<th>July 1, 2015 projection(^{13})</th>
<th>% of pop.</th>
<th>Avg. relative annual growth (%)</th>
<th>Avg. absolute annual growth</th>
<th>Est. doubling time (Yrs)</th>
<th>Official figure (where available)</th>
<th>Approx. date of last figure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>389,373,000</td>
<td>100.00</td>
<td>2.36</td>
<td>8,995,000</td>
<td>30</td>
<td>93,164,000</td>
<td>May 2017</td>
</tr>
<tr>
<td>1  Egypt</td>
<td>90,045,700</td>
<td>22.73</td>
<td>2.29</td>
<td>1,981,000</td>
<td>31</td>
<td>40,400,000</td>
<td>Jan 2016</td>
</tr>
<tr>
<td>2  Algeria</td>
<td>40,100,000</td>
<td>10.25</td>
<td>2.07</td>
<td>808,000</td>
<td>34</td>
<td>38,435,252</td>
<td>Feb 2015</td>
</tr>
<tr>
<td>3  Sudan(^{14})</td>
<td>38,435,000</td>
<td>9.87</td>
<td>3.07</td>
<td>1,146,000</td>
<td>23</td>
<td>36,575,000</td>
<td>Mar 2015</td>
</tr>
<tr>
<td>4  Iraq</td>
<td>36,575,000</td>
<td>9.39</td>
<td>2.90</td>
<td>1,030,000</td>
<td>24</td>
<td>33,337,529</td>
<td>Sep 2014</td>
</tr>
<tr>
<td>5  Morocco</td>
<td>33,680,000</td>
<td>8.65</td>
<td>1.24</td>
<td>412,000</td>
<td>56</td>
<td>33,337,529</td>
<td>Sep 2014</td>
</tr>
<tr>
<td>6  KSA</td>
<td>31,521,000</td>
<td>8.10</td>
<td>2.44</td>
<td>751,000</td>
<td>29</td>
<td>31,521,418</td>
<td>May 2015</td>
</tr>
<tr>
<td>7  Yemen</td>
<td>26,745,000</td>
<td>6.87</td>
<td>2.95</td>
<td>766,000</td>
<td>24</td>
<td>24,527,000</td>
<td>Jul 2012</td>
</tr>
<tr>
<td>8  Syria</td>
<td>23,270,000</td>
<td>5.98</td>
<td>2.45</td>
<td>557,000</td>
<td>29</td>
<td>21,377,000</td>
<td>Dec 2011</td>
</tr>
<tr>
<td>9  Tunisia</td>
<td>11,118,000</td>
<td>2.86</td>
<td>1.04</td>
<td>114,000</td>
<td>67</td>
<td>10,982,754</td>
<td>Apr 2014</td>
</tr>
<tr>
<td>10 Somalia</td>
<td>10,972,000</td>
<td>2.82</td>
<td>1.54</td>
<td>166,000</td>
<td>45</td>
<td>12,316,895</td>
<td>Jan 2014</td>
</tr>
<tr>
<td>11 UAE</td>
<td>9,500,000</td>
<td>2.76</td>
<td>2.75</td>
<td>183,000</td>
<td>26</td>
<td>9,500,000</td>
<td>Sep 2015</td>
</tr>
<tr>
<td>12 Jordan</td>
<td>8,933,000</td>
<td>2.29</td>
<td>1.57</td>
<td>138,000</td>
<td>45</td>
<td>9,531,712</td>
<td>Nov 2015</td>
</tr>
<tr>
<td>13 Libya</td>
<td>6,278,000</td>
<td>0.54</td>
<td>1.13</td>
<td>70,000</td>
<td>62</td>
<td>5,298,152</td>
<td>Apr 2006</td>
</tr>
<tr>
<td>14 Palestine(^{15})</td>
<td>4,683,000</td>
<td>1.20</td>
<td>2.92</td>
<td>133,000</td>
<td>24</td>
<td>4,550,368</td>
<td>May 2014</td>
</tr>
<tr>
<td>15 Lebanon</td>
<td>4,288,000</td>
<td>1.10</td>
<td>1.78</td>
<td>75,000</td>
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\(^{13}\) Calculated, when available, from the latest national censuses or most recent official estimates using the exponential formula shown on the List of countries by past and future population article. This is done to normalize the different populations to a unique date, so that they are really comparable. See Wikipedia. (2017). *List of Arab countries by population*. Retrieved from Wikipedia, the free encyclopedia: https://en.wikipedia.org/wiki/List_of_Arab_countries_by_population

\(^{14}\) Also known as North Sudan since South Sudan’s independence and officially the Republic of the Sudan. See *The World Factbook: Sudan*. (2011). U.S. Central Intelligence Agency (CIA).

\(^{15}\) It comprises the Gaza Strip and the West Bank, separated between each other by Israel.
1.C Impact of globalisation and economic integration among Arab Countries

The phenomenon of globalisation, according to Primorac\textsuperscript{16}, marked with rapid technological innovations, deregulation and elimination of physical, fiscal/financial and technical barriers, increasing homogenization of tastes and attitudes and predictive uncertainty are among the factors that underlay the importance of emerging the new economic integration approach and relationships among bloc of countries.

The main reason is that most countries and organisations cannot always have the resources or know-how to cope with increasingly complex global environments from internal resources alone.

At the fourth Nordic Conference on Middle Eastern Studies “The Middle East on Globalizing World” held in Oslo in August 1998, (Zineldin, 1998) stated that “an economic alliance or network based on cooperation, collaboration, flexibility, adaptation, risk and cost reduction, shared interest and objectives, closeness, openness, and a commitment between different countries on an integrating ongoing basis, has been emerged as a more effective approach to meet the new global environmental challenges and opportunities. The nature of these economic integration relationships usually results in achieving synergy effects\textsuperscript{18}”. (End of quotation)

The whole world is currently witnessing a leap in the economic and political equations. Globally, groups of countries are adopting economic defensive mechanisms, through joining together in trade blocs with an aim to develop them into economic blocs. Such groups also seek to increase their influence in their own areas as well as outside it.

While Europe has adopted a solid model, the Far East has already established its own regional trade agreements and free trade zones. In the same context, the Asian countries have already adopted necessary protective measures to secure their strength on the global economic, financial and political arenas.


With the wave of the Arab rapid change of regimes, through the so called “Arab Spring / Uprising” which has taken the form of military conflicts, and the world’s governments trying to revitalize their economies by drastic reforms and/or by enacting laws that streamline existing systems, the need of economic blocs have become more demanding.

In the case of the Arab world also known as the Middle East and North Africa (MENA Region)\textsuperscript{20}, the future awaits the Arabs, and it remains to be seen whether the drastic changes will bring positive repercussions, all of which could depend on how shrewdly and how effectively an economic strategy is formulated and executed. Such a strategy is essential in order to match the policies of other already existing economic blocs.

A single country, standing alone, could never hope to achieve anything against a large economic bloc; it compares to as a plane trying to defeat a fleet. It has become evident that unorganized countries will be obliged, whether they akin to it or not, to follow the dictates of the large economic blocs, if they do not start planning to create their own.

Against these trends and in order to provide an effective counter to European, Asian, or US designs, the immediate formation of an Arab Common Market becomes a most pressing imperative. There is no much choice, either Arabs can get their acts together or they will remain bystanders, watching the participants in the world trade system and globalisation movements move forward by leaps and bounds, while they are left behind.

Globalisation of western countries can cause more problems and crisis for the developing countries, if these countries are not able to compete or cooperate with developed countries. The existing economic blocs create a more unbalanced economic situation which may increase the tension between the south and the north. These blocs would have an extremely prominent and powerful position as guiders and advisers in Arab countries. The main dilemma is that Arab countries often compete with each other rather than cooperate with each other. Thus, one could not assume that the current circumstances of

Arab or Islamic countries are favourable for the creation of (Zineldin, 1998) an Arab or Islamic form (Islamic Sharia’a\(^{21}\)) of economic integration. Arab countries have a sheer need to cooperate, build up confidence and alliances with each others to achieve some synergy effects and to be able to create the required economic balance in the global era. Without socio-economic integration amongst Arab countries the changes of an interdependence relationship between westerners and Arabs are quite low. Certainly, the increased dependence on western countries or blocs is not to the benefit of Arab states.

Following the latest global sub-prime crisis, which the Arab world managed to avoid its worst repercussions, the MENA region emerged as a capital exporting region showing real stamina when required. Many believe that there is no better time for Arabs to take their quantum leap by joining efforts, resources and strengths, not only to succeed economically, but to reach the state of full political unity at some point, which will bring for Arabs the dynasty which they have enjoyed for hundreds of years prior to the (Sykes-Pico Accord) executed in 1916 during WWI, from a more cultural, economic, scientific and regulatory perspective.

**Section (1): Economic and Financial Crisis**

1.1 **Global Perspective of crisis**

1.1.1 **Introduction to the Sub-prime Global Financial Crisis**\(^{22}\)

The financial crisis of 2007 - 2008, also known as the global financial crisis and the Lehman Brothers financial crisis, is considered by most economists and experts to be the worst financial crisis since the Great Depression of the 1930. It resulted in the threat of total collapse of large financial institutions and markets, the bailout of banks by their national governments, and downturns in stock markets around the world. In many areas, the housing market also suffered, resulting in evictions, foreclosures and prolonged unemployment, and the global economies still suffers.

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\(^{22}\) See David Pendery, 2010. *Two top economists agree 2009 worst financial crisis since great depression; risks increase if right steps are not taken,* s.l.: Reuters.
The crisis played a significant role in the failure of key businesses, declines in consumer wealth estimated in trillions of US dollars, and a downturn in economic activity leading to the 2008 - 2013 global recession and contributing to the European sovereign-debt crisis.

The bursting of the U.S. housing bubble, which peaked in 2006, caused the values of securities tied to U.S. real estate pricing to plummet, damaging financial institutions globally. The financial crisis was triggered by a complex interaction of policies that encouraged home ownership, providing easier access to loans for subprime borrowers, overvaluation of bundled sub-prime mortgages based on the theory that housing prices would continue to escalate, questionable trading practices on behalf of both buyers and sellers, compensation structures that prioritize short-term deal flow over long-term value creation, and a lack of adequate capital holdings from banks and insurance companies to back the financial commitments they were making. Questions regarding bank solvency, declines in credit availability and damaged investor confidence had an impact on global stock markets, where securities suffered large losses during 2008 and early 2009. Economies worldwide slowed during this period, as credit tightened and international trade declined Governments and central banks responded with serious fiscal stimulus, monetary policy expansion and institutional bailouts.

In the U.S., Congress passed the American Recovery and Reinvestment Act of 2009. In the EU, the UK responded with austerity measures of spending cuts and tax increases without export growth and it has since slid into a double-dip recession.

Many causes of the financial crisis have been suggested, with varying weight assigned by experts. The U.S. Senate's Levin–Coburn Report asserted that the crisis was the result of "high risk, complex financial products; undisclosed conflicts of interest; the failure of regulators, the credit rating agencies, and the market itself to rein in the excesses of Wall Street."

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1.1.2 Countries worst hit by the Crisis

According to (McCormick, 2012)²⁴, in his research on the impact of economic crisis, very few countries have escaped the repercussions of the collapse of the financial markets, and while some economies have relatively escaped the crisis, it remains necessary to point out that many countries were strongly struck by it. Logically, the majority of the countries which were hit most were those already struggling to keep their economies intact. Nevertheless, even the most solid economies could not remain safeguarded from the impacts of the crisis.

In an article written for Forbes, (Zumbrun, Joshua, 2009) attempted to identify the 10 countries hit hardest by the downturn through resorting to data available from the International Monetary Fund (IMF) to create a “Misery Index²⁵” which builds up on the gross domestic product, inflation rate and purchasing power parity. This “Misery Index” points out the countries with the fastest shrinking economies, the worst inflation rates and diminishing purchasing power from 2008 to 2010, by resorting to data and estimates from the IMF. The common standard used for depression is an economic decline by more than 10%. By that standard, five countries in the world have faced full-fledged depression.

The index identified the following ten countries as being the worst hit by the crisis in accordance to the above-mentioned criteria. These are Estonia, Iceland, Ireland, Jamaica, Latvia, Lithuania, Seychelles, Singapore, Ukraine and Venezuela. However, Forbes criteria may have lacked main elements which include unemployment and foreign direct investment, and thus the countries selected do not necessarily qualify as being hit the most by the crisis.

The global credit crunch pushed many developed economies to failure. In addition, several multinational investment banks that used to dominate the

financial scene disappeared and of course “Lehman Brothers”\textsuperscript{26} will never drop from our minds. The global financial market became so condensed with bizarre financial instruments created by so called intelligent financial engineers. Add to that the insanity that took form in the real-estate sector, which certainly played a major role in the creation of the financial bubble.

This was considered by many, in their objective judgment as a combination of negligence, financial ignorance and imprecise information from internal rating agencies and bad risk management from the banks themselves. As a result enormous defaults have occurred with irreparable impacts on main sectors.

1.2 Impact of Crisis on the MENA Region

1.2.1 MENA countries and different impacts of the crisis:

At the MENA region level, it was quite surprising, that several Arab countries were not adversely affected by the crisis owing to the fact that these countries lacked the adequate integration in the global financial system and in the global economy. Nevertheless, countries such as the United Arab Emirates which stands as the economic hub of the Arab region witnessed great crisis related depression.

Therefore, and to a large extent, the Arab World was less affected by the latest financial crisis which hit almost every corner of the globe. The MENA Region managed to evade some of the impacts due to two main reasons; Firstly, the Arabs possession of significant foreign reserves and liquidity generated from petroleum exports, which has created an economic buffer zone and a sponge for the crisis. Secondly, it was owed to the delay of the Arab economy to catch up with the pace of the economic and financial evolution; this matter has proven its merit since such delay has saved the Arab region from the most negative impacts of the global

\textsuperscript{26} “Lehman Brothers was a global financial services firm. Before declaring bankruptcy in 2008, Lehman was the fourth-largest investment bank in the United States (behind Goldman Sachs, Morgan Stanley, and Merrill Lynch), doing business in investment banking, equity and fixed-income sales and trading (especially U.S. Treasury securities), research, investment management, private equity, and private banking. Lehman was operational for 158 years from its founding in 1850 until 2008”.

financial crisis. During the past few years, the Arab world was hit by a “spring” which had all the signs of a bleak “winter”. In spite of the fact that dictatorship long standing regimes have fallen, the MENA region is still witnessing unprecedented commotion and major economic falls. Thus, and while most Arab states managed to avoid the extreme direct destructive impacts of the crisis, the Arab uprisings which started in 2010 have led to much more severe repercussions on the Arab financial, economic, social and political structures, whereby the wellbeing and safety of Arab individuals and entities were and are still seriously compromised.

1.2.2 Impact of crisis on oil export industry, Private Foreign Direct Investment (FDI), and doing of business in the MENA countries:
Unlike the rest of the Arab countries affected by the crisis, the capital exporting and oil producing countries were less affected by the impacts of the crisis with the exception of the United Arab Emirates, due to the fact that high oil reserves managed to contain the aftershocks. In addition to that, the countries with the highest oil production comprise a unified custom union, the Gulf Cooperation Council (GCC) which has succeeded in maintaining its economic solid status even during times of crisis, and thus managed to avoid being struck hard by the crisis.

Section (2): Historic and current models of trading blocs and economic integration models on the global level

2.1 Introduction to Economic Unions and Trading Blocs as types of economic cooperation

2.1.1 Economic Union
According to (Organization for Economic Development and Cooperation (OECD), 1999)\(^\text{27}\), the economic union is a common market with provisions for the harmonisation of certain economic policies, particularly macroeconomic and regulatory. Currently, the EU is the best standing example of an economic union.

It is necessary to observe the advantages and disadvantages of the Economic Union, namely the European Union in order to realize the importance of seeking the establishment of an Arab Economic Union.

2.1.1.1 Advantages of an economic union:

a. Elimination of transaction costs:
Firms will save costs while buying and selling foreign currencies to do business within the union, which implies increasing profitability for the union’s firms and businesses.

b. Price transparency:
Firms and households often find it difficult to accurately compare the prices of goods, services and resources across a given region because of the distorting effects of exchange rate differences, this discourages trade. According to economic theories, prices should act as a mechanism to allocate resources in an optimal way, as to improve economic efficiency.

c. Eliminating uncertainty due to exchange rate fluctuations:
Several firms become wary when investing in other countries because of the uncertainty caused by the fluctuating currencies in the union. Investment would rise in the economic union / area as the currency is universal within the area; therefore, the anxiety usually caused by exchange rate fluctuations, which previously existed will be diminished.

d. Single currency in single market:
Trade and all other relevant factors tend to operate more effectively and efficiently with a single currency in the market, as the case is in the EU.

e. War avoidance:
An economic union is a prerequisite towards political integration. Such step could be the key factor for war prevention. It is commonly known that countries which engage in efficient and productive mutual trade transactions are less likely to engage in military conflicts and wars. On the contrary, they try to form military alliances to build up protectionism to their union, since any attack on one of them would reflect negatively on the rest of them, especially on economic, fiscal and monetary levels.
f. Increased trade and reduced costs to firms:

Promoters of integration argue that in addition to bringing considerable economic trade through the wiping out of exchange rate fluctuations (as mentioned in point ‘c’), it also facilitates lowering costs to industry since companies avoid buying foreign exchange for use within the union.

g. Political solidarity:

Although countries usually prefer to maintain their sovereignty through avoiding accession into political unions, the fact remains that the merits of a political union, if well structured, are far beyond the demerits. This is conditional upon the concrete regulatory and legislative formula adopted.

2.1.1.2 Disadvantages of an economic union

a. Potential system instability:

There are many examples on the potential system instability that an economic union creation might cause. However, perhaps the clearest example relates to the United Kingdom (UK) joining the ERM\textsuperscript{28} (Exchange Rate Mechanism). Throughout most of the 1980s the UK refused to join the ERM. It argued that it would be impossible to maintain exchange rate stability within the ERM, especially in the early 80s when the Sterling Pound was a petro-currency and when the UK inflation rate was consistently above that of Germany. When the UK joined the ERM in 1990 there had been three years of relative currency stability in Europe and it looked as though the system had become relatively robust. The events of September 1992, when the UK and Italy were forced to leave the system, showed that the system was much less robust than it had been thought to be.

b. Over estimation of trade benefits

Some economists argue that the trade and cost advantages of an economic union have been overestimated. There is little to gain from moving from a common market or a monetary union which has some stability built into it, to the rigidities which an economic union brings.

\textsuperscript{28} See Potts, N., 2009. Economic and Monetary Union, Southampton : Southampton University.
c. Decrease in sovereignty indications:
On the political side, it is argued that an independent central bank is undemocratic. Governments must be able to control the actions of the central banks because governments have been democratically elected by the people, whereas an independent central bank would be controlled by a non-elected board or body. Moreover, there would be a considerable loss of national monetary sovereignty. This would be highly undesirable because national governments would lose the ability to control policy.

d. Deflationary tendencies:
Perhaps the most important economic argument relates to the deflationary tendencies within the system. For example, in the 1980s and 90's, France succeeded in reducing its inflation rates to German levels, but at the cost of higher unemployment. For the UK, it can be argued, that membership of the ERM between 1990 and 1992 prolonged unnecessarily the recessional period. This is because the adjustment mechanism acts rather like that of the gold standard. Higher inflation in one ERM country means that it is likely to generate current account deficits and put downward pressure on its currency. To reduce the deficit and reduce inflation, the country has to deflate its economy. This may well apply on Arab countries upon the formulation of an AEU.

e. Regulatory discrepancies:
One of the most superseding obstacles is of regulatory nature. Notwithstanding the fact that economic unity may well ease up the regulatory standardization, such matter remains to be an impediment. In our current days, we still witness regulatory, policy, constitutional and legislative discrepancies within one country and one nation; therefore such elements’ standardisation pose a serious challenge, and if such standardisation is accomplished, it will pave the way to a healthy, consistent and prolonged unity, since the rule of law comes on the top of hierarchical structure of all unification factors.
2.1.2 Trading Bloc

According to (Nergiz, 2014), a trade bloc can be defined as a ‘Preferential Trade Agreement’ (PTA) between a subset of countries, designed to significantly reduce or remove trade barriers within member countries. When a trade bloc comprises of neighbouring or geographically close countries, it is referred to as a ‘Regional Trade (or integration) Agreement’. It is sometimes also referred to as a ‘natural’ trade bloc to underline that the preferential trade is between countries that have presumably low transport costs or trade intensively with one another. The two principal characteristics of a trade bloc are that: (1) it implies a reduction or elimination of barriers to trade, and (2) this trade liberalisation is discriminatory, in the sense that it applies only to the member countries of the trade bloc, outside countries being discriminated against in their trade relations with trade bloc members. Though few, there exist as well regional integration agreements in which cooperation rather than preferential market access is emphasised. Trade blocs can also entail deeper forms of integration, for instance of international competition, investment, labour and capital markets (including movements of factors of production), monetary policy and more. The integration of countries into trade blocs is commonly referred to as ‘regionalism’, irrespective of whether a trade bloc has a geographical base or not.

2.1.2.1 Advantages (for joining countries) of joining a Trading Bloc

a. Access to larger markets leads to internal economies of scale.

b. External economies of scale due to improved infrastructure.

c. Lower exchange risk and transaction costs due to removal of tariffs.

d. Greater bargaining and negotiating power with global powers.

e. Increased competition between members.

f. Further rapid spread of technology due to enhanced member cooperation.


2.1.2.2 Disadvantages (country risks) of joining a Trading Bloc\textsuperscript{32}

While joining a trading bloc bring the joining state major economic advantages, there still remains some risks involved for joining states, among which are:

a. High administrative costs of trading bloc.
b. Loss of resources to more efficient members/or geographical centre
c. Firms Cooperation and merge leading to greater monopoly power.
d. Diseconomies of scale if firms become very large.
e. Regulatory and policy making ambiguities and conflicts of interest.

2.1.3 A Political Union versus a Trading Bloc

While a political union relates to the incorporation of several sovereign states in a full political integration to form one greater entity with a harmonized political and economical stand and a single ruler similar to the union of the states of America into the entity known as the United States of America (USA); a trading bloc is the multilevel economic integration, or a process, involving the incorporation of varied types of sovereign economies into a larger entity. In specific terms, it strives for cooperation among states and is concerned with removing all trade restrictions between the participating states and evolving of certain elements of cooperation and coordination amongst them, similar to the case of the European states in the European Union (EU), or the North American Free Trade Agreement (NAFTA)\textsuperscript{33}, which has less degrees of harmonization than in the EU.

2.1.4 Types and levels of Integration:

There are five main different types of economic integration. These comprise the levels towards whole integration:

A. Free Trade Area.
B. Custom Union.
C. Common Market.
D. Economic Union - Complete economic integration.
E. Political Union - Complete political integration.

A. Free Trade Area

In this form of economic integration, member nations remove all trade impediments among themselves but retain their own policies with the outside world. That being said, the member countries do not charge any import tariff on imports from each other but they do have their respective policies as regards levy of import tariffs on imports from the countries outside the group.

B. Custom Union

This arrangement of economic integration is similar to a free trade area, whereby member states have common external commercial relations. For example, they adopt common external tariff on imports from the non-member nations. Thus, custom union marks the second stage of economic integration amongst the nations.

C. Common Market

In this type of economic integration, the member states have a custom union agreement with one another and they also agree for factor mobility across the national borders of member countries. Thus, the common market arrangement permits free movement of all factors of production mainly including people, services, products, labour and capital amongst the member nations.

D. Economic Union - Full economic integration

This is the final stage of economic integration and many serve as the basis for complete political integration. In this type of economic integration, member countries are part of common market and agree to have whole unification of monetary and fiscal policies. This arrangement is akin to economic and monetary union amongst the member nations.

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E. Political Union – Full political integration\textsuperscript{38}

This is the ultimate stage of integration amongst the nations where member states literally merge their individual identities into one nation. In this form, the members have a central parliament with the sovereignty of a national government.

2.2 Examples of economic blocs throughout the history

To emphasise the significance and success of the trading / economic blocs as strategic alliances between nations, it is worth including a list of few trading blocs throughout history. Most of these blocs cease to exist, not because they have failed, but since they have developed by moving towards a higher level of integration.

2.2.1 European Economic Area (EEA)\textsuperscript{39}

\textit{Member Countries: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom}

2.2.2 European Free Trade Association (EFTA)

\textit{Member Countries: Iceland, Norway, Switzerland, Liechtenstein.}

2.2.3 Central European Free Trade Agreement (CEFTA)

\textit{Member Countries: Albania, Bosnia and Herzegovina, Croatia, Republic of Macedonia, Montenegro, Serbia.}

\textsuperscript{38} \textbf{Political Integration and National Sovereignty}

When nations join with others in a trade or political bloc, they give up some national sovereignty. The European Union started out as a free trade zone and built considerable political integration over a period of several decades. But the EU is far from a unified state and far from a satisfactory Europe-wide democratic order, while substantial sovereignty still remains with the EU's member governments. In a globalizing world, nations feel pressure to join trade and political pacts. Often, these international groupings erode national democracy while offering diminished accountability at the wider policy-making level. How, then, can trade pacts be subject to democratic accountability and how can integration proceed without losing the advantages of smaller-scale political process? The internationalists may be naive enthusiasts, while the nationalists may often be bigoted and reactionary. But somewhere in this debate lie the core issues of governance in a globalizing and integrating planet.


2.2.4 Caribbean Community (CARICOM)

*Member Countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago.*

2.2.5 Economic and Monetary Community of Central Africa (CEMAC)

*Member Countries: Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea, Gabon.*

2.2.6 East African Community (EAC)

*Member Countries: Burundi, Kenya, Rwanda, Tanzania, Uganda.*

2.2.7 Southern African Customs Union (SACU)

*Member Countries: Botswana, Lesotho, Namibia, South Africa, Swaziland.*

2.2.8 Eurasian Economic Community (EEC)

*Member Countries: Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan*

2.2.9 Pacific Regional Trade Agreement (PARTA or PIF)

*Member Countries: Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.*

2.2.10 Greater Arab Free Trade Area (GAFTA)\(^{40}\)

*Member Countries: Egypt, Jordan, Morocco, Tunisia.*

2.3 Current Existing Economic Blocs

2.3.1 European Union (EU)

*Member Countries: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia,*

Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom

2.3.2 North American Free Trade Agreement (NAFTA)\(^{41}\)
*Member Countries: Canada, Mexico, United States of America.*

2.3.3 Asia-Pacific Economic Co-operation (APEC)
*Member Countries: Australia, Brunei, Canada, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, USA, Chinese Taipei, Hong Kong, China, Mexico, Papua New Guinea, Chile, Peru, Russia, Vietnam*

2.3.4 Arab Maghreb Union (AMU)\(^{42}\)
*Member Countries: Algeria, Libya, Mauritania, Morocco, Tunisia*

2.3.5 Council of Arab Economic Unity (CAEU)\(^{43}\)
*Member Countries: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestinian Territories, Qatar, Kingdom of Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen.*

2.3.6 Gulf Co-operation Council (GCC)\(^{44}\)
*Member Countries: Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, Qatar, Kingdom of Saudi Arabia (KSA), United Arab Emirates (UAE)*

2.3.7 Economic Co-operation Organisation (ECO)
*Member Countries: Afghanistan, I. R. of Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan, Uzbekistan, Turkish Cypriot State (observer)\(^{45}\)*


\(^{44}\) See International Relations and Security Network. (2011, April 6). *Charter of the Gulf Cooperation Council (GCC).*

2.3.8 Common Market for Eastern and Southern Africa (COMESA)
*Member Countries: Sudan, Ethiopia, Eritrea, Djibouti, Comoros.*

2.3.9 Economic Community of Central African States (ECCAS)
*Member Countries: Angola, Burundi, Cameroon, Central African Republic, Chad, DR Congo, Equatorial Guinea, Gabon, Congo, Sao Tome and Principe.*

2.3.10 Economic Community of West African States (ECOWAS)
*Member Countries: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo.*

2.3.11 Association of South East Asian Nations (ASEAN)
*Member Countries: Brunei, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam.*

2.3.12 Black Sea Economic Co-operation (BSEC)
*Member Countries: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Hellenic, Moldova, Romania, Russian Federation, Serbia, Turkey, Ukraine.*

2.3.13 Commonwealth of Independent States (CIS)
*Member Countries: Russia, Ukraine, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Armenia, Azerbaijan, Moldova / Georgia (withdrew).*

2.3.14 East Asian Economic Caucus (EAEC)
*Member Countries: Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan (Suspended)*

2.3.15 South Asian Association for Regional Co-operation (SAARC)
*Member Countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka.*

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Section (3): Previous attempts to establish an Arab economic unity

3.1 The Possibility of unity among Arab states
From the time Arab countries gained their independence from the colonizing powers (mostly French, British and Italian), Arabs or what they like to refer to themselves as the “Arab Nation” (Al Umma Al Arabia) have always had the ultimate dream or vision of creating a unified power which can be the rival to major global existing powers on both political and economic levels. The main reasons, other than Arab nationalism, religion and patriotism, were the wide arsenal of natural resources which exist in the Arab world, in addition to their everlasting wish to regain the glory of the Arabs who historically dominated a wide geographical and cultural part of the world.

Prior to the rise of Islam in the 6th century, the term “Arab” was exclusively applied to a homogenous group of people limited to the Arabian Peninsula and inside fringe of the adjoining Fertile Crescent. With the phenomenal spread of the Arabic language and the religion of Islam, the subsequent admixture of Arabian with other ethnic stocks as a result of the far-flung Muslim conquest of the first century after the Hegira, the term had acquired a more extensive meaning. Since the 9th century and afterwards, an “Arab” could be any Arabic-speaking individual from Turkestan and Persia in the east to Morocco and the Iberian Peninsula in the west, regardless of original race or nationality. This term and following the break-up of the caliphates of Baghdad, Cordoba, and Cairo, and with the resurgence of national life in such countries as Persia and Spain, has lost its ethnic and acquired linguistic connotation and shrunk into its present dimensions.

The term “Arab Union” was first used when the British promised Arabs a united independent Arab State which never took place due to the Sykes–Pico Agreement, which totally dismantled the Arab Region and drew sporadic boarders, as many believe.

This Sykes – Pico Agreement\(^{51}\) is referred to by many as the nightmare that struck Arabs. Arabs have since, craved for unity, where the late Arab leader and Egyptian president Jamal Abdel Nasser\(^{52} - 53\), during his presidency to Egypt, has attempted to establish several Arab federations, alongside with other Arab states, such as the United Arab Emirates, Tunisia, Libya, Iraq, Syria, Jordan, Sudan and North Yemen. The United Arab Republic (UAR), which will be discussed next, marked the most prominent attempt.

\(^{51}\) On May 19, 1916, representatives of Great Britain and France secretly reach an accord, known as the Sykes-Picot agreement, by which most of the Arab lands under the rule of the Ottoman Empire are to be divided into British and French spheres of influence with the conclusion of World War I. After the war broke out in the summer of 1914, the Allies—Britain, France and Russia—held many discussions regarding the future of the Ottoman Empire, now fighting on the side of Germany and the Central Powers, and its vast expanse of territory in the Middle East, Arabia and southern-central Europe. In March 1915, Britain signed a secret agreement with Russia, whose designs on the empire’s territory had led the Turks to join forces with Germany and Austria-Hungary in 1914. By its terms, Russia would annex the Ottoman capital of Constantinople and retain control of the Dardanelles (the crucially important strait connecting the Black Sea with the Mediterranean) and the Gallipoli peninsula, the target of a major Allied military invasion begun in April 1915. In return, Russia would agree to British claims on other areas of the former Ottoman Empire and central Persia, including the oil-rich region of Mesopotamia. More than a year after the agreement with Russia, British and French representatives, Sir Mark Sykes and Francois Georges Picot, authored another secret agreement regarding the future spoils of the Great War. Picot represented a small group determined to secure control of Syria for France; for his part, Sykes raised British demands to balance out influence in the region. The agreement largely neglected to allow for the future growth of Arab nationalism, which at that same moment the British government and military were working to use to their advantage against the Turks. In the Sykes-Picot agreement, concluded on May 19, 1916, France and Britain divided up the Arab territories of the former Ottoman Empire into spheres of influence. In its designated sphere, it was agreed, each country shall be allowed to establish such direct or indirect administration or control as they desire and as they may think fit to arrange with the Arab State or Confederation of Arab States. Under Sykes-Picot, the Syrian coast and much of modern-day Lebanon went to France; Britain would take direct control over central and southern Mesopotamia, around the Baghdad and Basra provinces. Palestine would have an international administration, as other Christian powers, namely Russia, held an interest in this region. The rest of the territory in question—a huge area including modern-day Syria, Mosul in northern Iraq, and Jordan—would have local Arab chiefs under French supervision in the north and British in the south. Also, Britain and France would retain free passage and trade in the other’s zone of influence.


\(^{52}\) Gamal Abdel Nasser was the second President of Egypt, serving from 1956 until his death. Nasser led the 1952 overthrow of the monarchy and introduced far-reaching land reforms the following year. Following a 1954 attempt on his life by a Muslim Brotherhood member, he cracked down on the organisation, put President Muhammad Naguib under house arrest, and assumed executive office, officially becoming president in June 1956. Nasser's popularity in Egypt and the Arab world skyrocketed after his nationalization of the Suez Canal and his political victory in the subsequent Suez Crisis. Calls for pan-Arab unity under his leadership increased, culminating with the formation of the United Arab Republic with Syria (1958–1961). In 1962, Nasser began a series of major socialist measures and modernization reforms in Egypt. Despite setbacks to his pan-Arabist cause, by 1963 Nasser's supporters gained power in several Arab countries, but he became embroiled in the North Yemen Civil War. He began his second presidential term in March 1965 after his political opponents were banned from running. Following Egypt's defeat by Israel in the 1967 Six-Day War, Nasser resigned, but he returned to office after popular demonstrations called for his reinstatement. By 1968, Nasser had appointed himself prime minister, launched the War of Attrition to regain lost territory, began a process of depoliticizing the military, and issued a set of political liberalization reforms. After the conclusion of the 1970 Arab League summit, Nasser suffered a heart attack and died. His funeral in Cairo drew five million mourners and an outpouring of grief across the Arab world.

Nasser remains an iconic figure in the Arab world, particularly for his strides towards social justice and Arab unity, modernization policies, and anti-imperialist efforts.


In the recent years, and more specifically in the 2004 Arab League Summit in Egypt\(^5^4\), the President of Yemen, at that time, now late Ali Abdullah Saleh\(^5^5\) proposed the creation of an Arab union would will replace the Arab League, in an attempt to create a stronger political and geographical body, capable of dealing with world issues. However, the Proposal failed to reach the Summit’s agenda. However, in the 2009 Arab League Summit in Qatar\(^5^6\), the proposal managed to occupy a part in the Summit's agenda. The states’ representatives decided back then that the proposal will be looked into and discussed. This proposal included various non-economic issues with economic impact which includes integration of academia, and was based on the following principles which, if well implemented, fit to draw a road map to move forward towards the Arab solid unity:

a. To formulate regulations, legislations, and tariffs, aiming at the creation of a unified comprehensive Arab custom union.

b. To coordinate foreign trade policies with a view to ensuring the coordination of the region's economy vis-à-vis world economy.

c. To coordinate economic development and formulate programs for the attainment of joint Arab development projects.

d. To coordinate policies related to agriculture, industry, and internal trade.

e. To coordinate financial and monetary policies with the aim to achieve monetary unity.

f. To coordinate legislations, policies and regulations to conform taxes and duties.

g. To formulate unified regulations for transport and transit in the contracting countries.

h. To draft common legislations related to labour and social security.

i. To prepare a budget for the CAEU and its affiliated bodies.

3.2 Attempts of Arab economic unity throughout the history

As previously explained, international economic integration results in reaching an integrated economic union among a group or groups of countries. Frequently this is also called 'total' economic integration in distinction of some other international arrangements

\(^5^4\) See AFP, n.d. radical party.

\(^5^5\) See AFP: Yemen's Saleh formally steps down after 33 years”. Google. Retrieved April 2011

involving closer economic cooperation or some degree of integration such as free trade areas, custom unions, and common markets.

In his paper “Industrial Economics and Organisation: Conventional and Islamic Perspectives”, Yusoff (Yusoff, 2014)\(^{57}\) states that “from an Islamic point of view any arrangement is welcome as long as it leads to the establishment of closer cooperation or stronger ties among Muslims”.

In his paper “Globalisation and economic integration among Arab countries” Zineldin (Zineldin, 1998)\(^{58}\), explains that despite the great attention paid to the cooperation and integration by Arabs, no real or considerable progress has been accomplished. He elaborates further that in spite of the continuous expression by Arabs of their will towards unity, many of them did not have genuine intentions, while others argue that the emergence of the state israel and the Arab – israeli conflict\(^{59}\) along with the existence of the israeli - US - European strong ties, have all greatly impeded the recognition of any Arab solid unity.

The Arab League was the first to call for agreements for economic cooperation among Arab counties. The League of Arab States submitted the proposal around forty years ago prior to most of the international economic cooperation projects. Nevertheless the Arab politicians paid very little attention to economic cooperation and integration and began to widely discuss political and military cooperation. The Arab League has never been able to grasp the importance of the economy as a means of realizing political goals. Business and commerce were matters that Arab politicians looked down on. They considered them as effects rather than causes, of political action. Egyptian President late Gamal Abdel Nasser of the "Nasserism" ideology was the first to define the pan-Arabism of the 1960s through Arab Unity\(^{60}\). There have been several attempts to bring about a Pan-Arab state by many well known Arab leaders, all of which eventually resulted in failure.

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The United Arab Republic (UAR)\(^{61}\) in 1958 was the first and most serious attempt. Formed under Nasser, it was a union between Egypt and Syria, whereby Nasser exerted so much control over the union that the UAR functioned more as a Nasserist takeover rather than a cooperation between two governments and respectively countries. The UAR lasted in this form until 1961, when Syria withdrew from the union. In April 1963, Egypt, Syria and Iraq agreed to form a new "United Arab Republic\(^{62}\)", which was to be entirely federal in structure, leaving each member state its identity and institutions." The UAR was finally abolished in 1971 due to irreconcilable differences between Syria and Egypt.

According to Cleveland and Bunton, the idea of a unified Arab state was something that enticed Nasser, and that seemed to be along the lines of his message of Arab unity and Arab Nationalism. Thus, “the creation of the United Arab Republic (UAR) in early 1958 appeared to be a major step along the road to Arab unity. “The UAR was a contemplated union between Syria and Egypt which would result a single unified state\(^{63}\).”

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\(^{61}\) The United Arab Republic was a short-lived political union between Egypt and Syria. The union began in 1958 and existed until 1961, when Syria seceded from the union after the 1961 Syrian coup d'état. Egypt continued to be known officially as the “United Arab Republic” until 1971. The president was Gamal Abdel Nasser. It was a member of the United Arab States, a loose confederation with North Yemen which in 1961 dissolved along with the Republic. The reason for the United Arab Republic was not only because of Nasser’s emphasis on pan-Arab unity, but it also came about as a result of domestic political developments in Syria. Having elected anti-French leaders in the 1940s, the Ba’th Party who was in power in the late 1950s was concerned about a Communist political movement in the country possibly taking them out of power. Thus, by asking Nasser to joint with Syria as the United Arab Republic, they hoped to stop the communist influence, and all the while, keep their own influence, and be able to stay in power. Shortly after, the United Arab Republic was announced (Cleveland & Bunton, 2013: 292). However, the creation of this new United Arab Republic was not a smooth transition between Egypt and Syria. Part of this was because of the domestic turmoil within Syria itself. And Nasser, who was a strong advocate of Arab unity, saw this as a great example of his ideas put into practice, and could not turn down what the Syrian leaders were proposing (Cleveland & Bunton, 2013: 292).

However, as the UAR developed, it becomes clear that the Syrian leadership would not having primary, or equal control of the state. In fact, “Egypt quickly became dominant.” The Syrian leaders who had requested the merger found themselves forced to live in Cairo, from where they exercised little influence on events in their homeland. Nasser, who became the first president of the UAR, simply imposed on Syria the single-party military regime that had worked so well in Egypt. Egyptian military and civilian personnel streamed into Syria, replacing their Syrian counterparts in several important functions…”


\(^{62}\) See The Robinson Library, The United Arab Republic, [online], Available at: www.robinsonlibrary.com

Two later attempts were conducted by Libya's leader at the time late Muammar al-Gaddafi; these were the **Federation of Arab Republics**\(^{64}\) and the **Arab Islamic Republic**\(^{65}\), both of which have died shortly after their birth due to lack of organisation.

On the other hand, the only current example of successful political unification between Arab neighbours would be the unity of seven Arab emirates that have formed the **United Arab Emirates**\(^{66}\) which was established on 2 December 1971, and successfully continued.

However, and upon reviewing the main attempts of cooperation, alliances or integration among Arab or Islamic states in the last half century, one would observe large initiatives being launched with unlimited potential for unification; and very little or nothing left towards the implantation of such initiatives. Such projects include some bodies that are currently in full successful operation, such as the Arab Monetary Fund; however with no direct or serious aims for Arab unity, these include but are not limited to the following:

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\(^{64}\) The Federation of Arab Republics was an attempt by Libya's Muammar Gaddafi to merge Libya, Egypt and Syria in order to create a United Arab state. Although approved by a referendum in each country on 1 September 1971,\(^{[2]}\) the three countries disagreed on the specific terms of the merger. The federation lasted from 1 January 1972 to 19 November 1977. It is not to be confused with the United Arab Republic, which was a single sovereign state uniting Egypt and Syria from 1958 to 1961.


\(^{65}\) Arab Islamic republic was a proposed unification of Tunisia and Libya in 1974, agreed upon by Libyan head of state Muammar Gaddafi and Tunisian President Habib Bourguiba. Additional countries - Morocco and Algeria - were later included in the proposal, which was never implemented.


\(^{66}\) The United Arab Emirates is a federal absolute monarchy in Western Asia at the southeast end of the Arabian Peninsula on the Persian Gulf, bordering Oman to the east and Saudi Arabia to the south, as well as sharing maritime borders with Qatar to the west and Iran to the north. In 2013, the UAE's population was 9.2 million, of which 1.4 million are Emirati citizens and 7.8 million are expatriates.


The country is a federation of seven emirates, and was established on 2 December 1971. The constituent emirates are Abu Dhabi (which serves as the capital), Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah and Umm al-Quwain. Each emirate is governed by an absolute monarch; together, they jointly form the Federal Supreme Council. One of the monarchs is selected as the President of the United Arab Emirates. Islam is the official religion of the UAE and Arabic is the official language (although English and Indian-language dialects are widely spoken, with English being the language of business and education particularly in Abu Dhabi and Dubai).

1. Arab Fund for Economic and Social Development (AFESD)
2. The emergence of new centres of development and investment finance;
3. Kuwait Fund for Arab Economic Development
4. Abu Dhabi Fund for Arab economic Development
5. Council of Arab Economic Unity (CAEU)
6. Gulf Cooperation Council (GCC)
7. Arab Bank for Economic Development in Africa
8. Arab Maghreb Union: Tunisia (AMU)
9. Arab Monetary Fund (AMF), 1976
10. Arab Trade Financial Program (ATFP)
11. Arab Common Market, 1964
12. Arab Free Trade Zone (AFTZ)

Based on the above mentioned attempts and formed bodies, it becomes relevant to provide a brief overview on the following experiences, as they represent the closest to the Arab dreams in terms of economic and political unification:

1. Council of Arab Economic Unity (CAEU) - 1957

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67 AGREEMENT ON ARAB ECONOMIC UNITY* [excerpts]
The Agreement on Arab Economic Unity was signed on 3 June 1957 and came into force on 30 April 1964. The original signatory States were Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahirija, Morocco, Saudi Arabia, Sudan, Syrian Arab Republic, Tunisia, United Arab Republic, and the Arab Republic of Yemen. Mauritania, Palestine and Somalia subsequently also became signatories to the Agreement.
The Governments of: the Hashemite Kingdom of Jordan; the Tunisian Republic; the Republic of Sudan; the Republic of Iraq; the Saudi Arabian Kingdom; the Syrian Arab Republic; the United Arab Republic; the Lebanese Republic; the United Libyan Kingdom; the Yemenite Kingdom; the Kingdom of Morocco; and the State of Kuwait; In pursuance of their desire to organize and consolidate economic relations among the Arab League States on principles conforming with the natural and historical ties among them, and with view to creating the best conditions for the advancement for their economy, for promoting their wealths and ensuring the welfare of their peoples, have agreed on setting up a complete unity among themselves to be achieved gradually with the speed commensurate with effecting their transfer from the present to the desired situation without detriment to its vital interests, in accordance with the following stipulations:

CHAPTER I OBJECTIVES AND METHODS
Article 1
A complete economic unity shall be established among the Arab League States. The member states and their nationals are guaranteed the following on equal footing:
1. Freedom of movement of persons and capital.
4. Freedom of residence, work, employment and exercise of economic activities.
5. Rights of ownership, of making one's will and of inheritance.

Article 2
For attaining the unity mentioned in Art (1), contracting states shall work for accomplishing the following:
This Council was formed by Kuwait, Iraq, Jordan, Kuwait, Libya, Mauritania, Palestine, Somalia, Sudan, Tunisia, Syria, United Arab Emirates and Yemen.

The Council of Arab Economic Unity became effective with the following objectives:

a. Formulating regulations, legislations, and tariffs, aiming at the creation of a unified Arab custom area.

b. Coordinating foreign trade policies with a view to ensuring the co-ordination of the region's economy vis-à-vis world economy.

c. Coordinating economic development and formulating programs for the attainment of joint Arab development projects.

d. Coordinating policies related to agriculture, industry, and internal trade.

e. Coordinating financial and monetary policies with aiming to achieve monetary unity.

f. Coordinating legislations related to tariffs, taxes and duties.

g. Formulating unified regulations for transport and transit in the contracting countries.

h. Drafting common legislations on labour and social security.

i. Preparing a budget for the council and its affiliated bodies.

1. The Arab States should be made one customs zone subject to a single administration. Customs' tariffs, legislation and regulations applied in these states should be standardized.

2. The Arab States should work for standardizing regulations thereof.

3. Standardizing transport and transit systems.

4. Concluding collective trade agreements and payments agreements with third countries.

5. Co-ordinating policies related to agriculture, industry, and internal trade. Economic legislations should be standardized in a manner ensuring equal terms to all nationals of the contracting countries with respect to work in agriculture, industry, and other professions.


7. a. Co-ordinating legislation concerning government and municipal taxes and duties and all other taxes pertaining to agriculture, industry, trade, real estate, and capital investments in a manner ensuring equal opportunities.

   b. Avoiding double taxation and duties levied on the nationals of the contracting parties.

8. The co-ordination of monetary and fiscal policies and all regulations thereof [in] the contracting countries should be undertaken as a prerequisite for the standardization of the currency.

9. Standardizing the methods of the classification of statistics.

10. All necessary measures should be taken to ensure the attainment of the goals specified in Article (1) and (2) of the Agreement.

It is, however, possible to circumvent the principle of standardization in respect of certain circumstances and certain countries subject to the approval of the Council of Arab Economic Unity.

2. The Agadir Agreement for the establishment of a Free Trade Zone between the Arab Mediterranean Nations was signed in Morocco on 25 February 2004:

The agreement aimed at establishing a free trade area between Jordan, Tunisia, Egypt and Morocco and it was seen as a possible first step in the establishment of the Euro-Mediterranean free trade area as envisaged in the Barcelona Process as envisaged in the Barcelona Process. All members of the Agadir Agreement have since joined the Greater Arab Free Trade Area (GAFTA), effectively superseding the agreement.

3. Greater Arab Free Trade Area (GAFTA) – 1998

The Greater Arab Free Trade Area (GAFTA) was founded in 1997 / 1998 by 14 Arab countries, Bahrain, Egypt, Iraq, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, and the United Arab Emirates.

The major elements of the GAFTA aiming towards full implementation are:

a. Instruct the inter-customs fees: To reduce the customs on Arab products by 10% annually, the 14 Arab states reported their custom tariff programs to the Security Council of the Arab League to coordinate them with each others, except for Syria that continued to use the Brussels Tariffs System.

b. Applying the locality of the Arab products:
   i. All members have shared their standards and specifications to help their products move smoothly from one country to another.
   ii. The League also created a project to apply the Arab Agriculture Pact, based on sharing the standards of the agricultural sector and injecting several more restrictions and specifications involved by all members.

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68 The convention covers the EU, the EFTA, the EU customs unions with third states (Turkey, Andorra, San Marino), the EU candidate states, the partners of the Barcelona Process and possibly at a later stage all of the European Neighbourhood Policy partners.

Available at: http://www.barcelona.com/barcelona_news/the_barcelona_process_or_euro_mediterranean_partnership


iii. The Arab League granted exceptions, which allowed applying customs rate for certain goods, to six members\textsuperscript{72} for several goods, however rejected requests by Morocco, Lebanon and Jordan for additional exceptions, a step which was seen as biased at the time.

c. Private sectors: The League created a database and a service to inform and promote for the private sector’s benefits, and how their work was needed under GAFTA.

d. Communication: The Economic and Social Council (ECOSOC) in the 65\textsuperscript{th} meeting agreed on pointing a base to ease communication between Member States, and also to work to facilitate communication between the private and public sectors to apply the Greater Arab Free Trade Area between members.

e. Customs Duties: In its 67\textsuperscript{th} meeting ECOSOC agreed that the 40\% decrease on customs on goods in the past four years of GAFTA will continue and following the decisions of the Amman summit\textsuperscript{73}, the members will put more efforts to eliminate all customs duties on local Arab goods.

3.3 Moving Forward

One cannot exclude the possibilities of achieving a certain level of success through schemes of partial economic integration on a limited scale, such as what has been established on Gulf countries’ level “the GCC”. Fortunately, the Gulf countries, led by the Kingdom of Saudi Arabia, have realised the importance of creating free trade blocs. Thus, even though these might be considered as infant steps when compared to other non-Arab countries integration efforts, they still comprise a major step forward. Nevertheless, the emergence of the Qatar crisis in May 2017 and which remained in escalation during the finalization of this paper, and caused a rupture in the GCC and kept Qatar in GCC isolation, has posed a large question mark, not only by sceptics of the GCC but also by its supporters, towards the strength, continuance and evolution of the GCC.

\textsuperscript{72} See Anon., n.d. Dubaided. [Online]
Most recently and during producing the final draft of the thesis during the month of May 2017, the GCC faced a harsh blow with the emergence of the Qatar crisis. The positions taken by the GCC countries (with the exception of Oman) along with five other countries have proven that this currently existing custom union is very far from being the “fit to follow” example and the cornerstone for the development and establishment of the AEU. In light of the recent events, the next important move is to focus on creating the regional trade zone. While it is currently a very difficult and challenging task, it is evident that free trade zones are growing even among the world's poorest countries, such as South America and Africa, despite the existence of major political problems. The establishment of a trade region extending beyond the GCC would be a good starting point. Such trade union would cooperate with other non-Arab Asian or European countries to create a stronger alliance with a GDP large enough to support the members’ competency against other trade economic blocs around the world.

Indeed, and according to a senior economic analyst interviewed at the Arab Monetary Fund in its headquarters in Abu Dhabi, all Arabs have now been struck by certain basic realities, as they have all realized the fact that the world has been transformed into economic blocs that carry economic and political weight. They are even at last admitting the failure of political and military cooperation. In the same context, he described the situation of non-action as “very odd”, especially that the elements of success are available for Arabs to create an economic union much more than they have been for other countries. This applies in theory and practice. Sudan could be the bread basket of the Arab region, the Gulf its oil reservoir, Egypt its labour force, Syria its farm and Morocco a great market, while Lebanon can play the role of its

74 “Shortly after US President Donald Trump delivered his historic address to the US-Arab-Islamic Summit in Riyadh, seeking to align Washington’s traditional Arab allies against Iran and its regional agenda, a new Middle East crisis erupted. The 2017 Qatar diplomatic crisis began when several countries abruptly cut off diplomatic relations with Qatar in June 2017. These countries included Saudi Arabia, United Arab Emirates, Bahrain, and Egypt. The severing of relations included withdrawing ambassadors, and imposing trade and travel bans. The Saudi-led coalition cited Qatar’s support for terrorism as the main reason for their actions, insisting Qatar has violated the Riyadh Agreement on returning GCC diplomats to Doha and its Complementary Arrangement in 2014. Saudi Arabia and other countries have criticized Al Jazeer a and Qatar's relations with Iran, and accused Qatar of funding terrorist organisations. Qatar denied that it supports terrorism, given that it has assisted the United States in the War on Terror and the ongoing military intervention against ISIL. Saudi Arabia's move was welcomed by United States president Donald Trump. A number of countries in the region, including Turkey, Russia and Iran, called for the crisis to be resolved through peaceful negotiations.”

human resource developer. All these were and still are known facts; however such facts become untranslatable in the light of lack of planning, poor determination and not finding a mechanism for implementation. Arab economists have often agreed that increased commerce and investment among the Arab states will diminish the mistrust that has long divided governments and prevented private sectors from working together for their mutual benefit, because states that do business together tend to avoid conflicts.

According to the Head of Arab Affairs at the Beirut Bar Association (BBA) Lawyer Hussein Zbeeb, who was interviewed in BBA in 2014, and whom has taken part in discussions for Arab unification attempts from a legal and regulatory perspective in 2013, he believes “that the Arab world is still suffering from a state of fragmentation and disruption, the Arabs need to rearrange their internal affairs to help their nation to stand firm and to launch the unification process with full vigour along the path of progress and prosperity” (End of quotation).

In his speech at the Permanent Office of the Arab Lawyers Union in Cairo in January 2015,75 the President of the Beirut Bar Association Me. Georges Jreij, who was interviewed at the BBA in 2016 addressed the participants from all the Arab countries when he said: “I salute every Arab country, whether it is or not member in our Union; we are clinging to each and every State because in our unity lies all the strength”.

In April 2011, at a conference organized by the Union of Arab Banks titled “unification of Arab Laws”, the Secretary General of the Arab Lawyers Union76 Omar Zein, who was interviewed in Beirut in 2015, expressed that the main problem currently existing in the Arab world, with reference to unification attempts, is the lack of enthusiasm, especially


76 The Union of Arab Lawyers (Also referred to as Federation of Arab Lawyers) was established in 1958 in Cairo – Egypt. The UAL acts in the interests of the Arab Nation to achieve its national objectives; facilitate contacts between Arab lawyers; safeguard and develop legislative and judiciary language; assure the freedom of lawyers in their work and the independence of magistrates; allow all Arab lawyers to take cases in any Arab country; harmonize the conditions of the legal profession; establish and harmonize links with international legal organisations; restore the study of Muslim law as a basis for law; promote and protect human rights. Its activities include (9) commissions: Arab Affairs; Palestine; Unification of Law in Arab Countries; Defence of Civil Liberties and Rule of Law in Arab Countries; Harmonization of Legal Terminology; Rules on the Legal Profession; Socialization; Support of the Palestine Liberation Movement; Defence of Palestinian Resistance Workers. See Arab Lawyers’ Union (ALU). (2012). Retrieved from UIA : https://www.uia.org/s/o/en/1100045435
with relevance to the parties in charge of the project of Arab Common Market, the project of economic integration or representatives of the Arab league's member countries.

In the same conference, the President of the BBA, Nouhad Jabr who was interviewed in Beirut, has called for Arabs to stop blaming others for all their troubles, but focus more on capitalizing their own identity, values, religion, education, experimented science and technology, sounding economic liberalization and economic integration among themselves, which would lead to sound economic competitiveness. He added, “Arabs must admit that it is clear that the economic woes of the Arab countries stem more from their own internal policies than from the conflict with others” (End of quotation).

The Arab global economic position and the number revealed by the World Bank, reveal that trade among Arab countries has been weak despite previous efforts to engage into different forms of regional economic integrations. Many Arab economists share the view that for the Arab world to progress, it has become a matter of some urgency to develop such economic integration in order to allow the region to move beyond current position. Thus, it becomes a fact that Arab economic integration or real cooperation will provide better economic opportunities for all Arabs and lessen threats of Arab dependence on foreign powers, particularly the west, for most of its consumer and industrial products. EU’s experience has proven the mentioned in a sense that cooperation produces strength.

WB and WTO trade statistics reveal that most of the Arab countries are buying goods and services from Europe, Asia and the United States. A free trade agreement or Arab common market will naturally speed up their industrialization and substantially increase the wealth of almost all the Arab nations. Such economic co-operation will increase the market size of any Arab country and naturally create the factors necessary for the Arab nations to become producers and exporters rather than just importers and consumers. It will also create the necessary elements for the Arab Nation to be an equal partner on the global arena while obtaining the fair opportunity to compete more effectively.

At one of his speeches during the League of Arab States (LAS) meetings, the former Secretary General of LAS Mr. Amr Mousa, who was interviewed in 2016 after he left

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office, stated that the relationship amongst Arabs has to be founded on amity, cooperation and giving counsel on a reciprocal basis, out of key points of agreement, rather than minor point of disagreements, to serve as starting point.

In his address to the 11th Summit of the Organisation of the Islamic Conference in Tehran in December 1997, the late King of Saudi Arabia (Crown Prince at the time) Abdullah bin Abdulaziz, stated that “The state of disunity runs counter to the most distinctive characteristic of the present age, namely the inability of smaller entities to wield an influence in their international contemporary society wherein the trend is for such smaller entities to unite or merge together to form more powerful and efficient units. There is no longer a place in the world that is isolated and is basking in the warmth of isolation” (End of quotation).

Section (4): Arab Spring (A brief overview exploring the incentives, challenges and opportunities to create a legal, monetary and financial order).

4.1 Arab Spring – a brief overview

The Arab Spring, aka “Uprisings” as commonly defined, is a revolutionary wave of demonstrations and protests occurring in the Arab world that erupted on 18 Dec 2010.

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79 The Arab Spring was a series of anti-government protests, uprisings and armed rebellions that spread across the Middle East in early 2011. But their purpose, relative success, and outcome remain hotly disputed in Arab countries, among foreign observers, and between world powers looking to cash in on the changing map of the Middle East. The term “Arab Spring” was popularized by the Western media in early 2011 when the successful uprising in Tunisia against former leader Zine El Abidine Ben Ali emboldened similar anti-government protests in most Arab countries. The term was a reference to the turmoil in Eastern Europe in 1989, when seemingly impregnable Communist regimes began falling down under pressure from mass popular protests in a domino effect. In a short period of time, most countries in the former Communist bloc adopted democratic political systems with a market economy. But the events in the Middle East went in a less straightforward direction. Egypt, Tunisia, and Yemen entered an uncertain transition period; Syria and Libya were drawn into a civil conflict, while the wealthy monarchies in the Persian Gulf remained largely unshaken by the events. The use of the term the “Arab Spring” has since been criticized for being inaccurate and simplistic. The protest movement of 2011 was at its core an expression of deep-seated resentment at the aging Arab dictatorships (some glossed over with rigged elections), anger at the brutality of the security apparatus, unemployment, rising prices, and corruption that followed the privatization of state assets in some countries. But unlike the Communist Eastern Europe in 1989, there was no consensus on the political and economic model that existing systems should be replaced with. Protesters in monarchies like Jordan and Morocco wanted to reform the system under the current rulers, some calling for an immediate transition to constitutional monarchy, others content with gradual reform. People in republican regimes like Egypt and Tunisia wanted to overthrow the president, but other than free elections they had little idea on what to do next. And, beyond calls for greater social justice, there was no magic wand for the economy. Leftist groups and unions wanted higher wages and a reversal of dodgy privatization deals; others wanted liberal reforms to make more room for the private sector. Some hard-line Islamists were more concerned with enforcing strict religious norms. All political parties promised more jobs but none came close to developing a program with concrete economic policies.
To date, rulers have been forced out from power in Egypt, Tunisia, Libya, and Yemen; with military conflict turning into a war in Syria, and ongoing uprisings in Bahrain; in addition to major protests which have broken out in Algeria, Iraq, Jordan, Kuwait, Lebanon and Morocco. Meanwhile, other serious protests have occurred in Mauritania, Oman, Saudi Arabia, Sudan, and Western Sahara over the past few years.

These protests have shared techniques of mostly civil resistance in sustained campaigns involving strikes, demonstrations, marches, and rallies, as well as the use of social media (namely Facebook\textsuperscript{80} and YouTube\textsuperscript{81}) to organize, communicate, and raise awareness against state attempts at repression and internet censorship.

Many demonstrations have met violent responses from authorities, as well as from pro-government militias and counter-demonstrators. These attacks have been answered with violence from protestors in some cases. A major slogan of the demonstrators in the Arab world has been "the people demand bringing down the regime" – in Arabic “Al Sha’ab Yurid Iskat Al Nizam”.

When the protests first erupted, they stemmed from the loss of hope of a Tunisian university graduate desperate to find a job to support his family in a country ruled by a long standing intelligence regime abusing the country’s resource, yet it continued to reveal the rapacity of the West in the Arab Countries. What started to be a good cause, ended with a huge misuse of the cause and unethical behaviour towards Arab citizens, this eventually resulted in a bloodshed wave in many parts of the Arab region, whereby wars and military conflicts continue to destroy Arab states and kill citizens.

\textsuperscript{80} Facebook is an American for-profit corporation and an online social media and social networking service based in Menlo Park, California

\textsuperscript{81} YouTube is an American video-sharing website headquartered in San Bruno, California. The service was created by three former PayPal employees — Chad Hurley, Steve Chen, and Jawed Karim — in February 2005
4.2 Arab Spring – brief literature review

The quote underneath from the Article of “Arab Spring: A Mirage” (Suhrawardy, 2012) shows the cupidity of the countries in the Arab Spring and how they tried to benefit from the blood spread to get their interests. Shahrawati claims that “In essence, the ongoing phase of political transformation, ostensibly in the name of democracy, cannot be described even as a partial success in the few Arab nations that have been affected by it. The process is still taking place. Success remains elusive as well as considerably distorted from what it was projected as initially. Now, this in itself raises two crucial questions. Considering that only a few of the numerous Arab countries have been actually affected by a phase of political transformation, would it be fair to label this as “Arab Spring” and raise false notions about the entire Arab world having been affected by it? Besides, the different ways in which transformation is taking place in a few countries cannot be sidelined. This adds credence to questioning the hype raised about Arab Spring when in essence the transformation is yet to satisfy the people and leaders in a few countries where the movement began. This naturally demands deliberation on whether the hype was deliberately raised to ensure that political transformation begins in a few nations and justify the support for the same in others”. (End of quotation)

In another Article, (Suhrawardy, Arab Spring: Failure of “Manufactured Revolution”, 2012) states that “Among the few odd nations where political transformation is taking place are Yemen, Tunisia, Egypt, Syria, Libya and Iraq. These are a handful of the countries grouped together as the Arab nations. Equally important is the fact that the role of external powers and internal forces has varied strongly in all these countries which are said to be heading towards greater democracy. It may not be possible to delve in detail on developments in each of these nations, but they shall be referred to briefly. From one angle, the way the Arab Spring has been projected by the Western media and nations suggests that this process was long overdue and democratically the Arabs are moving forward in the “right” direction. At the outset, one is tempted to raise the question as to whether it would be fair to blame Arabs if they have not yet

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included democratic principles in their political structure. Yemen, for instance, was subject to Western colonialism less than a century ago. It takes decades, even centuries, for the development of democratic institutions and norms. Considering that colonialism had not allowed democracy to actually take roots in Yemen, why should only the Arab leaders of this nation be blamed for their country’s political system?” (End of quotation).

If the so-called supporters and promoters of Arab Spring are doing so out of their genuine concern for democracy to take roots in this region, there is yet another angle to this by external forces. When external pressures or forces are used to change regimes in the name of establishing democracy, in essence it is nothing but another form of neo-colonialism confirming its grip on that country.

Another piece by Roberto Toscano, Senior Research Fellow Associate CIDOB, titled “Which Democracy after the “Arab Spring”? He wrote: “The experience of the “Arab Spring”, with its achievements and its failures, raises several fundamental questions on democracy that are valid beyond the region.

The weakness of secularism in the Muslim world is mainly due to the fact that it is perceived not as promoting the separation of religion and state, but as being hostile to religion, and opposed to the presence in the public sphere of religion, which it would like to see limited to the merely private domain. Whereas in the West democracy has historically come only on the basis of a long process of construction of the rule of law, we seem now to expect that countries that have entered the XXI century without any real experience of the rule of law will move directly to democracy. Liberals in the Middle East have a tendency to focus on political issues (human rights, individual freedom) and disregard social issues. Radical Islam is strong not because of the strength of religious fundamentalism, but rather thanks to its credible social activism (and reputation for not being corrupt).” (End of quotation).
According to (Phillips, 2012)\textsuperscript{83}, a Senior Research Fellow for Middle Eastern Affairs in the Douglas and Sarah Allison Centre for Foreign Policy Studies, the countries affected by the “Arab Spring” face much more difficult transitions to stable democracy than is generally recognised; He elaborates that Islamists have gained the most in the political upheavals so far, by capturing leadership of governments in Egypt (prior to bringing down the Brotherhood regime) and Tunisia, and achieving influence in Libya, and playing key roles in insurgeoins in Mali, Syria, and Yemen. He also believes that al-Qaeda is now positioned to exploit the aftermath, and power vacuum.

Finally, it is clearly observed that the Arab Spring gradually turned into a “bleak dark Arab winter” marked with bloodshed, economic collapse and social destruction, whereas extremists and radicals falsely claiming to represent Islam, backed up by some western and regional countries, are continuously attempting to hijack the incomplete revolutions and impose totalitarian dictatorships in the affected countries.

\textbf{Section (5): A brief comparative study between EU and GCC}

5.1 Structure of the EU in brief.

5.2 Structure of GCC in brief.

5.3 Assessment and extraction of the successful experiences in both blocs to use for the construction of the AEU.

5.1 \textbf{Structure of the EU in brief}\textsuperscript{84}

The European Union is composed of 28 sovereign Member States: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Croatia Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Republic of Ireland, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom (pending the Brexit coming into force\textsuperscript{85}).


\textsuperscript{85} The people of Britain voted for a British exit, or Brexit, from the EU in a historic referendum on Thursday June 23.
The EU's membership has grown from the original six founding states being Belgium, France, West Germany (now Germany, after unification), Italy, Luxembourg and the Netherlands, to the current 28 states in a gradual form as countries were accessing treaties.

In order to join the EU a country must meet the Copenhagen criteria, defined at the 1993 Copenhagen European Council which mostly require the existence of the rule of law, a stable democracy that respects human rights; a functioning market economy capable of competition within the EU; and the acceptance of the obligations of membership, mainly the EU law. No member state has ever left the EU, however Greenland withdrew in 1985, and the UK has voted to exist in accordance with the article provided by the Lisbon Treaty related to EU.

Four countries from Western Europe have, to a certain extent, committed to the EU's economy and regulations although they are not EU members: Iceland (a candidate country for EU membership), Liechtenstein and Norway (which are a part of the single market through the European Economic Area), and Switzerland, which has similar ties through bilateral treaties. There are four official candidate countries, Croatia, Iceland, Macedonia, and Turkey (political factors impede its accession). Albania, Bosnia and Herzegovina, Montenegro, and Serbia are officially recognized as potential candidates. The small European states, Vatican, San Marino, Andorra and Monaco commitments include using the euro and other areas of cooperation.

On the one-year anniversary, Brexit campaigner Nigel Farage said: “This time last year we dared to dream and then won an historic victory.” After the declaration of the referendum result, the pound fell to its lowest level since 1985 and David Cameron resigned as Prime Minister.
Prime Minister Theresa May triggered Article 50 - the step that starts the timer on two years of Brexit talks - in late March 2017.
But Brexit was thrown into uncertainty when the Conservatives lost their majority in a general election in June 2017, leaving Britain with a hung parliament. Theresa May is now pushing ahead with Brexit after clinging on to power by forming a minority government with support from Northern Irish party the DUP. Britain is now pushing ahead with the first phase of EU exit talks on the rights of EU citizens in the UK, the Brexit bill and the Irish border.
EU chief negotiator Michel Barnier has refused to let discussions move on to trade without recognition that Britain owes the EU billions. However, Brexit Secretary David Davis has hit back at Mr Barnier's claim that the UK is wallowing in 'nostalgia' for the benefits of EU membership. Under Article 50, Britain is scheduled to finally leave the EU by the end of March 2019. MPs and peers will be given a vote on the final EU deal.

What is Brexit and what is going to happen now that Britain has voted to LEAVE the EU?
By Alice Foster - PUBLISHED: 11:00, Fri, Sep 1, 2017 | UPDATED: 15:39, Fri, Sep 1, 2017 See: http://www.express.co.uk/news/politics/682376/Brexit-how-long-take-Britain-to-leave-EU-referendum-2016-vote-talks-negotiations
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Totals: 28 countries

510,056,011 4,475,757 113.96

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The EU operates solely within those competencies conferred on it upon the treaties and according to the principle of subsidiary. Laws made by the EU institutions are passed in a variety of forms; and can be classified into two groups. First group includes laws which come into force without the necessity for national implementation measures, and second group includes laws which specifically require national implementation measures.

Competencies in scrutinizing and amending legislation are divided between the European Parliament and the Council of the European Union, while executive tasks are carried out by the European Commission and in a limited capacity by the European Council (not to be confused with the aforementioned Council of the European Union). The monetary policy of the euro zone is governed by the European Central Bank. The interpretation and the application of EU law and the treaties are ensured by the Court of Justice of the European Union. There are also a number of ancillary bodies which advise the EU or operate in a specific area.

The EU comprises of several institutions and bodies of homogenous nature operating under a hierarchical structure.  

EU institutions and other bodies
EU institutions in brief
European Parliament / European Council / Council of the European Union / European Commission / Court of Justice of the European Union (CJEU) / European Central Bank (ECB) / European Court of Auditors (ECA) / European External Action Service (EEAS) / European Economic and Social Committee (EESC) / European Committee of the Regions (CoR) / European Investment Bank (EIB) / European Ombudsman / European Data Protection Supervisor (EDPS) / Interinstitutional bodies
A unique institutional set-up
In the EU's unique institutional set-up:
  • the EU's broad priorities are set by the European Council, which brings together national and EU-level leaders
  • directly elected MEPs represent European citizens in the European Parliament
  • the interests of the EU as a whole are promoted by the European Commission, whose members are appointed by national governments
  • Governments defend their own country's national interests in the Council of the European Union.

Setting the agenda
The European Council sets the EU's overall political direction – but has no powers to pass laws. Led by its President - currently Donald Tusk - and comprising national heads of state or government and the President of the Commission, it meets for a few days at a time at least twice every 6 months.

Law-making
There are 3 main institutions involved in EU legislation:
  • the European Parliament, which represents the EU’s citizens and is directly elected by them;
  • the Council of the European Union, which represents the governments of the individual member countries. The Presidency of the Council is shared by the member states on a rotating basis.
  • the European Commission, which represents the interests of the Union as a whole.
Together, these three institutions produce through the "Ordinary Legislative Procedure" (ex "co-decision") the policies and laws that apply throughout the EU. In principle, the Commission proposes new laws, and the Parliament and
5.2 Structure and nature of the Gulf Cooperation Council – (GCC)

The GCC is the most explicit trading bloc agreement in the Arab region, with the exception of the Qatar crisis explained earlier, it presents the example which serves this research, being the most developed trading bloc among Arab countries. The AEU, if ever achieved would be an explicit form of an extended GCC. The Gulf countries share homogeneous aspects such as same language, culture, religion and history, and also face similar set of economic challenges, a fact that necessitated the development of stronger economic integration. From 1975 till 1978, four GCC members (UAE, Bahrain, Kuwait, and Qatar) attempted to reach a monetary coordination, as a step toward issuing a common Gulf currency. The attempt however was futile and the issuance of a common currency was put off (El-Kuwaiz, 1988).
It was not until May 1981 when the four Gulf countries, along with Saudi Arabia and Sultanate of Oman, signed the Charter of the GCC. The six members have a combined population of about 37 million, in 2007, and had a combined GDP of USD 821 billion.

5.2.1 The objectives of the GCC:
The objectives of the GCC include coordination, integration and inter-connection between member states in all fields, formulation of similar regulations in the fields of economic and financial affairs, commerce, customs and communications.
To achieve these objectives the GCC countries erected three main entities which are:
1) The Supreme Council;
2) The Ministerial Council;
3) The Secretariat General.

The GCC Charter allows each of the above organisations to establish sub-agencies as it may deem necessary (GCC Charter). The Charter spreads over (22) Articles as follows:

The UAE, State of Bahrain, KSA, Sultanate of Oman, State of Qatar and State of Kuwait;

Being fully aware of the ties of special relations, common characteristics and similar systems founded on the creed of Islam which bind them; and Desiring to effect coordination, cooperation and integration between them in all fields; and, Having the conviction that coordination, cooperation, and integration between them serve the sublime objectives of the Arab Nation; and, Having the conviction that coordination, cooperation, and integration between them serve the sublime objectives of the Arab Nation; and, In pursuit of the goal of strengthening cooperation and reinforcement of the links between them; and In an endeavour to complement efforts already begun in all essential areas that concern their peoples and realize their hopes for a better future on the path to unity of their States; and

In conformity with the Charter of the LAS which calls for the realization of closer relations and stronger bonds; and

In order to channel their efforts to reinforce and serve Arab and Islamic causes,

Have agreed as follows:

89 Charter of the Gulf Cooperation Council (GCC) / 25 May 1981
Article (1): The Establishment of the Council: A Council shall be established hereby to be named The Cooperation Council for the Arab States of the Gulf hereinafter referred to as the Cooperation Council (GCC).

Article (2): Headquarters: The CC shall have its headquarters in Riyadh, Saudi Arabia.

Article (3): Cooperation Council Meetings: The Council shall hold its meetings in the state where it has its headquarters, and may convene in any member state.

Article (4): Objectives: The basic objectives of the Cooperation Council are:

1. To effect coordination, integration and inter-connection between Member States in all fields in order to achieve unity.
2. To deepen & strengthen relations, links & areas of cooperation now prevailing between their peoples in various fields.
3. To formulate similar regulations in various fields including the following: Economic and financial affairs, Commerce, customs and communications, Education and culture.
4. To stimulate scientific and technological progress in the fields of industry, mining, agriculture, water and animal resources; to establish scientific research; to establish JVs and encourage cooperation by the private sector for the good of their peoples.

Article (5): Council Membership: The Cooperation Council shall be formed of the six states that participated in the Foreign Ministers' meeting held in Riyadh on 4 Feb 1981.

Article (6): Organisation of the Cooperation Council: The Cooperation Council shall have the following main organisations: (1) Supreme Council to which shall be attached the Commission for Settlement of Disputes, (2) The Ministerial Council, and (3) The Secretariat General. Each of organise may establish sub-agencies as may be necessary.

Article (7): Supreme Council (SC): The Cooperation Council shall be formed of the six states that participated in the Foreign Ministers' meeting held in Riyadh on 4 February 1981. The SC is the highest authority of the Cooperation Council and shall be formed of heads of member states. Presidency shall be rotatory based on alphabetical order of member states names. The SC shall hold one regular session every year. Extraordinary sessions may be convened at the request of any member seconded by another member.

Article (8): The Functions of the Supreme Council: The SC shall endeavour to realize the objectives of the Cooperation Council, particularly through 10 functions:

Article (9): Voting in the Supreme Council: The Cooperation Council shall be formed of the six states that participated in the Foreign Ministers' meeting held in Riyadh on 4 February 1981. Each member of the Supreme Council shall have one vote. Resolutions of the Supreme Council in substantive matters shall be carried by unanimous approval of the member states participating in the voting, while resolutions on procedural matters shall be carried by majority vote.

Article (10): Commission for the Settlement of Disputes: The Cooperation Council shall have a commission called "The Commission for the Settlement of Disputes" which shall be attached to the Supreme Council. The Supreme Council shall establish the composition of the Commission for every case on an "ad hoc" basis in accordance with the nature of the dispute. The Commission shall submit its recommendations or opinion, as applicable, to the SC for such action as the Supreme Council deems appropriate.
Article (11): Ministerial Council: The Ministerial Council shall be formed of the Foreign Ministers of the member states or other delegated ministers. The Council Presidency shall be for the member state, which presided the last ordinary session of the Supreme Council, or if necessary, for the state which is next to preside the SC.

The Ministerial Council shall convene every three months and may hold extraordinary sessions at the invitation of any member seconded by another member.

The Ministerial Council shall determine the venue of its next session. A Council's meeting shall be deemed valid if attended by two-thirds of the member states.

Article (12): Functions of the Ministerial Council

(1) Propose policies, prepare recommendations, studies and projects aimed at developing cooperation and coordination between member states in various fields and adopt the resolutions or recommendations required in this regard. (2) Endeavour to encourage, develop and coordinate activities existing between member states in all fields. Resolutions adopted in such matters shall be referred to the Ministerial Council for further submission, with recommendations to the Supreme Council for appropriate action. (3) Submit recommendations to the Ministers concerned to formulate policies whereby the Cooperation Council's resolutions may be put into effect. (4) Encourage means of cooperation and coordination between the various private sector activities, develop existing cooperation between the member states' Chamber of Commerce and Industry, and encourage movement within the GCC of workers who are citizens of member states. (5) Refer any of the various aspects of cooperation to one or more technical or specialised committee for study and presentation of appropriate recommendations. (6) Review proposals related to amendments to this Charter/submit appropriate recommendations to the Supreme Council. (7) Approve Rules of Procedure of both the Ministerial Council and Secretariat General. (8) Appoint Assistant SG., as nominated by the SG, for a period of three year, renewable. (9) Approve periodic reports as well as internal rules and regulations relating to administrative and financial affairs proposed by the Secretary-General, and submit recommendations to Supreme Council for approval of budget of Secretariat General. (10) Make arrangements for meetings of the Supreme Council and prepare its agenda. (11) Review matters referred to it by the Supreme Council.

Article (13): Voting in the Ministerial Council: Every member of the Ministerial Council shall have one vote. Resolutions of the Ministerial Council in substantive matters shall be carried by unanimous vote of the member state present and participating in the vote, and in procedural matters by majority vote.

Article (14): The Secretariat General: The Secretariat General shall be composed of a Secretary-General who shall be assisted by assistants and a number of staffs as required. The SC shall appoint the Secretary-General, who shall be a citizen of one of the Cooperation Council states, for a period of three years, which may be renewed once only.

The Secretary-General shall nominate the Assistant Secretaries General. The Secretary General shall appoint the Secretariat General staff from among the citizens of member states, and may not make exceptions without the approval of the Ministerial Council.

Article (15): Functions of the Secretariat General: These are split into (8) functions.

Article (16): The SG and Assistant SG and all SG staff shall carry out their duties in complete independence and for the joint benefit of the member states. They shall refrain
from any action/behaviour incompatible with their duties and from divulging confidential matters relating to their appointments either during or after their tenure of office.

**Article (17): Privileges and Immunities:** The Cooperation Council and its organisations shall enjoy on the territories of all member states such legal competence, privileges and immunities as are required to realize their objectives and carry out their functions.

**Article (18): Budget of the Secretariat General:** The Secretariat General shall have a budget to which the member states shall contribute in equal amounts.

**Article (19): The Implementation of the Charter:** This Charter shall go into effect as of the date it is signed by the Head of States of the six-member states named in this Charter's preamble. The original copy of this Charter shall be deposited with the MoFA of KSA which shall act as custodian and shall deliver a true copy thereof to every state.

**Article (20): Amendments to Charter:** Any member state may request an amendment of this Charter. Request for Charter amendments shall be submitted to the SG who shall refer them to the member states at least four months prior to submission to the Ministerial Council. An amendment shall become effective if unanimously approved by the SC.

**Article (21): Closing Provisions:** No reservations may be voiced in respect of the provisions of this Charter.

**Article (22):** The SG shall arrange to deposit and register copies of this Charter with the League of Arab States and the United Nations, by resolution of the Ministerial Council.

This Charter is signed on one copy in the Arabic language at Abu Dhabi City, United Arab Emirates, on 21 Rajab 1401 corresponding to 25 May 1981.

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5.2.2 Unified Economic Agreement:

In accordance with the GCC Charter and as a step toward strengthening their economic ties, the GCC members signed the Unified Economic Agreement on the 25th of May 1981 in Abu Dhabi. The UEA articulated the principles of coordination and integration of economic activities. The agreement calls for the following actions:

a. Dismantling tariffs on regional products and implementing a common tariff on non-GCC products.

b. Coordinating member states commercial policies and relations with other states and regional economic blocs with a view to creating balanced trade relations.

c. Granting all GCC citizens equal treatment regarding freedom of movement, work and residence; freedom of exercising economic activities and capital movement.

d. Coordinating and harmonizing members’ development plans.

e. Formulating unified oil policies.

f. Adopting a common legal framework for trade and investment.
g. Cooperating in the financial and monetary sphere. Article (22) of the Agreement reads (available GCC web-site), "Member states shall seek to coordinate their financial, monetary and banking policies and enhance cooperation between monetary agencies and central banks, including the endeavour to establish a joint currency in order to further their desired economic integration”.

Efforts toward regional integration have strengthened the ties between the member states. The formation of the Gulf Cooperation Council, which has been underway over the past twenty years, has resulted in the freedom of movement of goods, services, national labour, and capital.

As previously mentioned, the main goals of the GCC include strengthening the economic cooperation among member countries, harmonizing their economic and financial policies, developing the private sector, and achieving a monetary union.

5.2.3 Arab Common Characteristics:

Over and above, the GCC countries share common characteristics; namely, heavy reliance on hydro carbon, geographical proximity, small private and dominant public sectors, heavy reliance on foreign labour force in the private sector, common language and culture, and small populations except for KSA that has about 70% of the population of the GCC countries (Thomas D. Willett, 2009)\(^90\).

In the year 2000, the GCC countries approved the use of a common exchange rate peg as a step towards the formation of a common currency in 2010. In 2001, a joint custom tariff of five percent was agreed on and enforced two years later. In 2002, the USD was chosen as the intermediate peg before the common currency comes into effect. In 2003, the GCC countries have adopted the customs union to lift all the tariffs and other trade barriers among themselves (Bank, 2010).\(^91\)

To further strengthen ties between them, group of states harmonized the banking sector, as well as permitted nationals to own real estate and trade in member states stock exchange. It was necessary however to revise the initial target date of 2010 that


was set for adopting a common currency and forming a monetary union until the following reforms were completed (Fasano & Iqbal, 2003).  

a. Adopting a common code of fiscal conduct, consisting of clear criteria for fiscal convergence, a common accounting framework for public accounts, and adequate budgetary procedures.

b. Determining a common exchange rate policy, including pooling of official foreign assets and the irrevocable fixing of bilateral conversion rates.

c. Developing institutions, such as a common central bank, to support the monetary union, as well as a common set of instruments to ensure that monetary policy operations have a similar effect throughout the GCC monetary area.

d. Establishing adequate data quality and common standards to assess progress toward convergence criteria and adherence to policy objectives.

In accordance with its charter, the GCC presidency is rotated yearly in the Arabic alphabetical order of member states names. The Ministerial Council composed of the foreign ministers of the member states or other delegated Ministers. The Secretariat-General is run by a Secretary General (SG) and three Assistant SGs in charge of political, financial and military affairs respectively.

The position of the Secretary General is rotated in the Arabic alphabetical order of the names of the member states and appointed by the Supreme Council during the summit meeting with a 3-year term of office.

Facing the present new global situation, the six countries of the GCC have increasingly shown a tendency of participating in international and regional affairs in the capacity of the GCC as a whole, developing pluralistic foreign relationship and emphasizing on achieving equilibrium between major powers.

On major global and regional affairs, GCC states are supposed to adopt a unified stand and play a collective role, reflecting unity and integrity of foreign policies of the six countries; however, the recent Qatar crisis which erupted in May 2017, and which has been thoroughly explained previously in this chapter, has revealed the loopholes and anomalies, and posed a threat to the structure of the GCC itself.

92 See Fasano, U., & Iqbal, Z. (2003). GCC Countries: From Oil Dependence to Diversification, IMF.
5.2.4 Reasons for establishment

The general source to establish the GCC was to effect integration between member states in all fields. More precisely, and as per the GCC Charter, amongst the main establishment reasons are:

1. To effect coordination, integration, and interconnection among member states in all fields in order to achieve unity among them.

2. To deepen and strengthen relations, links and areas of co-operation now prevailing among their people in various fields.

3. To promote the development of industry, agriculture, science and technology, to establish scientific research centres.

4. To set up joint ventures and encourage economic and trade cooperation by the private sector.

5. To formulate similar regulations in various fields including the following
   a. Economic and financial affairs
   b. Commerce, customs and communications
   c. Education and culture
   d. Social and health affairs
   e. Information and tourism
   f. Legislative and administrative affairs

5.3 Assessment and extraction of the successful experiences in both blocs to adopt and utilise for the construction of the Arab Economic Union

5.3.1 Assessment of an Arab Economic Union

One cannot overlook the general disadvantages of a trading bloc that would normally apply to an Arab Economic Union, however, greater are the advantages that would apply as well, and this is how an AEU could be seen as a goal where the outputs would be mostly in the benefit of the Arab citizens, promoting their prosperity, providing a more secure region, securing further economic and political immunity to the internal and external instability factors threatening the security of the Arab citizens in general.
On the other hand, the Arab Economic Union would be a natural evolution of the Arab societies; what applies to the GCC regarding the common elements and shared facts between its members applies explicitly to the Arab countries that share several aspects of their civilization through centuries of common history, language, religious beliefs, and social tradition and values as well as few trading agreements, bilateral trading agreement and free trade area agreements. Unfortunately, it is common to find protected corruption in Arab states. It is this corruption that hinders any step towards a better future and destroy the possibility to arrange a constructive structure.

To overcome this dark fact, and to avoid losing hope, it is important to remember that it took the GCC’s six members 16 years to step into the second stage of their process whereby they finally signed their custom union agreement. Although they could not meet their plans for a common currency in 2010, they were able to achieve significant growth throughout the years since the GCC’s inception. Although the recent Qatar crisis has raised many fears concerning the future of the GCC, this custom union remains to be the most developed in the region on the integration level. In addition, it took the Europeans almost 50 years to accomplish their economic union. Therefore, and even if the AEU construction required a full generation period to be achieved, it is worth the wait due to the anticipated results.

5.3.2 The Union literacy
This empirical rule paves the way towards a successful AEU. Developing a mature literacy of the economic union vision is an ongoing long term process that helps to raise a generation ready to encourage and to facilitate the establishment of an economic union among Arab countries, hopefully leading one day to a fully operational Arab political union. A literacy integrated in the Arab societies confirms the necessity and the feasibility of the economic union. Such literacy is assimilated by several accomplishable intangible and tangible means. Investing in infrastructure regional projects and mutual profit oriented business projects would strengthen the interest factor were several Arab countries (desiring to benefit from the advantages of an economic bloc) would mutually invest in large businesses
and projects in the fields of tourism, healthcare, sports, education, research, hedge funds, sovereign funds, trans-border transportation, electricity, irrigation, agriculture and more. Such investments will attract other Arab states and broaden the AEU perspective, which represents a pre-step as a preparatory stage to set up a free trade area followed by a custom union and a common market in order to reach an economic union with common currency after creating an Arab Central Bank, all of which play as the sound platform to achieve full political integration based on many common factors which do not exist in other parts of the world.

Conclusion
This chapter serves to set up the platform considered as the first step in a “thousand mile journey”, and while it presented a “factual background study” through providing a description of the economic and financial global crisis followed by discussing the historic and current models of trading blocs and global economic integration models, it also observed the previous and scheduled attempts to establish Arab economic unity.

More importantly there is an attempt to conclude this chapter by exploring the incentives, challenges and opportunities to create a legal and financial order from the eye of the Arab Spring / Uprising which is thought to be the result of political and social reaction to the government austerity and corruption. As a result, this introductory chapter focused on the idea of transforming the most severe challenges into real opportunities of unification, through shedding the light on positive elements that currently exists to build on them as basis for unity, especially with the Arab world witnessing unprecedented turbulence, commotion and wars; ultimately believing that this is the best time to achieve the desired change.

Over and above, the currently only existing Arab regional custom union (GCC) makes the Arab integration process more facilitated, since it presents the cornerstone and backbone of Arab economic integration. In addition, the existence of the EU model represents a “fit to follow” example and a lesson to learn from, and which may be highly benefited from, as the most successful reference in recent history.
CHAPTER (2)
ECONOMIC OPERATIONAL LIBERTY AND FREE MOVEMENT
OF FACTORS OF PRODUCTION

Introduction

For over 50 years now, there has been increased awareness of Arab nationalism which affirms in its nature that Arabs should seek to constitute a single nation. Arabism binds Arabic speaking people to each other on the basis of cultural uniformity beyond the political, economic, linguistic, religious, historical, and emotional links. This has become more vivid along with the wide expansion and diversity within the Arab World.93

Currently, the Arab League “League of Arab States – LAS” and in spite of its defective efficiency and performance, is the only inclusive organisation which is considered as the umbrella for Arab cooperation. As a regional organisation of Arab states created in 1945, the LAS aims, as per its Charter, to enhance Arab cooperation and coordination in all relevant areas with the ultimate goal of establishing the Arab Common Market and economic integration, namely through the Council of Arab Economic Unity (CAEU).

As a result, the LAS is theoretically regarded as a representative of Arabs welfare through pursuing the political unification of the Arab countries and paving the Pan Arabism project. The Arab world’s integration efforts have practically instigated in the 1950s, prior to any initiatives which took place in other developing regions, and almost around the same time of the European initiation.

The most famous example was the Arab Economic Unity Agreement signed on 03/06/1957 and which came into force on 30/04/1964 as an initiative by Egypt, Iraq, Jordan, and Syria to form an Arab Common Market.

Today, the key multilateral trade agreements are the Agadir Agreement between Egypt, Jordan, Morocco and Tunisia which has been in force since 2007, the Gulf Cooperation Council (GCC) which is the only existing custom union in the region in force since 2003, and the Pan Arab Free Trade Agreement (PAFTA) in force since 1998 which includes members of the GCC and Agadir as well as other members of the Arab League.

In addition, the Arab Maghreb Union (AMU) which includes Agadir parties Tunisia, Morocco, Algeria, Libya and Mauritania. Over and above, Arab countries also belong to a crossing network of intraregional bilateral trade agreements amongst them.

For instance, Jordan has agreements with Bahrain, Egypt, Morocco, Palestine, Sudan, Syria, Tunisia, UAE and is negotiating an agreement with the GCC; Tunisia has agreements with Egypt, Iraq, Jordan, Libya, and Morocco; and Egypt has agreements with Iraq, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia.

Based on the above, it has become evident that Arab states have already put in place many bilateral and multilateral agreements amongst them, which indicates their readiness and existing will to march forward towards establishing further cooperation which leads to integration.

As a result, and in line with what was discussed in Chapter (1), and what will be further discussed and explored in the coming chapters, the Arab states are required to utilise the elements which currently exist for the sole purpose of realising full economic integration, based on first the efforts that have already been exerted, and second on the very promising potential and capabilities which exist.
Section (1): Introduction of trading blocs and their application towards creating a trade union followed by full economic integration (economic union)

1.1 Free Trade Area

It is a group of countries that have signed a Free Trade Agreement (FTA) and have few or no price controls in the form of tariffs or quotas between each other. Free trade areas allow the signatory nations to focus on their comparative advantages and to produce the goods they are comparatively more efficient at making, thus increasing the efficiency and profitability of each country and increase in competition because manufacturers are closer together, which create economy of scale due to decrease cost and increase mass production.

One of the most well known and largest free trade areas was created by the signing of the North American Free Trade Agreement (NAFTA) on January 1st, 1994. This agreement between Canada, the United States of America and Mexico encourages trade between these North American countries and Mexico.

In order to develop a FTA, participating nations must develop rules concerning its operation and administration. In terms of the customs procedures that each country must follow; the tariffs, if present, that will be allowed and their associated costs, solutions of trade disputes between participating countries, resolution of trade disputes, transportation of goods for trade, establishing and management of intellectual property rights. The goal is to create a trade policy that all countries in the FTA agree to implement diligently.

Free Trade Areas benefit consumers, who will have increased access to less expensive and higher quality foreign goods, whereby prices decrease since governments reduce or eliminate tariffs. Producers may struggle with increased competition, but they may also acquire a greatly expanded market of potential customers. Workers in some countries and industries are likely to lose jobs as production shifts to become more efficient overall. Free Trade Areas can also encourage economic development in countries as a whole, benefitting everyone who resides there through increased living standards and wellbeing.
1.2 Custom Union

The Custom Union is a trade agreement by which a group of countries charges a common set of tariffs to the rest of the world while granting free trade among each others; It is a partial form of economic integration that offers an intermediate step between free-trade zones (which allow mutual free trade but lack a common tariff system) and common markets (which, in addition to the common tariffs, also allow free movement of resources or factors of production such as capital, labour, products and services between member countries). A free-trade zone with common tariffs is a customs union.

It has long been recognised that tariff barriers generally reduce the quantity of trade between countries. Under most circumstances this reduction in trade protects certain domestic producers, but it also translates into higher costs for consumers in both the importing and the exporting countries. Many governments attempt to resolve this problem by protecting politically favoured producers while also reducing consumer costs. Custom Unions, along with other forms of partial economically integrated blocs, offer solid means to achieve that balance.

The Arab Custom Union is a custom union announced at the Arab League's 2009 Arab Economic and Social Development Summit in Kuwait in order to achieve a functional customs union supposedly by 2015, and the establishment of an Arab Common Market by 2020, which would be paralleled with increasing, inter Arab trade and integration.

The announcement was made by the head of the Arab Customs Union Committee, Saud Al Jefeiri, who presided over a two-day meeting of the committee at the Arab League headquarters in Cairo, Egypt. Participants in the meeting discussed the Custom Union plan and its administrative structure, and reviewed the legal structure and regulations for this union. The union was planned to lead to the establishment of an Arab Common Market. Al Jefeiri, who represented Qatar at the meeting, said most Arab member countries agreed to put forward and implementing plan, Egypt and Morocco asked for an independent accord to govern the Custom Union. The Arab Custom Union resolution contains 17 chapters and 179 articles regulating economic and trade relationship between Arab countries, and aims to boost trade and investment among member states.
1.3 Common Market

A common market is usually referred to as the first stage towards the creation of a single market. It is usually built upon a free trade area with relatively free movement of capital and of services, but not so advanced in reduction of the rest of the trade barriers.

A common market allows for the free movement of capital and services but large amounts of trade barriers remain. It eliminates all quotas and “tariffs” – duties on imported goods – from trade in goods within it. However, “non-tariff barriers” remain such as differences between the Member States’ safety, packaging requirements and national administrative procedures.

In a common market, the manufacturers for example, are prevented from marketing the same goods in all member states. The objective of a common market is most often economic convergence and the creation of an integrated single market. It is sometimes considered as the first stage of a single market. The European Economic Community was the first example of a common market.

Examples and samples of Common Market throughout recent history:

- European Union Single Market (European Economic Area – Switzerland)\(^\text{94}\)
- European Free Trade Association (EFTA)\(^\text{95}\)

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\(^\text{94}\) The European Economic Area (EEA) was set up in 1994 to extend the EU’s provisions on its internal market to the European Free Trade Area (EFTA) countries. Norway, Iceland and Liechtenstein are parties to the EEA. Switzerland is a member of EFTA but does not take part in the EEA. The EU and EEA partners (Norway and Iceland) are also linked by various ‘northern policies’ and forums which focus on the rapidly evolving northern reaches of Europe and the Arctic region as a whole. According to (Bahadir, 2017), “the purpose of the European Economic Area (EEA) is to extend the EU’s internal market to countries in the European Free Trade Area (EFTA). These countries either do not wish to join the EU or have not yet done so. EU legislation relating to the internal market becomes part of the legislation of the EEA countries once they have agreed to incorporate it. Implementation and enforcement are then monitored by specific EFTA bodies and a Joint Parliamentary Committee.” See Bahadir, A. (2017, March). The European Economic Area (EEA), Switzerland and the North. Retrieved from europarl.europa.eu: http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_6.5.3.html

\(^\text{95}\) According to (The European Free Trade Association), “The European Free Trade Association (EFTA) is an intergovernmental organisation set up for the promotion of free trade and economic integration to the benefit of its four Member States.” The Association is responsible for the management of:

- The EFTA Convention, which forms the legal basis of the organisation and governs free trade relations between the EFTA States;
- EFTA’s worldwide network of free trade and partnership agreements; and
- The European Economic Area (EEA) Agreement, which enables three of the four EFTA Member States (Iceland, Liechtenstein and Norway) to participate in the EU’s Internal Market.

EFTA was founded in 1960 on the premise of free trade as a means of achieving growth and prosperity amongst its Member States as well as promoting closer economic cooperation between the Western European countries. Furthermore, the EFTA countries wished to contribute to the expansion of trade globally. See The European Free Trade Association. (n.d.). Retrieved from efta.int: http://www.efta.int/about-efta/european-free-trade-association
- CARICOM Single Market and Economy (CSME)\textsuperscript{96}
- Southern Common Market (Mercosur)\textsuperscript{97}
- Gulf Cooperation Council (GCC)\textsuperscript{98}
- Eurasian Economic Union\textsuperscript{99}

\textsuperscript{96} According to (CARICOM: Definition of CSME, 2017), the CSME Unit of CARICOM is the implementation office which assists the Member States in fulfilling the requirements of the Revised Treaty of Chaguaramas. The CSME seeks to implement provisions for the removal of trade and professional restrictions. These provisions facilitate the right to establishment businesses, to provide regional services, the free movement of capital and the coordination of economic policies. In the ensuing years, some Caribbean economies, under the auspices of multilateral lending institutions, implemented structural adjustment programmes having at their core, programmes of economic, financial and trade liberalisation that far exceeded their commitments as expressed in the Treaty of Chaguaramas. The fundamental aspects of CSME are as following:

1. Consumer Affairs
2. Competition Policy
3. Social Security
4. Contingent Rights
5. Immigration Arrangements for Free Movement of Persons
6. Administrative Arrangements for Commercial Establishment
7. Government Procurement
8. Trade and Competitiveness in CARICOM


\textsuperscript{97} According to (Keller, 2016), The Southern Common Market is one of the world’s leading economic blocs and its fifth-largest economy, Mercosur is made up of four member countries—Argentina, Brazil, Paraguay, and Uruguay—after Venezuela was notified it would be suspended from the trading bloc on December 1. Founding member countries decided to remove Venezuela, which had joined Mercosur in 2012, for its failure to incorporate standards on trade and human rights into national laws, although the country could rejoin if it were to adopt the necessary norms. Bolivia is in the final stages of the accession to become the sixth member. Known as Mercosur in Spanish or Mercosul in Portuguese, the group encompasses 295 million people and has a combined GDP of nearly $3.5 trillion. One of Latin America’s largest regional integration projects, Mercosur also counts Chile, Colombia, Ecuador, Guyana, Peru, and Suriname serve as associate members. Mercosur functions as a customs union and free-trade area, and has ambitions to become a common market along the lines of the European Union. However, more than 20 years after its founding, the group still struggles to achieve that goal. Some questioned the bloc’s feasibility in recent years following decisions to temporarily suspend Paraguay after its president was impeached, and then when it admitted Venezuela as a full member. Nevertheless, Mercosur remains an economic and political force in the region, uniting South America’s two largest economies and providing a potential springboard for Latin American integration. With the Pacific Alliance, Latin America’s newest economic bloc, the two blocs combined represent more than 80 percent of regional trade and over 90 percent of its GDP.


\textsuperscript{98} According to (Cooperation Council for the Arab States of the Gulf, Secretariat General, 2017), on 21st Rajab 1401 AH corresponding to 25th May 1981, Their Majesties and Highnesses, the leaders of the United Arab Emirates, State of Bahrain, Kingdom of Saudi Arabia, Sultanate of Oman, State of Qatar and State of Kuwait met in Abu Dhabi, United Arab Emirates, where they reached a cooperative framework joining the six states to effect coordination, integration and inter-connection among the Member States in all fields in order to achieve unity, according to article 4 of the GCC Charter. Article 4 also emphasized the deepening and strengthening of relations, links and areas of cooperation among their citizens. The underpinnings which are clearly provided for in the preamble of the GCC Charter, confirm the special relations, common qualities and similar systems founded on the creed of Islam, faith in a common destiny and sharing one goal, and that the cooperation among these states would serve the sublime objectives of the Arab nation.

1.4 Economic and Monetary Union

An Economic Union is a union to which two or more economies belong. Economic Unions are established by means of a formal intergovernmental legal agreement among sovereign countries/jurisdictions with the intention of fostering greater economic integration. In an economic union some of the elements associated with a national economic territory are shared among the different countries/jurisdictions. These include:

- The free movement of goods and services within the Economic Union and a common tax regime for imports from non member countries (free-trade zone).

- The free movement of capital within the Economic Union

- The free movement of natural and legal entities within the Economic Union.

Also in an Economic Union, specific regional organisations are created to support the functioning of the Economic Union under these three points. Some form of cooperation/coordination in fiscal and monetary policy usually exists within an Economic Union.

The best existing example of an economic union, which as previously suggested, will be considered as the main structure in the attempts of establishing the Arab Economic Union.

99 According to (EURASIAN ECONOMIC UNION, 2017), the Eurasian Economic Union is an international organisation for regional economic integration. It has international legal personality and is established by the Treaty on the Eurasian Economic Union. The EAEU provides for free movement of goods, services, capital and labour, pursues coordinated, harmonized and single policy in the sectors determined by the Treaty and international agreements within the Union. The Member-States of the Eurasian Economic Union are the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation. The Union is being created to comprehensively upgrade, raise the competitiveness of and cooperation between the national economies, and to promote stable development in order to raise the living standards of the nations of the Member-States.

1.5 Political Union

A political union is a type of state which is composed of or created out of smaller states. The process is called unification. Unification of states that used to be together and are reuniting is referred to as reunification. In this type of union, the individual states share a central government and the union is recognized internationally as a single political entity. A political union may also be called a legislative union or state union in some regions.

A union may be affected in a number of forms, broadly categorized as:

a. Incorporating union: In an incorporating union a new state is created, the former states being entirely dissolved into the new state. Examples: South Africa, Spain.

b. Incorporating annexation: In an incorporating annexation a state or states is united to and dissolved in an existing state, whose legal existence continues. Annexation may be voluntary or, more frequently, by conquest. Examples: Italian unification, Prussia and Germany, England formally annexed Wales under the two Laws in Wales Acts of 1535 and 1542, Serbia annexed Montenegro in 1918.

c. Federal (or confederal) union: In a federal or confederal union the states continue in existence but place themselves under a new federal authority. The federal state alone will be the state in international law though the federated states retain an existence in domestic law. Example: Australia, Canada, the United Arab Emirates and the USA.

d. Federative annexation: If a state becomes a federated unit of another existing state, the former continuing its legal existence, then that is a federal annexation. The new federated state thus, ceases to be a state in international law but retains its legal existence in domestic law, subsidiary to the federal authority. Examples: British Columbia with Canada, Eritrea with Ethiopia, Geneva with Switzerland.

e. Mixed unions: The unification of Italy involved a mixture of unions. The kingdom consolidated around the Kingdom of Sardinia. Several states voluntarily united with Sardinia to create the Kingdom of Italy. Formally the union in each territory was sanctioned by a popular referendum, formally asking the people to agree to have as their new ruler Vittorio Emanuele II (the King of Sardinia) and his legitimate heirs.
Section (2): Identification of free movement of the Factors of Production

The orchestrators of the Arab economic integration must observe the European development trends.

The foundation of the single market many years ago, with the opening of borders, is considered as one of the major influential forces behind economic growth in Europe. Recent globalization created new challenges for the European Union (EU). In order to meet these challenges, the Single Market Act proposes to put businesses and Europeans at the heart of the single market in order to produce a consistent tool to promote growth. The internal market is a single market in which free movement of goods, services, capital and persons is assured, and where citizens are free to live, study, work, and do business. The Organisation of Economic Co-operation and Development (OECD) estimate that free movement has decreased the average unemployment rate across Europe by up to six percent (6%). For these reasons and many more, Arabs should crave more in order to create a single market after observing the benefits and advantages it brought to Europe.

2.1 Free Movement of Capital

Free movement of capital can lead to an optimal distribution of resources and an integration of open, competitive and efficient financial markets and services. This can maintain accountable macro-economic policy and promote growth through direct investment. This freedom is defined differently according to citizens, companies of various sizes and governments.

2.1.1 Citizens: freedom means the ability to perform different operations abroad. These operations are; opening bank accounts, buying shares in non-domestic companies, investing where the greatest return is, buying real estate and many more activities.

2.1.2 Companies of various sizes: freedom means the ability to invest in, and own, other companies and take an active part in management in addition to raising money, and to create jobs that consecutively benefit citizens.

2.1.3 Governments: freedom means lower borrowing rates than before, becoming easier to finance expenses on schools, hospitals and other forms of public spending.
2.1.4 **Capital** Movements, between an investor in a union member and a financial institution in another union, can be one of the following when performed on a cross-border basis:

a. Foreign Direct Investment (FDI).
b. Real estate investments or purchases.
c. Securities investments (e.g. in shares, bonds, bills, unit trusts).
d. Granting of loans and credits.
e. Other operations with financial institutions, including personal capital operations such as endowments and other forms.

2.2 **Free Movement of People**

In her article published on BBC on 27th of July 2015, Sonia Sodha asked: “Where did the idea of free movement of people come from? The precursor to the EU was formed as European leaders came together in the wake of the Second World War, wanting to prevent another catastrophic war. The idea was that allowing people to move across the continent - from countries where there were no jobs to countries where there were labour shortages - would not only boost European growth, but would help prevent war by getting people to mix more across borders”. (End of quote).

“If you wish to create a structure which would stop Germany and France ever going to war again, which was at the heart of the original principle,” says Gisela Stuart, the Bavarian born Labour MP for Birmingham Egbaston, "you did require a movement of the people in that area which would simply mean brother would never take up arms against brother again. And that has been achieved.” (End of quote).

Free movement of people mentioned in Rome Treaty Article 45 allows EU citizens to:

a. Seek a job in another EU country without needing a work permit.
b. Reside there for the purpose of work and stay even after termination of employment
c. Treated equally with nationals in access to employment, working conditions and all other social and tax advantages.
d. Have certain types of health and social security coverage.
e. Benefit from abroad recognition of professional qualifications

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100 BBC on 27th of July 2015, Sonia Sodha
2.3 Free Movement of Services

Services include industrial and commercial activities, in addition to activities of craftsmen and professionals. Such services are normally provided for remuneration irrespective of goods, capital or persons. The scope of services has been significantly widened to include tourism, medical, financial, banking building loans, insurance, and lotteries.

For Europe, there was a delay before the implementation of free movement of services, although free movement of goods was completed in the late 1960s. The core reason of this delayed progress, is that the service sector contains lots of activities; some of high importance for society and economy, whereas others are extremely rooted in national traditions.

Free movement of services is provisioned in the following different cases:

a. Service giver established in State 1 travels to State 2 to provide a service to recipient.
b. Recipient of a service established in a State 1 travels to State 2 to obtain a service.
c. Neither giver nor recipient travel, but service itself crosses border between Members.
d. Recipient and service giver travel to a third Member State, where service is achieved.

2.4 Free Movement of Products and Goods

Free movement of goods, the first of the four fundamental freedoms of the Internal Market, indicates that conforming products can circulate liberally in the Internal Market. Legislation in the fields of intellectual property, competition, state aid and public procurement are available to ensure a fair and efficient market.

This aims to ensure normal conditions of competition and removing all restrictions of a fiscal nature that may hinder the free movement of goods within the Common Market. In EU, for instance, member states have removed customs barriers and introduced a common customs policy towards other countries. Moreover, regulations to improve the free movement of goods in the community were established. These Regulations have direct or indirect effect of placing a product on the market; the modification or additional testing of that good before it can be placed on the market; and the withdrawal of that product.
Reported benefits from the free movement of goods can be divided into:

**Business and Citizens benefits:**

a. Easier access to a various suppliers and consumers  
b. Lower costs of products.  
c. Various commercial opportunities.  
d. Competitive prices  
e. Faster innovation and technological development  
f. Advanced safety standards and environmental protection.

The Arab countries must benefit from the European experience in free movement of factors of production in their economic reform, whereby they must grasp the advantages of the system, while and to analysing drawbacks in order to avoid them.

**Section (3): Creating a “Trade Union” within the Arab Region.**

3.1 The Cooperation Council for the Arab States of the Gulf (GCC Model)  
The Cooperation Council for the Arab States of the Gulf was established in Riyadh, Saudi Arabia, on 25th May 1981 by the six Gulf states; Kingdom of Saudi Arabia, Sultanate of Oman, State of Qatar, State of Kuwait, United Arab Emirates and Kingdom of Bahrain. The CGG was meant to be a regional intergovernmental association.

**Figure (2)**

Figure (2): Map indicating GCC member countries and GCC Flag.  
This bloc was not the product of a heated moment but of many compact factors that facilitated cooperation among these six neighbour states; including homogeneous values on economic, regulatory, political, social, cultural and religious levels. It was sought to be a convenient response to the challenges of security and an enhancement to economic development and growth in the region.

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101 Figure (2): Map indicating GCC member countries.
3.1.1 The Organisational Structure of CCASG

The Supreme Council of the Gulf Cooperation Council is the highest authority of the organisation. It is composed of the heads of the Member States who meet annually. Decisions of the Supreme Council are adopted by unanimous approval of all members.

The Ministerial Council, which is consisted of Ministers of Foreign Affairs of the Member States, meet quarterly to implement decisions of the Supreme Council and to formulate new policies and recommendations.

The administrative arm of the cooperation is the office of the General Secretariat, which prepares special studies relating to cooperation, coordination, planning and programming for common action, monitors policy implementation and arranges meetings.

3.1.2 Objectives of the Cooperation;

The basic objectives as stated in the Article Four in the GCC Chart are:

a. Assembling coordination, integration and inter-connection between member states in various fields in order to achieve unity between them.

b. Deepening and strengthening relations, ties and areas of cooperation between their people in various fields.

c. Formulating similar regulations in various fields including religion, economic and financial affairs, trade, customs and communications, education and culture, social and health affairs, information and tourism, legislative and administrative affairs.

d. Fostering scientific and technological progress in the fields of industry, mining, agriculture, water and animal resources by establishing scientific research centres, setting up joint ventures and encouraging cooperation of the private sector for the good of their people.

e. Adopting a unified military (Peninsula Shield Force) to protect countries from external forces.

f. Establishing a common currency.

http://www.gcc-sg.org/en-us/AboutGCC/Pages/StartingPointsAndGoals.aspx
3.1.3 Common Economic Agreements

The Supreme Council adopted the Common Economic Agreement at its second Session on November 1981. This Unified Economic Agreement was the basis of the integration programs that have been developed after the launching of the GCC, and includes

a. Achieving economic nationality among the GCC citizens
b. Achieving the economic integration among Member States in gradual steps, starting with the establishment of the Free Trade Area, the Customs Union, the Common Market and concluding with the establishment of the monetary and economic union and its necessary pertinent common institutions.

c. Convergence and unification of laws, regulations and strategies in the economic, financial and trade areas
d. Interconnecting the infrastructures in Member States, particularly in areas of communications, electricity and gas and promoting the creation of joint ventures.

With the developments of the joint action of the GCC and the global developments and challenges in the economic field, the Supreme Council adopted the Economic Agreement at its 22nd Session on December 2001. This updated Agreement has become more comprehensive, and contains mechanisms for implementation, follow ups and dispute settlement, focusing on the following topics:

a. The GCC Custom Union
b. The international economic relations between Member States and the other non-GCC countries, economic groupings and international and regional organisations, and the provision of international and regional aids.

c. The GCC Common Market which specifies the areas of the Economic nationality.
d. The Monetary and Economic Union.
e. Improving the investment climate in Member States.
f. The development integration across Member States, including but not limited to the industrial and agricultural development, development of oil and gas and the natural resources.
g. Development of human resources, including education, eradication of illiteracy, compulsion of basic education, activation of the population strategy, nationalizing and training of labour force and increasing their contribution to the labour market.
Scientific and technical research, development of scientific, technological and informatics database and protection of intellectual property rights.

Integration in the various infrastructure areas, including transportation, telecommunications and e-commerce.

3.1.4 Achievements of Cooperation

a. The Supreme Council at the 29th Session, (Muscat - December 2008) adopted the Monetary Union Agreement and the Statute of the Monetary Council pursuant to the timeframe approved by the Supreme Council for establishing the Monetary Union and introducing the single currency.

b. Having completed the main prerequisites, the GCC Common Market was declared in December 2007 to be launched as of January 2008.

c. Trade promotion that falls in two stages: a) Establishing a Free Trade Area among Member States as of March 1983. This led to the free movement of national goods across Member States without customs and duties in accordance to national treatment with certain controls, and b) Establishing the GCC Custom Union as of January 1st 2003. This Customs Union provides for a common external tariff and the free movement of goods across member States without tariff or non-tariff barriers.

d. Concluding the GCC Economic Agreement (2001) that was ratified by all Member States.

e. Adopting general strategies and policies that would serve as the basis of national policies in Member States, such as the instruments issued by the Supreme Council in the planning, population, industry, oil and agriculture areas.

f. Unification of laws, regulations and procedures in the economic fields. The Supreme Council has adopted some 40 standard laws, some of which are binding while most of the other laws are for mere reference.

g. Establishing the GCC joint institutions with a view to emphasizing the technical and economic cooperation among Member States and cutting the costs, such as Gulf Investment Organisation, GCC Standardization Organisation, Commercial Arbitration Centre, Patents Office, Technical Office for Telecommunications and the GCC ATM Network.
h. Coordination of positions in the international economic arena and the collective negotiation and economic dialogue with other countries and economic blocs, such as the EU, USA, Japan and China.

i. Cooperation and coordination in the fields of the physical and nonphysical infrastructure projects such as roads, communications and telecommunications and in the field of joint projects, and the agreement on the implementation of the first phase of the Arab Electricity Interconnection Project\textsuperscript{103}.

3.2 The European Union (EU) Model

European Union (EU) is an organisation created in 1993 with the aim of achieving closer economic and political ties between member states of European Community; it consists of 28 European countries and governs common economic, fiscal, monetary social, and security policies. In addition, the EU contests social exclusion and discrimination and encourages social justice and protection, gender equality, and children’s rights protection.

**Figure (3): Map indicating the European Economic Community and joining dates**

![Map of the European Economic Community](http://www.arabfund.org/default.aspx?pageId=454)

The current members are Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom\textsuperscript{104}.

\textsuperscript{103} See Arab Fund for Social and Economic Development / Projects & Operations / Electricity http://www.arabfund.org/default.aspx?pageId=454

3.2.1 Objectives of the EU

As declared by Article (3) of the Lisbon Treaty, the Union’s objectives include:

a. Promoting of peace and the wellbeing of the Union’s citizens.
b. Establishing of an area of freedom, security and justice without internal frontiers.
c. Securing sustainable development based on balanced economic growth and social justice.
d. Setting up a social market economy that is highly competitive and aiming at full employment and social progress.
e. Launching a free single market.

3.2.2 Economic Agreements of EU

The EU adopted stronger rules that include an international treaty to keep a tighter check on public debt and deficits.

The EU built its main tool for safeguarding economic stability, the Stability and Growth Pact (SGP)\textsuperscript{105}, comprehensively strengthening its application by:

a. Placing greater emphasis on reducing high levels of government debt
b. Weakening the excessive deficit Procedure so it can be triggered not only by a deficit in a given year but also by deeper, underlying developments in government debt.
c. Setting up an annual cycle of economic policy coordination, led by the Commission.
d. Enforcing stricter enforcement of fiscal rules, which include meaningful penalties for euro area countries that breach fiscal rules.
e. Setting up new arrangements for monitoring risky economic imbalances – such as asset bubbles (in house prices, shares, etc.) and weakening competitiveness – and addressing them before they threaten the economic stability of a country, or indeed the whole euro area or EU.

\textsuperscript{105} History of the Stability & Growth Pact

3.3 The World Trade Organisation (WTO) Treaty

The World Trade Organisation (WTO) is an international organisation established to supervise world trade and resolve trade disputes. It is the successor to the General Agreement on Tariffs and Trade (GATT) that was an informal organisation that regulated world trade since 1948. Located in Geneva, the World Trade Organisation began operations on January 1, 1995. Contrary to the temporary nature of GATT, WTO is a permanent organisation which has been established on the basis of an international treaty approved by participating countries. It achieved the international status for some global organisations such as the International Monetary Fund (IMF) and the International Bank for Reconstruction & Development (IBRD), however it is not an agency of the United Nations Organisation (UNO)\textsuperscript{106}.

3.3.1 Organisational Structure of WTO\textsuperscript{107}

The WTO has nearly 153 members accounting for over 97% of world trade. Decisions are made by the entire membership structure, typically by consensus. The WTO’s agreements have been ratified in all members’ parliaments. Within the WTO, the Ministerial Conferences is the top level decision making authority that meets at least once every two years. Below this body is the General Council which meets several times a year in the Geneva headquarters. The General Council also meets as the Trade Policy Review Body and the Disputes Settlement Body. At the second level, the Goods Council, Services Council and Intellectual Property Council (Agreement on Trade-Related Aspects of Intellectual Property Rights - TRIPS) which reports to the General Council.

Numerous specialized committees, working groups and parties deal with individual agreements and areas such as environment, development, membership applications and regional trade agreements along with other related agreements.


3.3.2 Key Functions of WTO:
   a. Sets and enforces rules for international trade.
   b. Provides a forum to negotiate and monitor further trade liberalization.
   c. Resolves international trade disputes.
   d. Increases the transparency of decision making processes.
   e. Cooperates with other major international economic institutions involved in global economic management, and
   f. Helps developing countries benefit fully from the global trading system.

3.3.3 Objectives of WTO include:
   a. Improves the standard of living of people in the member countries.
   b. Ensures full employment and broad increase in effective demand.
   c. Supports and supervises production and trade of goods.
   d. Increases the trade of services.
   e. Ensures optimum utilization of world resources.
   f. Protects the environment, and
   g. Accepts the concept of sustainable development.

Section (4): League of Arab States

4.1 The welfare of each is bound in the welfare of all *Helen Kettler*
Founded on March 19, 1945 with a broad mission of strengthening bonds and improving coordination between Arab States toward the mutual welfare of all members;
The League of Arab States is one of the oldest international organisations and perhaps the first to call, years ago, for economic integration between its country members.
In the highly dynamic, increasingly complex, world market led by aggressive globalisation trends, technological invasion and emerging excessive de-regulation cross borders barriers (e.g. fiscal, financial, and physical) are melting and fading away.
Economic integration approaches and synergistic deployment of resources adopted by many states are promising strategies to cope with global challenges, mitigate risk and cease opportunities.
The Arab world must imperatively follow the footsteps of the many economic blocs formed by now. e.g. the European Union; the Pacific Trade Agreement (PTA); the North American Free Trade Agreement (NAFTA); the Asian Pacific Economic cooperation (APEC) in addition to many other positive economic free trade agreements, customs unions, common markets.

As previously mentioned, a practical approach is needed by League of Arab States to establish a strategic economic fit for the Arab region and draw an action plan to rebuild the necessary platform to establish an economic bloc. In order to promote and build roots for commitment, cooperation, flexibility, shared operations and interests among unfortunately rival sister states, the LAS and its members must undergo drastic reforms:

4.1.1 Reproduce into an economical politically influencing entity and manage the dramatic political risk, the LAS must first amend its charter to allow enforcing and most importantly binding to all resolutions and regulations. Decisions reached by majority, only biding to accepting states, are significantly impairing the institution’s ability to make relevant or sufficient contribution.

4.1.2 Establish necessary and reinforce already existing departments, to draft and enable necessary laws, regulations, policies, decrees, sanctions programs; economical, legal and financial plans to effectively manage inter-countries conflicts, control cross border trade, encourage and implement free trade agreements among country members.

4.1.3 Establish processes to organize, monitor implementation, control and evaluate its laws and resolutions. Set up a sanction program to penalize non abiding members and develop monitoring channels such as working groups and reporting teams.

4.1.4 Collaborate more effectively with active Civil Society Organisations (CSOs) or Non-Governmental Organisations (NGOs), and remove unnecessary restrictions to harvest benefits from CSOs / NGOs integration.
4.1.5 Cooperate with business and economy knowledgeable professionals experts in the Arab World and encourage incentives for the many professionals residing abroad to return to their homelands and benefit their countries and region.

4.1.6 Member States should empower LAS, a step largely dependent on their commitment and goodwill to sacrifice part of their national sovereignty. In return the LAS should recognise the importance of civil society contributions to develop a supporting base standing against its Member States’ narrow interests.

4.1.7 Prepare for a suitable political background to build upon the economic merger by stressing on resolving the non-ending and ongoing territorial conflicts between its members. Through severe, yet fair, sanction programs and planned resolutions\textsuperscript{108}.

4.1.8 The LAS must develop an actionable, strategic economic integration plan with gradual implementation towards the unified Arabic Economic Union. This facilitates facing newly established large international economic blocs dictating their political rules and exploiting Arab world resources.

4.1.9 Encourage common custom procedures and elimination of tariff and non-tariff barriers between Arab countries, especially that some Arab countries impose 100\% custom duties on imports from other Arab countries. In addition, it also worth mentioning that the US-GCC bilateral trade agreements are even stronger that those between GCC states and eventually other Arab countries.

4.1.10 Promote and encourage financial, economical and educational reforms in member states and motivate investments diversification in order to build stable industrial and agricultural bases to reduce imports dependence, and achieve some technological independence. Noting that the potential for

achieving growth, industrialization and economic development differs significantly between oil rich countries and other countries eventually needing stronger financial support.

4.1.11 Encourage and control healthy investment environments and free trade agreements such as the Gulf Cooperation Council (GCC) agreement, to be able to shift to Common Market and diversify the benefits of the large amounts of Arab resources invested in foreign stock markets towards the Arab expanded market.

4.1.12 Appoint a team of Arab economists, scientists, lawyers, geopolitical experts to assess strength, weaknesses, risk and eventually missed opportunity in each member state to be able then deploy resources in a synergistic way. E.g. Oil rich countries with high GDP (Gulf States) and oil rich countries having also industrial diversification (Libya, Algeria...) can provide natural resources, the industrial base, technology and the know-how.

Countries having no natural resources or unemployed ones (Lebanon, Jordan, Syria, Egypt...) can provide the agricultural base, the manpower, the human resources and the know-how as well.\(^{109}\)

This team would be entrusted in planning, implementing, effectively controlling and evaluating economical plans which initiate in the form of free trade areas and reach the full economic integration.

The current situation is not favourable for integrating Arab economic forces with the bleeding territorial conflicts between member states, or even worse, with the populations left behind to face cruel savageries like Palestinians, Iraqis and Syrians. The Arab world must take serious actions to reinforce Arab solidarity.

4.2 Viability of creating several Arab trade blocs (Levant - Maghreb - Existing GCC…) which represent a prerequisite to the merge process leading to complete unification.

It is about time for the Arab World to mimic the trend and cease the increasingly growing importance and opportunity to develop suitable strategic economic plans leading towards the establishment of the desired Arabic Economic Union.

In order to set up the scheme for a comprehensive economic integration, the Arab League of States may instigate by supporting the creation of new sub-regional Arab custom unions and reinforcing and developing already existing trade blocs to spur transforming them in custom unions. Sub-regional blocs, whether already established or newly created, can setup the background and proper platform for a gradual merger between sub-regional Arab custom unions to reach economic integration and produce the desired AEU.

In addition, the League of Arab States may proceed through taking a series of complementary and preparatory steps which include but not limited to: (a) revitalisation of sub-regional free trade to strive economic and industrial development in the Arab region, (b) Elimination of tariff and non-tariff barriers, (c) liberalization of investment activities, (d) harmonization of custom procedures between countries sharing closer borders, and many other steps. History has proven that similar cultures and mutual concerns can diffuse scepticism; this would play as an aiding factor for setting the platform for sound Arab regional cooperation to build trade relationships shaped by mutual trust and sufficient consensus. Upon the gradual merger, Arab states will aim towards the coordination of commercial and economic projects and secure unlimited free movement of the factors of production, as well as harmonization of tax and investment regulations, all of which will be in favour of the creation of the AEU based on the gradual merger of the existing and established sub-regional custom unions in the Arab World.

Chapter (2) which commenced with identifying the theory and practice of an economic union formation as well as exploring the actual steps of formation of such union, has dealt in the second part with current existing models which may be considered as pillars or cornerstones for the establishment of an Arab Economic Union. This chapter paves the way to better explore the AEU proposed institutional structure, being topic of Chapter (3)


112 Chapter (2): Economic Operational Liberty and Free Movement of Factors of Production.
CHAPTER (3)
PROPOSED INSTITUTIONAL STRUCTURE
OF THE ARAB ECONOMIC UNION

INTRODUCTION

3.A Economic Union: Characteristics and Role

Integration of states that used to be together and are reuniting is referred to as reunification. The integration of economies represents one of the most important economic developments among countries in a broadly defined geographic area. These countries tend to coordinate their policies to benefit from mutual and several advantages. This integration consists mainly of four elements: free trade, custom union, common market and economic union. Undoubtedly, the political union is regarded as the pinnacle of unification and the fifth element on the top of the hierarchy; it is founded when a group of smaller states compose a larger state leading to a consolidated group of states that share a joint internationally acknowledged government. The most common types of political unions include an incorporating union or annexation, a federal union or annexation, or mixed unions that have features of both federal and incorporating styles.¹¹³

The economic union, however, which will be discussed below in all its aspects especially in the Arab World, represents the last and most advanced step of the economic integration process. It is an agreement between two or more countries, which permits the free flow of the factors of production, namely capital, labour, goods, and services. The participant countries share common financial and international trade policies in addition to a unified currency regarded as the highlight of the economic and monetary union.

The Economic union permits the members to manage effectively their resources to increase economic efficiency and establish closer political and cultural links amongst themselves. It also secures acquiring goods and services at much lower costs because of the absence of tariffs. Citizens and their capital free to move between member states.

Thus, citizens of an economic union can freely travel, study, work or live in any country of their choice. More jobs are generated which will allow graduates to seek opportunities and assume highly paid positions. Deprived regions economically will have the chance to develop through this cooperation and partnership with the economic union.

The economic union also encourages the Foreign Direct Investment (FDI) through the remarkable market expansion. In addition, it has a crucial role in ensuring peace and security on the soil of all its member states through resolving the conflicts between them.

3.B Importance of an Arab Economic Union (AEU) in light of current security, political and economic situations

The Arab Economic Union (AEU) has been a controversial topic referred to as the “Arab Dream” for the past half century. The Arab Region remained under western colonisation until the mid-20th century, whereby the mid-1940s witnessed the beginning of an independence era for the region’s states. Although the colonizing powers ceased to exist physically, their economic and social impact maintained and the region was in continuous political and security commotion which impeded the developmental process and terminated any unification initiatives in spite of many attempts on the Arab level especially the League of Arab States. However, one cannot solely blame western powers.

Prior to World War I (WWI) and namely prior to the 1916 Sikes – Pico Agreement114, the Arab World was a de-facto custom union. The factors of production moved freely between all Arab states and they shared main resources which included pan Arab transport, gas lines and other resources. The boarders did not basically exist and trade flourished throughout the region and tariffs were not introduced. The Sikes-Pico Agreement was a major turning point whereby the global powers, war lords at the time, drew the boarders of the new Arab Region and marked their boarders. The situation remained during World War II (WWII), and throughout that period the Arab states were under direct colonial control, a fact that made the return to a unified region technically

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114 Sikes – Pico Agreement officially known as the Asia Minor Agreement was a secret 1916 agreement between GB & France, to which the Russian Empire assented. The agreement defined their mutually agreed spheres of influence and control in Southwestern Asia.
impossible. By the end of WWII, the independence chain reaction was initiated and the colonial powers mainly the UK, France and Italy, started withdrawing from colonized countries almost 70 years ago, theoretically leaving them to decide their own fate.

In the mid-1940s, and parallel to the first wave of Arab revolutions claiming independence, many scholars and politicians launched discussions and debates related to the necessity of Arab unification after independence. Nevertheless, the newly freed states had neither the political experience nor the social and economic infrastructure nor the real orchestrated will to initiate a sound unification process based on the proper mechanisms.

Nevertheless, this wave has witnessed remarkable shifts following the first few years of independence, and the Arab states started observing the value that unification would bring to them, and as a result on March 22nd 1945, the League of Arab States (LAS)\textsuperscript{115} was founded; an organisation that consists of independent Arab States on the territory of northern and north-eastern part of Africa and southwest Asia. Representatives of the first 6 member states that initiated the league’s formation signed the Agreement in Cairo were Egypt, Iraq, Jordan, Lebanon, Syria and Saudi Arabia. Since then, 16 additional states have joined the LAS, but due to recent events in Syria and LAS’s decision of suspension, LAS now counts 22 Members.

In accordance with the Arab League’s main document, Charter of the Arab League, “the organisation’s main goal is strengthening of the relations between the member states, the coordination of their policies in order to achieve co-operation between them and to safeguard their independence and sovereignty; and a general concern with the affairs and interests of the Arab countries. These affairs and interests include all important economic issues, including finances, commerce, business, currency, etc. They also include social, cultural and health affairs, communication, transport, travel, the question of nationality, visas and passports, and similar elements”.

\textsuperscript{115} Like similar organisations whose goal is to look after their members’ economic, political, cultural, national and religious interests, the LAS has been active in helping the Arab world grow economically and culturally, while finding solutions to resolve conflicts both within the league and outside of it. 
Through various activities, campaigns and using advanced technology, the Arab League has shown interest in resolving modern day issues, like encouraging and promoting their young talents, supporting women in their struggle for equality, improving child welfare, etc. It also tries to solve decades-old problems like the conflict between Palestine and Israel, better known as the Arab-Israeli conflict. The league has long been trying to draft a solution that would end war between Israel and the surrounding Muslim countries.

The organisation claims to strive to resolve burning issues among the Arab countries, and to improve the overall image of the Muslim states in the world today. Nevertheless, some scholars and observers claim that upon monitoring the League’s performance during the past few decades, it has become obvious that the League has failed to work within its mandates and has neither succeeded in making the required change, nor preserved the needed stability for its member countries and Arab citizens.

As elaborated in Chapter (1), the Arab Uprising / Spring which is still causing turbulence, armed conflicts, war migration leading to refugees and smuggling, sealed borders and many other forms of disabilities; reveals the weakness of current structures and makes the existence of such a union an ultimate necessity. These several challenges represent a great opportunity for all the sectors in the Arab World, political, economic, and financial to commence serious steps to accomplish the Arab economic unity.

According to (Manfreda, 2017), the term “Arab Spring” was popularized by the Western media in early 2011 when the successful uprising in Tunisia against former leader Zien El Abidine Ben Ali emboldened similar anti-government protests in most Arab countries. The term was a reference to the turmoil in Eastern Europe in 1989, when seemingly impregnable Communist regimes began falling down under pressure from

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116 The Arab Spring was a series of anti-government protests, uprisings and armed rebellions that spread across the Middle East in early 2011. But their purpose, relative success, and outcome remain hotly disputed in Arab countries, among foreign observers, and between world powers looking to cash in on the changing map of the Middle East. See Manfreda, P. (2017, February 10). Definition of the Arab Spring. Retrieved from ThoughtCo.com: https://www.thoughtco.com/definition-of-the-arab-spring-2353029

117 Primoz Manfreda is a researcher and political risk analyst, advising clients on political and economic trends in the Middle East. His love affair with the Middle East started with backpacking trips in 2001, and continued through studies, professional work and living experience in the region.
mass popular protests in a domino effect. In a short period of time, most countries in the former Communist bloc adopted democratic political systems with a market economy.

However, the events in the Middle East took a less straightforward direction. Egypt, Tunisia, and Yemen entered an uncertain transition period; Syria and Libya were drawn into a civil conflict with the military intervention of foreign powers, while the wealthy monarchies in the Persian Gulf remained largely unshaken by the events. The use of the term the “Arab Spring” has since been criticized for being inaccurate and simplistic.

According to (Samir, 2013), a research journalist, in his article “Arab Economic Union: A Dream or Reality”118, he stated that Arab political integration among Arab countries has for long time been a dear hope of nationalists, Nasserites and many other Arabs.

While the economic integration amongst Arab countries seems to be more realistic, it remains challenged with the political paradox of power and cooperation. There are different views of economists, politicians, and businessmen, ranging between, pessimists, realists, and dreamers.

Samir also claims that the integration of the economies of Arab countries has been a dream for about 50 years, and while many efforts have been exerted in this regard, in the form of negotiations, meetings, conferences, researches, and even agreements, what counts is the outcome, which is very modest, if not a failure, when compared to other realised experiences, such as the European Union which began at almost the same time as the Arab initiatives.

Such extreme challenges represent real opportunities and potential which must be capitalised on. Multi-dimensional development on the national and regional levels have become a must to achieve the missing and long waited Arab unity and prosperity.

Section (1): Membership: Criteria and Mechanisms

In this chapter, it will be assumed that the Arab Economic Union (AEU) is in due process of establishment, and thus a theoretical policy making process will take place in terms of discussing the AEU structure on different levels and from different angles. The research will have a constitutional flavour since it narrates to building much stronger and solid economic links amongst the sceptical Arab countries.

The current section (1) discusses the criteria and mechanisms for membership of the countries in the Arab Economic Union.

1.1 Criteria for Membership\(^\text{119}\)

In order to become a member of the suggested AEU, a complex procedure that requires processes, negotiations, and meeting condition awaits the applicant state seeking membership. Once an applicant country meets the conditions and criteria for membership, it must implement AEU rules and regulations in all areas. There would be several criteria that define whether a country is eligible to join the AEU or not.

In light of the above, the following criteria which have been similarly implemented for the European Union would also be adopted, developed and tailored by the suggested Arab Economic Union Special Accession Committee (AEUSAC).

In principle the main criteria would require that the applicant state maintains:

- Its institutions to preserve democratic governance and human rights.
- A functioning market economy in accordance to set standards.
- An acceptance to the obligations and intent of the AEU.

New members are admitted only when they can demonstrate they will be able to play their part fully as members, namely by complying with all the AEU's standards and rules, having the consent of the AEU institutions and AEU member states and having the consent of their citizens.\(^\text{120}\)

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\(^{119}\) Most of the included criteria have been imported from the Copenhagen Accession Criteria which was adopted by the EU, nevertheless and once the criterion is stated, what follows is tailored to the AEU.

\(^{120}\) It is adopted from the European Union model.
It is suggested to adopt of a similar process to the Copenhagen Criteria selection of EU, which states: “Membership requires that candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights, respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union”\textsuperscript{121}

In addition to the above, the formation of the AEU Special Accession Committee “AEUSAC” which consists of 23 members and represents all Arab States, was suggested for the purpose of this research, whereby each state delegates a senior government executive to represent it on the committee. This committee will be responsible for setting the criteria and conditions for membership. Below is a detailed and explained list of the main criteria proposed to be met for a country to be eligible for membership.

\textsuperscript{121} European Neighbourhood Policy and Enlargement Negotiations Conditions for membership
The EU operates comprehensive approval procedures that ensure new members are admitted only when they can demonstrate they will be able to play their part fully as members, namely by:
- complying with all the EU’s standards and rules
- having the consent of the EU institutions and EU member states
- having the consent of their citizens – as expressed through approval in their national parliament or by referendum.

Membership criteria – Who can join?
The Treaty on the European Union states that any European country may apply for membership if it respects the democratic values of the EU and is committed to promoting them.
The first step is for the country to meet the key criteria for accession. These were mainly defined at the European Council in Copenhagen in 1993 and are hence referred to as 'Copenhagen criteria'. Countries wishing to join need to have:
- stable institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- a functioning market economy and the capacity to cope with competition and market forces in EU;
- the ability to take on and implement effectively the obligations of membership, including adherence to the aims of political, economic and monetary union.
The EU also needs to be able to integrate new members. In the case of the countries of the Western Balkans additional conditions for membership, were set out in the so-called 'Stabilisation and Association process', mostly relating to regional cooperation and good neighbourly relations.

What is negotiated?
The conditions and timing of the candidate's adoption, implementation and enforcement of all current EU rules (the "acquis").
These rules are divided into 35 different policy fields (chapters), such as transport, energy, environment, etc., each of which is negotiated separately.
Other issues discussed:
- financial arrangements – such as how much the new member is likely to pay into and receive from the EU budget (in the form of transfers)
- transitional arrangements – sometimes certain rules are phased in gradually, to give the new member or existing members time to adapt.

1.1.1. **Geographical Criteria:**

The geographical criteria is simple and clear whereby any Arab country from the twenty two (22) countries (Arab Republic of Egypt, Comoros Islands, Hashemite Kingdom of Jordan, Kingdom of Bahrain, Kingdom of Morocco, Kingdom of Saudi Arabia, Republic of Algeria, Republic of Djibouti, Republic of Lebanon, Republic of Mauritania, Republic of Sudan, Republic of Iraq, Republic of Yemen, Republic of Tunisia, Republic of Somalia, Republic of Libya, State of Palestine, State of Kuwait, Sultanate of Oman, State of Qatar, Syrian Arab Republic and United Arab Emirates), is entitled to become a member of the AEU, conditional upon respecting the specified post joining criteria, principles and rules of the AEU. In addition, the joining member must take into account the maintenance of such criteria due to the fact that a continuous monitoring process, which will be explained later on, will take place to insure compliance and conformity.

1.1.2. **Political Criteria:**

In the light of the extremely turbulent times in the Arab world caused by the Arab uprisings, the political factor seems like the most important one. There is no doubt that the security situation along with the economic and fiscal deterioration with the ultimate social negative repercussions, are highly connected, if not directly caused, by the political factor. Therefore, the political criteria rate on the top of the criteria’s hierarchy and is consisted of the following elements, similarly to the Copenhagen adopted criteria:

1.1.2.a **Democracy:** Functional democratic governance requires that all citizens of the country should be able to participate, on an equal basis, in the political decision-making at every single governing level, from local municipalities up to highest national level.

In the Arab world, and although some changes have been made concerning democracy, some were peaceful, but the majority took a violent turn and were marked with bloodshed after transforming from civil demonstrations into armed conflicts (Bahrain, Egypt, Libya, Syria, Tunisia and Yemen) which came as result of

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122 Definition of Democracy Available at:
https://web.stanford.edu/~ldiamond/iraq/WhatisDemocracy012004.htm

Copenhagen criteria. (1993). Retrieved from Reesonomics:
http://www.reesonomics.eu/themes/Enlargement/Copenhagen%20criteria.html
two factors; first the accumulation of anger of citizens from being ruled for decades by dysfunctional governments/regimes that crafted laws, education and way of life in order to maintain the dictators' hold of power; and second the western intervention in cooperation with certain regional and Arab powers to control the countries experiencing turbulence and impose western made democracies without looking into the special mosaic of the countries subject of such intervention. More importantly, the natural resources in the Arab region and the geographical location have always been the prime reasons behind the western intervention craving to obtain further power. It is believed that genuine democracy requires real change, one accompanied by a solid shift in the whole system of governance including crafting new constitutions and legislations that will bring their countries into the dawn of the twenty-first century and be an active part in the new world system.123

1.1.2.b Rule of law: The rule of law implies that government authority may only be exercised in accordance with documented laws, which were adopted through an established procedure. The principle is intended to be a safeguard against arbitrary rulings in individual cases.124 Countries wishing to join the AEU are compelled to insure that their judiciary is independent and impartial (guaranteed access to justice, fair trial procedures, adequate funding for courts and training for judges and legal practitioners), their government and its officials and agents are accountable under the law and that political leaders and decision-makers take a clear stance against corruption, and the process by which laws are prepared, approved and enforced is transparent, efficient, and fair. Laws and regulations should be clear, publicised, stable, fair, and seek to protect fundamental rights.125

1.1.2.c Human Rights: Freedom of expression is a basic one. Political interference in media, and various forms of harassment, including violence against journalists, are serious issues to prevent a country from joining the AEU\textsuperscript{126}.

1.1.2.d Security/Stability: Countries must have a secure and peaceful environment on their territories and with other Arab countries. They must leave behind all the sectarian, political, economic conflicts (deportation of Arab citizens, sealed borders…) which usually leads to the collapse of any integrated area.

1.1.3. Economic Criteria:

While the political element is dominant in terms of the decision making for the accession of each country, the economic factor is by all means the most important and crucial one, since it relates to the accession in a new economic union to be formulated. Many experts debate the means of specifying and setting the economic accession criteria, however and after thorough observation, the EU appears to have set up a comprehensive set of criteria that was the main determinant for the success of the European Union.

The Copenhagen economic accession criteria approved by the European Council in 1993 are twofold: they require acceding countries to:

(i) Have functioning market economies, and

(ii) Have, by the date of accession, the capacity to cope with competition and market forces within the EU.

In the Commission, the Directorate General for Economic and Financial Affairs monitors and assesses the candidate countries' progress in complying with these two criteria.\textsuperscript{127}

It requires that candidate countries encompass a functioning market economy and that their producers have the capability to cope with competitive pressure and market forces within the union to maintain the price stability.


The above mentioned involves the elements that are applicable to the European Union, and therefore and upon observation, a similar criteria process selection could work for the desired Arab Economic Union, mainly with the specification of the below criteria:

1.1.3.a) Inflation Rate: No more than 1.5% points higher than the average of the three best performing (lowest inflation) member states of the AEU.

1.1.3.b) Government Finance:
- Annual government deficit: The ratio of the annual government deficit to Gross Domestic Product (GDP) must not exceed 3% at the end of the preceding fiscal year. If not, it is at least required to reach a level close to 3%. Only exceptional and temporary excesses would be granted for exceptional cases.
- Government debt: The ratio of gross government debt to GDP must not exceed 60% at the end of the preceding fiscal year. Even if the target cannot be achieved due to the specific conditions, the ratio must have sufficiently diminished and must be approaching the reference value at a satisfactory pace.

1.1.3.c) Exchange Rate: Applicant countries should have joined the Arab related Exchange Rate Mechanism, which would be established alongside the AEU, for two consecutive years with no currency devaluation during that period.

1.1.3.d) Long term interest rate: The nominal long term interest rate must not be more than two percent (2%) points higher than in the three lowest inflation member states.\(^\text{128}\)

It is worth pointing out that the Inflation rates and government debts vary between one Arab country and another, especially between oil exporting rich gulf states (members of the Gulf Cooperation Council) and non GCC countries, which make the criteria setting quite challenging in terms of creating a balance, namely with the wide gap in the volume of economies and fiscal performance.

1.1.4. **Institutional Criteria:**

According to the Copenhagen Criteria set for the EU, the Institutional Criteria lies in the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union. It includes the whole range of policies and measures that constitute the acquis of the union which candidate countries must adopt, implement and enforce. This requires the administrative capacity to invert Arab Union legislation into national law, to implement it and to effectively enforce it through appropriate administrative and judicial structures.

In the case of the AEU, a very similar process may be implemented especially that the Arab countries have similar experiences in terms of institutional structures and compositions.

1.1.5. **Legal and Legislative Criteria:**

In the case of the European Union, and technically outside the Copenhagen Criteria, there is an additional requirement that all prospective members must enact legislation to bring their laws into line with the body of European law built up over the history of the Union, known as the acquis communautaire. In preparing for each admission, the acquis is divided into separate chapters, each dealing with different policy areas.

This obviously will not be possible for the AEU based on the fact that there is no Arab Law in place, which takes us into a completely different discussion and which directly relates to the necessity of producing a unified Arab set of laws as a main pillar for any unification process. In reality, the process of unification of laws and regulations is considered as the master of all the challenges; however, the Arab countries have a better chance to succeed in the legal and legislative unification process and the production of one regional implemented law for the following reasons:

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130 Acquis Communautaire sometimes called the EU acquis and often shortened to acquis, is the accumulated legislation, legal acts, and court decisions which constitute the body of European Union law. The term is French: acquis meaning “that which has been acquired or obtained”, and communautaire meaning “of the community.” See EuroVoc. (n.d.). Retrieved from http://eurovoc.europa.eu:http://eurovoc.europa.eu/drupal/?q=request&uri=http://eurovoc.europa.eu/210682
Most of the Arab countries imported their legal texts from colonising powers and mainly France and the Great Britain. This, of course, applied mostly to Egypt, Lebanon, Syria, Algeria, Morocco and Tunisia since they were pioneers in terms of building legal structures, legal educations, constitutions and legislations. Afterwards, the rest of the states have adopted what the mentioned states had put in place. For over half century now, and since their independence, most Arab states have made important changes and adaptations to their legal systems, without adequate implementation. While the texts maintained their essence, the legal systems themselves lacked sufficient progress due to such lack of implementation.

The Arab countries share the same culture, language, religion, social apparatus and political structure, with some differences depending on each country.

The Arab countries enjoy a high calibre pool of legal experts and legislators, whom have had the chance to obtain their education and experience in their countries and in the best academic institutions in the world, and are able to play a vital role in the legal unification process on many stages.

1.2 Suggested mechanisms and timelines for joining the contemplated AEU

The accession process, and in spite of being clear, requires certain parameters to be maintained and considered vigilantly. The Arab Economic Union Special Accession Committee “AEUSAC”\(^\text{131}\) shall be responsible for setting the criteria and insuring they have been met prior to accession of a state. In addition, the Committee shall also be liable to monitor, supervise, evaluate and assess the performance of the joining members post accession. In other words, the “Candidate Country Status” does not automatically grant a right for a country to join the AEU. A country desiring to join the AEU is required to submit a membership application to the AEU Higher Council, which delegates the AEUSAC to study it carefully and assess the candidate’s ability to meet the criteria. If the Committee issued a positive opinion, the AEU Higher Council must then agree upon a negotiating mandate, and that would be considered as the first stage of accession.

\(^\text{131}\) This committee does not exist; however, reference has been made to it as a part of the suggested institutional structure.
Similarly to the European Union standard process, and once the above is completed, the negotiations are then formally opened on a subject-by-subject / topic-by-topic basis. Due to the huge volume of AEU rules and regulations each candidate country must adopt within its national law, the negotiations are expected to take time and efforts to complete. The candidates are supported financially, administratively and technically during this pre-accession period. This period helps the potential candidates meet the accession criteria and bring their institutions and standards in line with the AEU rules.\(^{132}\)

The process of joining the AEU (accession) broadly is suggested to consist of 3 stages:

**Stage (1):** Upon a country’s readiness it becomes an official candidate for membership, but this does not necessarily mean that formal negotiations have been initiated.

**Stage (2):** The candidate moves on to formal membership negotiations, a process that involves the adoption of established AEU laws, preparations to be in a position to properly enforce it and implement judicial, administrative, economic and other reforms necessary for the country to meet the conditions for joining, known as accession criteria.

**Stage (3):** When the negotiations and associated reforms have been completed to the satisfaction of both sides, the country may join the AEU through signing its mandates.

Similar to European Commission Enlargement and Accession criteria\(^{133}\), Membership negotiations may commence once all AEU governments agree on the accession,

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\(^{133}\) The accession criteria, or Copenhagen criteria (after the European Council in Copenhagen in 1993 which defined them), are the essential conditions all candidate countries must satisfy to become a member state. These are:
- Political criteria: stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- Economic criteria: a functioning market economy and the capacity to cope with competition and market forces;
- Administrative and institutional capacity to effectively implement the acquis and ability to take on the obligations of membership.

The Union's capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration. The EU reserves the right to decide when a candidate country has met these criteria and when the EU is ready to accept the new member.

conditional upon meeting the criteria, in a unanimous decision by the AEU Council, on a framework or mandate for negotiations with the candidate country.

The unanimous decision condition by itself may create a main impediment in the case of the AEU, due to the historically existing political conflicts between some Arab states, and specifically following the Arab Spring and the Syrian war and the KSA lead alliance was on Yemen. As a result, this condition may be amended to replace the unanimity condition by the majority condition.

Negotiations take place between AEUSAC which includes the official delegates from every member country and the candidate country seeking accession, in what is called an intergovernmental conference. These high level negotiations shall address numerous issues on a widely diversified platform; these include but are definitely not limited to the free movements of goods, free movement of capital, intellectual property matters, information security and media, taxation, environment parameters, financial control, energy, fiscal and monetary policy, economic policies, constitutional structures, legal and legislative matters, infrastructure, information technology and many other elements.

The duration of these negotiations will depend on the speed of reform and alignment with AEU laws that each country undertakes and that would be the main reason of time variation from one candidate country to another.

In principal, the negotiations will have no fixed standards, and may vary from one (1) year to ten (10) years to be able to gain accession to AEU. Nevertheless, it is suggested to specify a maximum duration for a country to meet the criteria of AEU in a form of a cap which is suggested to be fixed at ten (10) years. This period may be subject to extension upon the unanimous or majority consent of the AEU Council, especially if the delay was due to technical reasons.

This mechanism is expected to encourage the country seeking accession to the AEU to further develop and establish a sustainable prosperous environment through preserving the culture of progress, development and change in favour of joining the Union.
Section (2): Location, Branches and Representation

This section discusses the matters related to geographic location of the Arab Economic Union as well as the representation in terms of quotas within the Union and the Union’s representation versus other non-Arab countries, trading/economic blocs and international organisations of different sorts and of different nature and type of operations.

2.1 Location of the Arab Economic Union

Following the successful creation of the structure of the Arab Economic Union, allocating the geographic location of AEU becomes a sensitive issue due to specificities of each country and since many Arab countries consider that they have the most favoured environment for the Arab Economic Union to be based in.

The organisational structure and different agencies will be set up in more than one Arab country to deal with the technical, administrative scientific and managerial tasks.

Amongst the logical solution to tackle this potential problem, would be the creation of a number of regional offices; one in each region as per the categorisation in Section 2.2 below, of which local branches will generate from. Each Arab capital will accommodate the local branch of the AEU; the regional branch will be larger and will compensate for the local branch, and all of which will report to the AEU headquarters in the Emirate of Dubai in the United Arab Emirates which is suggested to be the headquarters of the AEU.

Another choice would be the capital of Lebanon, Beirut, which holds 7000 years of heritage and culture and is the mother of legislations in the Arab region and the jewel of the Middle East, however and due to its unstable recent history on the political and security levels, and since it is surrounded by insecurity and instability, namely in Syria and Palestine, many would argue against Beirut being the venue for the AEU headquarters. Nonetheless, and based on the developments, Beirut is always a candidate.

According to (Saidi, 2011)\textsuperscript{134}, “Dubai has made decisions that have taken advantage of its location midway between Asia and Europe. Situated along the ancient Silk Route, Dubai’s ports are now among the most active & efficient worldwide. The United Nations Conference on Trade & Development (UNCTAD) Liner Connectivity Index, a measure of

sea-based trade connectivity, ranks Dubai the highest in the region. Meanwhile, Dubai has invested heavily in infrastructure and logistics to overcome its comparatively poor natural resource base to become a global business, trade & tourism hub” (End of quote).

Based on the section below, and in light of the current situation, Dubai appears to be the most convenient, practical and comfortable base for the headquarters of the Arab Economic Union\textsuperscript{135}, during the current period. However, Beirut has more heritage and history to build on if it was not for the security threats and continuous political shambles.

Why Dubai\textsuperscript{136} / United Arabic Emirates?
According to Forbes, “Dubai has invented itself as something bigger than any of those narrow identities. It is emerging as a global city, and possibly the emerging markets capital of the world. It’s one of the five fastest-growing metropolitan areas, according to a 2015 report from the Brookings Institute (Jesus Leal Trujillo, 2015)\textsuperscript{137}. The population of this United Arab Emirate is more 3.3 million today, up from about 1 million a decade ago; about 80 percent of those are expats”.

As stated on Dubai’s government managed website\textsuperscript{138}, the development of Dubai started by transforming the city from a small cluster of settlements near the Dubai Creek to a

\textsuperscript{135} The choice of Dubai is a mere suggestion, however other capitals in the Arab World may be very good candidates including Beirut, Cairo and others, especially following UAE’s involvement in the Yemen war.

\textsuperscript{136} Some cities seem to encapsulate a particular moment in time. Dubai seems to represent 3 moments, one more important than the other two; First, one of the last gasps of the oil culture; second, the rise of business as a way to govern society, and third, and most significantly, the shift in the world's economy from developed markets toward emerging markets.


\textsuperscript{137} The most populous city in the UAE, Dubai is a global hub for transportation, tourism, trade and professional services. Thanks to an ambitious strategy to diversify its economy Dubai no longer relies on commodities to power its economic growth, and today the service industry accounts for more than 70 percent of total GDP.


\textsuperscript{138} Part of this piece is extracted from specialized tourism website of Dubai.

modern port city and commercial hub through developing the infrastructure that would support Dubai's goals to become a leading trade hub.

Rashid Port, Jebel Ali Port, Dubai Dry docks, the widening of the Dubai Creek, and the Dubai World Trade Centre (DWTC) were some of the major projects completed at the time. However and with the limited supply of oil, Sheikh Rashid, the first ruler of Dubai, was determined not to allow Dubai to become dependent on oil, and he was successful.

In 1971, the United Arab Emirates was formed to safeguard the area's prosperity and ensure that the vast and newly discovered riches would be distributed fairly. Therefore, and since the formation of the UAE, it is fair to say that the country has not looked back.

Dubai is currently considered as the ultimate commercial, trade, tourism and economic hub of the region. It boasts a wide foreign trade network extending to 179 states thus offering the investor an extensive choice of potential global marketing outlets for a diverse portfolio of goods and services. As member of UAE federation, Dubai is also part of the world’s third largest export and re-export centre after Hong Kong and Singapore.

Over and above and with a GDP growth over 16.7% per annum, it has become one of the fastest growing economies in the world, and with an open economy that has diversified well beyond energy; All the mentioned and much more has caused Dubai to attract legions of foreign investors, serving as a role model for its neighbours on many scales.

According to (Williams, 2016)\textsuperscript{139} “Dubai is quickly emerging as one of the top global cities”. It is full of potential, innovation and the UAE was named one of the freest economies by the Cato Institute.”

\textsuperscript{139}Dubai is quickly emerging as one of the top global cities. It is full of potential, innovation and the UAE was named one of the freest economies by the Cato Institute. Elizabeth MacBride, a contributing writer for entrepreneurs in MENA, recently wrote an article for Forbes discussing the top 9 reasons why Dubai could be the most important city of the 21st century. In her article, Elizabeth discusses local actions to encourage the best talent in e-Commerce, robotics, AI, space and healthcare. A point I found particularly interesting was, "Immigrants tend to be more entrepreneurial than people who are native born; the easier their paths are into the economy, the faster they will drive growth." Of the UAE's population of 3.3 million, 80% are expats. A few other key reasons to highlight for Dubai's growth as a global city are:
Dubai has become amongst the most favourable environments in the business world. Multinational corporations, banks, technology companies, consultancy firms and many small and medium enterprises have secured a consistent presence in Dubai, and are growing more on regular bases. Many consider Dubai’s leisure facilities to be among the best in the world, with approximately 50+ malls and shopping centres in a relatively small city of 1.5 million people. The crime rate is one of the lowest in the world, and the people are very tolerant of religions other than Islam.

In addition to being a very foreigner friendly environment, Dubai enjoys a constant flow of tourists, expatriates also make for over 75% of Dubai’s population count. English is the standard language within the business community, and the city has a lively scene with very few social barriers. Section (2.2) below specifies the mechanism of distribution, preliminarily, in accordance with the current regional categorization of the Arab countries.

2.2 Branches and Representative Offices of the Arab Economic Union:

2.2.1 North Africa Office: (Egypt and Sudan) to be based in Cairo, Egypt.

- Dubai is a gateway city. It is a gateway to 3 regions: Asia, Middle East and Africa. The markets of these 3 regions are growing at double the rates of the developed world, according to Mustafa Abdel-Wadood, global head of provide equity.
- The economy is diversified. The biggest sectors of the Dubai economy are trade and tourism, which account for more than 28% of the GDP. The next biggest sectors are business and finance and transportation, accounting for 27% and 14% of GDP, respectively.
- The commitment to free trade. Dubai is known for its low taxes. It has set up zones, like the International Financial Centre, where the laws encourage international investment.

Dubai is becoming known as a high-tech, innovative and cultural hub. With its desire for foreign investment and proximity to some of the most rapid growing markets, Dubai is not a place that businesses should overlook.


North Africa, region of Africa comprising the modern countries of Morocco, Algeria, Tunisia and Libya; It has been regarded by some as stretching from the Atlantic shores of Morocco in the west to the Suez Canal and the Red Sea in the east, though this designation is more commonly referred to as northern Africa. Others have limited it to the countries of Morocco, Algeria, and Tunisia, a region known by the French during colonial times as Afrique du Nord and by the Arabs as the Maghreb. The most commonly accepted definition includes the three above-mentioned countries as well as Libya but excludes Egypt. The regions encompassed by both second and third definitions and have also been called Northwest Africa.

2.2.2 **Maghreb**: (Libya, Tunisia, Algeria, Morocco and Mauritania) to be based in Rabat, Morocco.

2.2.3 **Arab Peninsula**

2.2.4 **Fertile Crescent (Levant)**: (Lebanon, Syria and Palestine) to be based in Beirut - Lebanon.

2.2.5 **African Horn**: (Somalia, Djibouti and Comoros Islands) to be based in Mogadishu – Somalia.

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141 The **Maghreb** is a collection of countries within what is commonly termed Northern Africa. The area lies along the Mediterranean Sea and the Atlantic Ocean. The modern definition of the Maghreb includes the nations of: Mauritania, Morocco, Algeria, Tunisia, and Libya, although former definitions of the region were not limited to these five countries, but were geographically broad, as the word Maghreb simply means “sunset place”, in the Arabic language. The people of the Maghreb belong to both Berber and Arab ethno-linguistic groups.


142 The **Arabian Peninsula** is a peninsula in Southwest Asia at the junction of Africa and Asia consisting mainly of desert. The area is an important part of the Middle East and plays a critically important geopolitical role because of its vast reserves of oil and natural gas. The coasts of the peninsula are, on the west the Red Sea and the Gulf of Aqaba, on the southeast the Arabian Sea (part of the Indian Ocean), and on the northeast, the Gulf of Oman, the Strait of Hormuz, and the Persian Gulf.

Its northern limit is defined by the Zagros collision zone, a mountainous uplift where a continental collision between the Arabian Plate and Asia is occurring. It merges with the Syrian Desert with no clear line of demarcation. Geographically, the Arabian Peninsula includes parts of Iraq and Jordan. Politically, however, the peninsula is separated from the rest of Asia by the northern borders of Kuwait and Saudi Arabia.


143 The **Levant** is the name applied widely to the eastern Mediterranean coastal lands of Asia Minor and Phoenicia (modern-day Turkey, Syria, Lebanon and Palestine). In a wider sense, the term can be used to encompass the entire coastline from Greece to Egypt. The Levant is part of the Fertile Crescent and was home to some of the ancient Mediterranean trade centres, such as Ugarit, Tyre, and Sidon. It is the homeland of the Phoenician civilization.


144 **Horn of Africa**, region of eastern Africa. It is the easternmost extension of African land and for the purposes of this article is defined as the region that is home to the countries of Djibouti, Eritrea, Ethiopia, and Somalia, whose cultures have been linked throughout their long history. Other definitions of the Horn of Africa are more restrictive and exclude some or all of the countries of Djibouti, Eritrea, and Ethiopia. There are also broader definitions, the most common of which include all the countries mentioned above, as well as parts or all of Kenya, Sudan, South Sudan, and Uganda. Part of the Horn of Africa region is also known as the Somali peninsula; this term is typically used when referring to lands of Somalia and eastern Ethiopia.


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2.3 Quotas and levels of representation of countries within the Arab Economic Union

There are several formulas on the regional and global levels with reference to the quantification and distribution of quotas. Amongst the main factors to identify the quota or stake of each country in an economic bloc are population sizes, Gross Domestic Product (GDP\textsuperscript{145}) or sometimes size and geographical location. Similar economic blocs and other international organisations have resorted to different scales and formulas to set up the quotas. Such examples include but are not limited to the European Union, the International Monetary Fund, the World Bank, the United Nations bodies and others.

One clear example is the quota matter at the International Monetary Fund\textsuperscript{146}, whereby quota subscriptions are central to the IMF’s financial resources. Each member country of the IMF is assigned a quota, based broadly on its relative position in the world economy. A member country’s quota determines its maximum financial commitment to the IMF, its voting power, and has a bearing on its access to IMF financing. Quotas play several key roles in the IMF\textsuperscript{147}, namely in terms of subscriptions, voting powers and access to

\footnote{Gross Domestic Product (GDP) is the broadest quantitative measure of a nation's total economic activity. More specifically, GDP represents the monetary value of all goods and services produced within a nation's geographic borders over a specified period of time. The equation used to calculate GDP is as follows: \[ GDP = \text{Consumption} + \text{Government Expenditures} + \text{Investment} + \text{Exports} - \text{Imports} \] See Gross Domestic Product (GDP). (2017). Retrieved from InvestingAnswers.com: http://www.investinganswers.com/financial-dictionary/economics/gross-domestic-product-gdp-1223}

\footnote{When a country joins the IMF, it is assigned an initial quota in the same range as the quotas of existing members of broadly comparable economic size and characteristics. The IMF uses a quota formula to help assess a member’s relative position. The current quota formula is a weighted average of GDP (weight of 50 percent), openness (30 percent), economic variability (15 percent), and international reserves (5 percent). For this purpose, GDP is measured through a blend of GDP—based on market exchange rates (weight of 60 percent) and on PPP exchange rates (40 percent). The formula also includes a “compression factor” that reduces the dispersion in calculated quota shares across members. Quotas are denominated in Special Drawing Rights (SDRs), the IMF’s unit of account. The largest member of the IMF is the United States, with a current quota (as of March 2017) of SDR82.99 billion (about US$113 billion), and the smallest member is Tuvalu, with a quota of SDR2.5 million (about US$3.4 million).

The conditions for implementing the quota increases agreed under the 14th General Quota Review were met on January 26, 2016. As a result, the quotas of each of the IMF’s 189 members will increase to a combined SDR477 billion (about US$652 billion) from about SDR238.5 billion (about US$326 billion). As of March 2017, 179 of the 189 members had made their quota payments, accounting for over 99 percent of the total quota increases, and total quotas stood at SDR475 billion (about US$650 billion). See IMF. (2017, April). IMF Quotas. Retrieved from imf.org http://www.imf.org/en/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas}

\footnote{Member's quota determines that country’s financial and organisational relationship with the IMF, including: \textbf{Subscriptions:} A member's quota subscription determines the maximum amount of financial resources the member is obliged to provide to the IMF. A member must pay its subscription in full upon joining the IMF: up to 25 percent must be paid in SDRs or widely accepted currencies (such as the US dollar, the euro, the Japanese yen, or the British pound sterling), while the rest is paid in the member's own currency. \textbf{Voting power:} The quota largely determines a member's voting power in IMF decisions. Each IMF member’s votes are comprised of basic votes plus one additional vote for each SDR100,000 of quota. The 2008 reforms fixed the number of basic votes at 5.502 percent of total votes. The current share of basic votes in total votes represents close to a tripling of their share prior to the implementation of the 2008 reforms.}
finance, and although it does not apply to the economic bloc in its totality, the way the IMF deals with quotas could help as an indication or benchmark to adopt a formula.

Throughout the below part which mainly consists of detailed analytical tables, there is an attempt to provide different scenarios in order to try to come up with the most favoured model or mechanism to specify the distribution and structure of quotas.

Logically, a successful and fair quota distribution and level of representation of countries should be proportional to the population and to the Gross Domestic Product (GDP) of each state in the first place. The population for every Arab country (in thousands) is listed in the table 1\(^{148}\); Algeria, Egypt and Sudan\(^{149}\) top the ranking with the largest populations. In consequence, Bahrain, Djibouti and Qatar come at the bottom of the list with the smallest populations.

A simple calculation was conducted to provide a quotas representation proportional to population. First, the population was divided by lowest population among countries, then a percentage is calculated, and finally considering the number of members as 56 members, it became feasible to calculate the quotas for every country after accession. For the accuracy and feasibility of distribution, a correction was made for countries with population equal to 15 million citizens or below.

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**Access to financing:** The amount of financing a member can obtain from the IMF (its access limit) is based on its quota. For example, under Stand-By and Extended Arrangements, a member can borrow up to 145 percent of its quota annually and 435 percent cumulatively. However, access may be higher in exceptional circumstances.

How quota reviews work: The IMF’s Board of Governors conducts general quota reviews at regular intervals (usually every five years). Any changes in quotas must be approved by an 85 percent majority of the total voting power, and a member’s quota cannot be changed without its consent. There are two main issues addressed in a general quota review: the size of an overall increase and the distribution of the increase among the members. First, a general quota review allows the IMF to assess the adequacy of quotas both in terms of members’ balance of payments financing needs and in terms of its own ability to help meet those needs. Second, a general review allows for increases in members’ quotas to reflect changes in their relative positions in the world economy. Ad hoc increases outside general reviews do not occur often, but the increases in quotas for 54 member countries approved under the 2008 Reform are a recent example.

http://www.imf.org/en/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas

148 In 2011, Sudan was split and South Sudan became an independent state on 9th of July, following a referendum that passed with 98.83% of the vote. It is a United Nations member state, a member state of the African Union of the East African Community and of the Intergovernmental Authority on Development. In July 2012, South Sudan signed the Geneva Conventions. South Sudan has suffered ethnic violence and has been in a civil war since 2013; as of 2016 it has the second highest score on the Fragile States Index.

See Escwa . (2013, December 24). *The Demographic Profile of the Arab Countries*. Retrieved from UN Escwa:
Table (2.1): Arab Population Size and Growth

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<td>467 579</td>
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<td>103 165</td>
<td>127 407</td>
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<td>1 439</td>
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<td>4.3</td>
<td>23.7</td>
<td>6 982</td>
<td>8 116</td>
<td>10 134</td>
<td>141</td>
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<td>1.9</td>
<td>18.3</td>
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<td>3 930</td>
<td>4 926</td>
<td>49</td>
<td>70</td>
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</tr>
<tr>
<td>Lebanon</td>
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<td>19</td>
<td>5.4</td>
<td>13.7</td>
<td>4 207</td>
<td>4 554</td>
<td>4 946</td>
<td>42</td>
<td>47</td>
<td>1.4</td>
</tr>
<tr>
<td>Libyan Arab Jamahiriya</td>
<td>5 445</td>
<td>23</td>
<td>4.2</td>
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<td>6 868</td>
<td>7 785</td>
<td>9 248</td>
<td>109</td>
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<td>4 973</td>
<td>7 487</td>
<td>54</td>
<td>91</td>
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<tr>
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<td>23</td>
<td>6.0</td>
<td>17.2</td>
<td>36 496</td>
<td>40 723</td>
<td>47 064</td>
<td>486</td>
<td>404</td>
<td>1.6</td>
</tr>
<tr>
<td>Occupied Palestinian Territories</td>
<td>3 433</td>
<td>39</td>
<td>4.3</td>
<td>34.5</td>
<td>5 269</td>
<td>6 493</td>
<td>11 114</td>
<td>89</td>
<td>141</td>
<td>2.6</td>
</tr>
<tr>
<td>Oman</td>
<td>2 768</td>
<td>32</td>
<td>3.3</td>
<td>28.5</td>
<td>3 908</td>
<td>4 785</td>
<td>6 812</td>
<td>72</td>
<td>88</td>
<td>2.3</td>
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<td>Qatar</td>
<td>601</td>
<td>17</td>
<td>3.7</td>
<td>15.7</td>
<td>711</td>
<td>790</td>
<td>874</td>
<td>17</td>
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<td>Saudi Arabia</td>
<td>23 520</td>
<td>32</td>
<td>3.7</td>
<td>27.9</td>
<td>33 728</td>
<td>39 758</td>
<td>64 738</td>
<td>633</td>
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<td>34.4</td>
<td>13 363</td>
<td>20 978</td>
<td>39 689</td>
<td>136</td>
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<tr>
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<td>33</td>
<td>11.7</td>
<td>21.3</td>
<td>41 430</td>
<td>47 586</td>
<td>60 133</td>
<td>613</td>
<td>658</td>
<td>1.8</td>
</tr>
<tr>
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<td>28</td>
<td>3.9</td>
<td>23.9</td>
<td>23 018</td>
<td>26 979</td>
<td>34 174</td>
<td>383</td>
<td>434</td>
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</tr>
<tr>
<td>Tunisia</td>
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<td>17</td>
<td>5.5</td>
<td>11.5</td>
<td>11 116</td>
<td>12 657</td>
<td>12 887</td>
<td>148</td>
<td>107</td>
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</tr>
<tr>
<td>United Arab Emirates</td>
<td>2 837</td>
<td>17</td>
<td>2.4</td>
<td>14.3</td>
<td>3 588</td>
<td>3 944</td>
<td>4 112</td>
<td>87</td>
<td>50</td>
<td>1.2</td>
</tr>
<tr>
<td>Yemen</td>
<td>19 315</td>
<td>45</td>
<td>9.2</td>
<td>35.8</td>
<td>30 677</td>
<td>43 204</td>
<td>64 385</td>
<td>508</td>
<td>874</td>
<td>2.7</td>
</tr>
</tbody>
</table>


P.S: This Table (2.1) has only been updated till of 2013 which was the date of writing this chapter.
Table (2.2): Countries populations reflecting number of representatives at the AEU:¹⁵¹

The quotas representation proportional to the population is showed in table 2.2 below.

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (Thousands)</th>
<th>Population / minimum</th>
<th>Percentage</th>
<th>Number of representative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>89996</td>
<td>127</td>
<td>23</td>
<td>11</td>
</tr>
<tr>
<td>Sudan</td>
<td>41430</td>
<td>58</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Algeria</td>
<td>38142</td>
<td>54</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Morocco</td>
<td>36496</td>
<td>51</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Iraq</td>
<td>34216</td>
<td>48</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>32738</td>
<td>46</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Yemen</td>
<td>30677</td>
<td>43</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Syria</td>
<td>23018</td>
<td>32</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Somalia</td>
<td>15263</td>
<td>21</td>
<td>4</td>
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<tr>
<td>Tunisia</td>
<td>11116</td>
<td>16</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Jordan</td>
<td>6982</td>
<td>10</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Libya</td>
<td>6886</td>
<td>10</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Palestine</td>
<td>5260</td>
<td>7</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Lebanon</td>
<td>4207</td>
<td>6</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mauritania</td>
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<td>6</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Oman</td>
<td>3908</td>
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<td>1</td>
<td>1</td>
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<tr>
<td>UAE</td>
<td>3588</td>
<td>5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Kuwait</td>
<td>3352</td>
<td>5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Comoros</td>
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<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Bahrain</td>
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<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Djibouti</td>
<td>839</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Qatar</td>
<td>711</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>555</strong></td>
<td><strong>58</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹⁵¹ Suggested quotas based on actual populations of Arab countries.
### Table (2.3): GDP at Current Market Prices:152

<table>
<thead>
<tr>
<th>GDP at Current Market Prices (Millions of U.S. Dollars)</th>
<th>الناتج المحلي الإجمالي بأسعار السوق الجارية (مليون دولار أمريكي)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total 2,385,591 1,005,295 1,736,294 1,998,541 1,588,010 1,370,677 1,153,566 948,382 794,216 713,628</td>
<td>المجموع</td>
</tr>
<tr>
<td>Jordan 28,021 26,463 23,853 21,993 17,110 15,056 12,589 11,411 10,106 9,583</td>
<td>الأردن</td>
</tr>
<tr>
<td>Emirates 338,690 283,916 259,733 314,451 257,916 222,106 180,617 147,824 124,346 109,916</td>
<td>الإمارات</td>
</tr>
<tr>
<td>Bahrain 25,825 21,930 10,621 22,151 18,471 15,851 13,450 11,353 9,747 8,401</td>
<td>البحرين</td>
</tr>
<tr>
<td>Tunisia 46,431 44,341 43,637 44,781 38,882 34,419 32,256 31,181 27,469 25,446</td>
<td>تونس</td>
</tr>
<tr>
<td>Djibouti 1,238 1,129 1,049 983 831 770 709 625 592 574</td>
<td>جيبوتي</td>
</tr>
<tr>
<td>Sudan 60,980 70,587 63,600 61,085 56,565 45,209 35,186 26,807 21,360 18,135</td>
<td>السودان</td>
</tr>
<tr>
<td>Syria 60,193 60,038 53,065 52,579 40,465 33,732 28,499 24,547 21,828 19,544</td>
<td>سوريا</td>
</tr>
<tr>
<td>Somalia ... ... ... ... ... ... ... ... ... ...</td>
<td>الصومال</td>
</tr>
<tr>
<td>Iraq 153,032 110,693 94,597 107,072 74,235 54,475 36,243 26,175 10,621 17,377</td>
<td>العراق</td>
</tr>
<tr>
<td>Oman 72,680 59,228 48,268 60,732 41,901 36,804 30,905 24,674 21,543 20,048</td>
<td>عمان</td>
</tr>
<tr>
<td>Qatar 175,519 127,332 97,798 115,289 78,712 60,882 44,530 31,734 23,534 19,364</td>
<td>قطر</td>
</tr>
<tr>
<td>Comoros 504 528 522 518 520 462 406 380 368 318</td>
<td>جزر коморы</td>
</tr>
<tr>
<td>Kuwait 100,940 119,835 105,993 147,541 114,565 101,574 80,799 59,438 47,809 38,129</td>
<td>الكويت</td>
</tr>
<tr>
<td>Lebanon 40,904 37,124 34,650 29,684 24,958 22,190 21,861 21,700 20,082 19,152</td>
<td>لبنان</td>
</tr>
<tr>
<td>Libya 37,468 79,841 63,709 86,506 68,118 55,520 47,635 33,461 26,296 21,924</td>
<td>ليبيا</td>
</tr>
<tr>
<td>Egypt 235,584 216,347 188,489 162,464 130,347 107,378 89,528 87,623 81,135 85,180</td>
<td>مصر</td>
</tr>
<tr>
<td>Morocco 92,574 91,458 90,553 88,880 75,224 65,640 59,234 56,948 49,819 40,474</td>
<td>المغرب</td>
</tr>
<tr>
<td>Mauritania 4,064 3,629 3,031 3,536 2,819 2,699 1,837 1,495 1,285 1,146</td>
<td>موريتانيا</td>
</tr>
<tr>
<td>Yemen 28,007 31,183 28,251 30,395 25,634 22,812 19,050 15,618 13,555 12,247</td>
<td>اليمن</td>
</tr>
</tbody>
</table>

The GDP in USD millions is listed in the table 3; Kingdom of Saudi Arabia (KSA), United Arab Emirates (UAE) and Arab Republic of Egypt (Egypt) rank at the top of the list for having the highest GDPs. In consequence, Comoros Islands, Somalia and Palestine (with unknown GDP due to Palestinian – Israeli conflict and since Palestine is forced to use the shekel being the Israeli currency) have ranked at the bottom of the list.

152 Table 2.3 represents Arab Countries GDP

Table (2.4): Countries GDPs reflecting number of representatives at the AEU:

In this Table (2.4), a simple calculation was conducted in order to provide a quotas representation proportional to the GDP. First the GDP was divided by the lowest GDP among the countries, then a percentage is calculated, and finally considering the number of members as 56 members we can calculate the quotas for every country after joining the AEU. A correction was made for countries with GDP equal to 5000 million or below.

The quotas representation proportional to the population is showed in table 2.4 below.

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP million $</th>
<th>GDP/minimum</th>
<th>Percentage</th>
<th>Number of representatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>235584</td>
<td>403</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Sudan</td>
<td>69360</td>
<td>120</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Algeria</td>
<td>197450</td>
<td>338</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Morocco</td>
<td>93574</td>
<td>160</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Iraq</td>
<td>153032</td>
<td>262</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>597086</td>
<td>1022</td>
<td>25</td>
<td>13</td>
</tr>
<tr>
<td>Yemen</td>
<td>28097</td>
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<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Syria</td>
<td>60195</td>
<td>103</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Somalia</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Tunisia</td>
<td>46431</td>
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<td>1</td>
</tr>
<tr>
<td>Jordan</td>
<td>28881</td>
<td>43</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Libya</td>
<td>37468</td>
<td>64</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Palestine</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Lebanon</td>
<td>40094</td>
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<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Mauritania</td>
<td>4064</td>
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<td>1</td>
</tr>
<tr>
<td>Oman</td>
<td>72680</td>
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<td>3</td>
<td>2</td>
</tr>
<tr>
<td>UAE</td>
<td>338690</td>
<td>580</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Kuwait</td>
<td>160940</td>
<td>276</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
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</tr>
<tr>
<td>Bahrain</td>
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</tr>
<tr>
<td>Djibouti</td>
<td>1238</td>
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<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Qatar</td>
<td>173519</td>
<td>297</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4050</td>
<td></td>
<td>56</td>
</tr>
</tbody>
</table>
Table (2.5): Number of representatives for each country in the AEU:

As a final result, a total of 112 members will sit on the General Assembly of AEU and the quotas representation of countries after joining the AEU is provided in table 2.5:

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of representatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>16</td>
</tr>
<tr>
<td>Sudan</td>
<td>6</td>
</tr>
<tr>
<td>Algeria</td>
<td>9</td>
</tr>
<tr>
<td>Morocco</td>
<td>7</td>
</tr>
<tr>
<td>Iraq</td>
<td>7</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>17</td>
</tr>
<tr>
<td>Yemen</td>
<td>5</td>
</tr>
<tr>
<td>Syria</td>
<td>4</td>
</tr>
<tr>
<td>Somalia</td>
<td>3</td>
</tr>
<tr>
<td>Tunisia</td>
<td>2</td>
</tr>
<tr>
<td>Jordan</td>
<td>2</td>
</tr>
<tr>
<td>Libya</td>
<td>2</td>
</tr>
<tr>
<td>Palestine</td>
<td>2</td>
</tr>
<tr>
<td>Lebanon</td>
<td>2</td>
</tr>
<tr>
<td>Mauritania</td>
<td>2</td>
</tr>
<tr>
<td>Oman</td>
<td>3</td>
</tr>
<tr>
<td>UAE</td>
<td>8</td>
</tr>
<tr>
<td>Kuwait</td>
<td>4</td>
</tr>
<tr>
<td>Comoros</td>
<td>2</td>
</tr>
<tr>
<td>Bahrain</td>
<td>2</td>
</tr>
<tr>
<td>Djibouti</td>
<td>2</td>
</tr>
<tr>
<td>Qatar</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>112</td>
</tr>
</tbody>
</table>

Each country shall appoint its own representatives; whereby the communication process shall be facilitated based on the fact that all countries’ representatives speak the Arabic language. Although the Veto system will probably hold negative repercussions and it defies the principal of justice and fairness in the opinion of many, however and based on the size of each country and its economic volume and population size, a “Veto System” may be set up. In this case the “Veto power” would be granted to Egypt, KSA, UAE, Algeria, Syria and Iraq. Veto power, similar to other global organisations, maybe exploited by Veto holders in to impede a legislation or decision proposed by the AEU.
2.4 Representation of the Arab Economic Union towards Third Parties

As an independent economic bloc, the AEU should have proper representation towards third parties through its multiple bodies which include committees, organisations and sub-divisions. Each of these bodies shall have a clear organisational hierarchical structure. These bodies are nominated by the Arab Higher Council (AHC)\footnote{The Arab Higher Council (AHC) is the highest ranking body within the Arab Economic Union hierarchy. The specifics of the AHC will be explained later during this chapter.} and are consistent with the natural and historical links amongst them, and to provide the best conditions for flourishing their economies, developing their resources and ensuring the prosperity of their countries. The members of the AEU ought to unite on the economic front on all economic related issues.

The first form of AEU representation will be towards its neighbouring countries, mainly the non-Arab African countries, especially that ten of Arab countries are located in the African continent. The AEU can cooperate with the African countries to maintain the peace and security, to help in case of natural or health crisis and other pressing matters.

In addition to the neighbouring African countries, the AEU should build strong links with main regional powers such as Iran and Turkey, and other global powers including China.

The second form of AEU representation will be its engagement in bilateral and multilateral agreements with other economic blocs and organisations. For instance, AEU should be represented towards various bodies for example, the EUROMED\footnote{EUROMED’s key objective of the trade partnership is the creation of a deep Euro-Mediterranean Free Trade Area, which aims at removing barriers to trade and investment between both the EU and Southern Mediterranean countries and between Southern Mediterranean countries themselves. Euro-Mediterranean Association Agreements are in force with most of the partners (except Syria and Libya). The scope of these agreements is essentially limited to trade in goods. These ongoing or future negotiations are related to further liberalisation of trade in agriculture, liberalisation of trade in services, accreditation and acceptance of industrial products and regulatory convergence. See Euro-Mediterranean partnership. (2017, February 22). Retrieved from European Commission: ec.europa.eu: http://ec.europa.eu/trade/policy/countries-and-regions/regions/euro-mediterranean-partnership/index_en.htm} (Euro-Mediterranean Partnership), especially since eight of the Arab countries (Egypt, Jordan, Lebanon, Mauritania, Morocco, Palestine, Syria (currently suspended), and Tunisia are current members of Union for the Mediterranean launched in 2008.

Another very important form of AEU representation towards third parties should occur with regional and international organisations such as the United Nations, World Trade Organisation (WTO), Organisation for Economic Cooperation & Development (OECD), International Monetary Fund (IMF), G20, World Health Organisation and many others.

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153 The Arab Higher Council (AHC) is the highest ranking body within the Arab Economic Union hierarchy. The specifics of the AHC will be explained later during this chapter.

154 EUROMED’s key objective of the trade partnership is the creation of a deep Euro-Mediterranean Free Trade Area, which aims at removing barriers to trade and investment between both the EU and Southern Mediterranean countries and between Southern Mediterranean countries themselves. Euro-Mediterranean Association Agreements are in force with most of the partners (except Syria and Libya). The scope of these agreements is essentially limited to trade in goods. These ongoing or future negotiations are related to further liberalisation of trade in agriculture, liberalisation of trade in services, accreditation and acceptance of industrial products and regulatory convergence. See Euro-Mediterranean partnership. (2017, February 22). Retrieved from European Commission: ec.europa.eu: http://ec.europa.eu/trade/policy/countries-and-regions/regions/euro-mediterranean-partnership/index_en.htm
Section (3): Administration and Management

3.1 Administration and Operation of the AEU

While the suggestion of the AEU is quite revolutionary, the current set up and structure of the Arab League could play as a good example in terms of the basic structure. The AEU shall be based on the rule of law; this means that every action taken by the AEU will be based on regulations, treaties, conventions and similar texts, and should therefore be approved voluntarily and democratically by all AEU member countries. The aims set out in the AEU treaties, conventions and agreements are achieved by several types of legal activities, some of which are binding, while others could be in a form of memorandum of understanding or non-binding agreements. Similar to the European Commission, some elements of the treaties and conventions might not apply to certain countries, such as the visa status. A good example to the above mentioned would be the Schengen Area which was created by the Schengen Agreement, of which the UK along with Bulgaria, Croatia, Cyprus, Ireland, and Romania remain out of, in spite of the fact that they are a part of the European Commission. Therefore, one of the implications of such opting out (in some cases) and not allowed in (in other cases) is that visitors are in need of a country specific visa rather than the general European inclusive Schengen visa.

One of Schengen Agreement’s main achievements, which may be adopted by the AEU (explained at later stages of research), is the creation of a free movement of factors of production in all parts of Europe, which is considered fundamental for economic unity.

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155 The free movement of persons is a fundamental right guaranteed by the EU to its citizens. It entitles every EU citizen to travel, work and live in any EU country without special formalities. Schengen cooperation enhances this freedom by enabling citizens to cross internal borders without being subjected to border checks. The border-free Schengen Area guarantees free movement to more than 400 million EU citizens, as well as to many non-EU nationals, businessmen, tourists or other persons legally present on the EU territory.


156 Originally, the concept of free movement was to enable the European working population to freely travel and settle in any EU State, but it fell short of abolishing border controls within the Union. A break-through came in 1985 when cooperation between individual governments led to the signing, in Schengen (a small village in Luxembourg), of the Agreement on the gradual abolition of checks at common borders, followed by the signing in 1990 of the Convention implementing that Agreement. The implementation of the Schengen Agreements started in 1995, initially involving seven EU States. Born as an intergovernmental initiative, the developments brought about by the Schengen Agreements have now been incorporated into the body of rules governing the EU. Today, the Schengen Area encompasses most EU States, except for Bulgaria, Croatia, Cyprus, Ireland, Romania and the United Kingdom. However, Bulgaria and Romania are currently in the process of joining the Schengen Area. Of non-EU States, Iceland, Norway, Switzerland and Liechtenstein have joined Schengen Area.
Another important goal behind the creation of a Schengen Area, which may also be adopted by the AEU upon it creation, is the preservation of “Freedom and Security for Travellers”\textsuperscript{157}. Here it is essential to point out that joining the Schengen Area is not merely a political decision. Countries must also fulfil a list of pre-conditions\textsuperscript{158} to be able to join. This could well be a good example for the AEU when setting up the “Conditions to join the AEU”. Nevertheless, it is important to clarify the distinction between a “treaty” which is a formal agreement between two or more states in reference to peace, alliance, commerce, or other international relations and “recommendations and opinions” which comprise recommendations that lack legal force but are negotiated and subject to voting according to the appropriate procedure. Recommendations differ from regulations, directives and decisions, in that they are not binding for Member States. Though without legal force, they do carry political weight. They encompass instruments of indirect action.

Any person, irrespective of nationality, may cross the internal borders without being subjected to border checks. However, the competent national authorities can carry out police checks also at the internal borders and in border areas, provided that such checks are not equivalent to border checks. This is valid for cases when, in particular, the checks do not have border control as an objective and are based on general police information and experience. It’s also valid when the checks are carried out in a manner clearly distinct from systematic border checks and on the basis of spot-checks. If there is a serious threat to public policy or internal security, a Schengen country may exceptionally temporarily reintroduce border control at its internal borders for, in principle, a limited period of no more than thirty days. If such controls are reintroduced, the other Schengen countries, the European Parliament and the Commission should be informed, as should the public.


\textsuperscript{157} The Schengen provisions abolish checks at the Union's internal borders, while tightening controls at the external borders, in accordance with a single set of rules. These rules cover several areas:
- a common set of rules applying to people crossing the EU external borders, including the types of visa needed and how checks at external borders have to be carried out
- harmonisation of the conditions of entry and of the rules on visas for short stays (up to three months)
- enhanced police cooperation (including rights of cross-border surveillance and hot pursuit)
- stronger judicial cooperation through a faster extradition system and transfer of enforcement of criminal judgments
- establishment and development of the Schengen Information System (SIS)
- documents needed for travelling in Europe.


\textsuperscript{158} Joining the Schengen Area is not merely a political decision. Countries must also fulfil a list of pre-conditions, such as be prepared and have the capacity to:
- take responsibility for controlling the external borders on behalf of the other Schengen States and for issuing uniform Schengen visas
- efficiently cooperate with law enforcement agencies in other Schengen States in order to maintain a high level of security once border controls between Schengen countries are abolished
- apply the common set of Schengen rules (the so-called "Schengen acquis"), such as controls of land, sea and air borders (airports), issuing of visas, police cooperation and protection of personal data
- connect to and use the SIS.

Applicant countries undergo a “Schengen evaluation” before joining the Schengen Area and periodically thereafter to ensure the correct application of the legislation.

aiming at preparation of legislation in Member States, differing from the directive only by the absence of obligatory power. Thus, the first is a binding agreement between AEU member countries which sets out AEU directives and decisions and the relationship between the AEU and its member countries; while the “recommendations” are not necessarily binding, since they are suggestions to improve the plan of action into the AEU but without imposing legal obligations on involved members.

3.2 Management and Internal Set up of AEU

As explained in Section (2) of this chapter, the Arab Economic Union’s administrative setup will entail the creation of a number of regional offices; one in each region as per the categorization in sub-section (2.2) above, of which local branches will generate from. Each Arab capital will accommodate one local branch of the AEU; the regional branch will be larger and will compensate for the local branch, all of which will report to AEU headquarters, in the Emirate of Dubai in the United Arab Emirates (previously suggested as the headquarters of the AEU), or Beirut in case political stability was achieved.

With about (22) local offices and five regional offices and one headquarters in addition to the various bodies and institutions which comprise the union, the workforce of the AEU will exceed three thousand (3000) employees and executives. All local and regional offices are inter-linked together with the headquarters in order to insure better services and to facilitate tasks and save time. The (112) government appointed members by their governments will comprise the voting members of the Arab Commission in the AEU.

The first and most important advantage of the AEU is that all countries speak Arabic, in consequences no translation service is needed and ease of communication should be reached. As mentioned above, the League of Arab States could form the main pillar to establish the AEU especially from a structural and institutional perspective. There are currently several bodies at the League of Arab States\textsuperscript{159} which if well expanded and re-structured could result in the formation of the required bodies which comprise the AEU.

\textsuperscript{159} Through institutions, such as the Arab League Educational, Cultural and Scientific Organisation (ALECSO) and the Economic and Social Council of the Arab League's Council of Arab Economic Unity (CAEU), the Arab League facilitates political, economic, cultural, scientific, and social programmes designed to promote the interests of the Arab world. It has served as a forum for the member states to coordinate their policy positions, to deliberate on matters of common concern, to settle some Arab disputes and to limit conflicts such as the 1958 Lebanon crisis. The League has served as a platform for the drafting and conclusion of many landmark documents promoting economic integration.
Section (4): Organisational Structure and Hierarchy

Prior to drawing a clear picture to specify each body within the AEU and explain its mandates, it is important to note that the first point of impact is the Arab Economic Union Special Accession Committee (AEUSAC), that plays a primary role in accession process. The AEUSAC has been referred to at the beginning of this chapter, and below will further elaborate the nature, mandates, objectives and operations of the AEU’s main bodies.

4.1 Arab Commission (AC)

The suggested Arab Commission will be the AEU’s executive body and represents the interests of the AEU as a whole. It drafts proposals for new Arab legislations which it presents to the Arab Parliament and Council. It manages the AEU’s funds and programs. The Commission will also play its role as "the guardian of the treaties" making sure that all countries abide by the AEU treaties and laws. It also has the authority and power to act against breaches and infiltrators, as per its articles and policies.

The Commission will consist of one Commissioner from each AEU country. The president of the Commission is elected by the AEU governments in accordance (pro-rata) to their voting quotas, and endorsed by the Arab Parliament. The other Commissioners will be nominated by their national governments in consultation with the incoming president, and must be approved by the Arab Parliament for a mandate of five (5) years.

One example is the Joint Arab Economic Action Charter, which outlines the principles for economic activities in the region. Each member state has one vote in the League Council, and decisions are binding only for those states that have voted for them. The aims of the league in 1945 were to strengthen and coordinate the political, cultural, economic and social programs of its members and to mediate disputes among them or between them and third parties. Furthermore, the signing of an agreement on Joint Defence and Economic Cooperation on 13 April 1950 committed the signatories to coordination of military defence measures. In March 2015, the Arab League General Secretary announced the establishment of a Joint Arab Force with the aim of countering extremism and other threats to the Arab States. The decision was reached while Operation Decisive Storm was intensifying in Yemen. Participation in the project is voluntary, and the army intervenes only at the request of one of the member states. The growing militarization of the region and the increase in violent civil wars as well as terrorist movements are the reason behind the creation of the JAF, financed by the rich Gulf countries.

In the early 1970s, the Economic Council of the League of Arab States put forward a proposal to create the Joint Arab Chambers of Commerce across the European states. That led, under the decree of the League of Arab States no. K1175/D52/G, to the decision by the Arab governments to set up the Arab British Chamber of Commerce; which was mandated to "promote, encourage and facilitate bilateral trade" between the Arab world and its major trading partner, the United Kingdom.

See Nations Online. (n.d.). Retrieved from Nations Online: All Countries of the World:
The President’s mandate will be to define the policy direction for the Commission, which enables the Commissioners together to decide strategic objectives, and produce the annual work program. Decisions are taken based on collective responsibility. All Commissioners will be equal in the decision making process and equally accountable for these decisions since they do not have any individual decision-making powers, except when authorized in certain situations. The Commissioners will elect AEU Vice Presidents following the President’s approval. They act on behalf of the President when applicable and in accordance with the AEU regulations and coordinate work in their area of responsibility, together with several Commissioners. Priority projects are defined to help ensure that the Commissioners work together in an orchestrated and smooth manner.

4.2 Arab Parliament (AP)

The suggested Arab Parliament will be elected every four (4) years by members of parliament (MPs) in the member countries of the AEU to represent their interests. The main task of the Parliament is to pass laws and legislations on the basis of proposals presented by the Arab Commission. Similar to the European Parliament\textsuperscript{160}, the Arab Parliament will have 3 main roles:

4.2.1. Legislative Role (similar to the EU Parliament\textsuperscript{161}):

- Passing AEU laws, together with the Council of the AEU, based on Arab Commission proposals.
- Deciding on Enlargements\textsuperscript{162}.
- Reviewing the Commission's work program and asking it to propose legislation.


\textsuperscript{161} The ordinary legislative procedure gives the same weight to the European Parliament and the Council of the European Union on a wide range of areas (for example, economic governance, immigration, energy, transport, the environment and consumer protection). The vast majority of European laws are adopted jointly by the European Parliament and the Council.


\textsuperscript{162} The process of expanding the Arab Economic Union -AEU through the accession of new member states;
4.2.2. *Supervisory and Regulatory Role:*

- Electing the Commission’s President and approving the Commission as a body.
- Observing the elections as per the internal policies of the AEU.
- Scrutinising the AEU institutions democratically.
- Examining citizens' petitions and setting up inquiries.
- Questioning Commission and Council.
- Possibility of voting a motion of censure, obliging the Commission to resign.
- Granting discharge, i.e. approving the way the AEU budgets have been spent.
- Discussing monetary policy with the Arab Central Bank.

4.2.3. *Budgetary Role:*

- Establishing, together with the Council, the AEU budget.
- Approving the AEU long term budget.

The President of the Parliament represents the Parliament before other AEU institutions and third parties of similar nature, and gives the final go ahead to the AEU budget.

The number of members in the Arab Parliament for each country is roughly proportionate to its population. Members of Arab Parliament (MAPs) may formulate parliamentary groups, not by nationality. The Parliament's work comprises two main stages:

- **Stage 1: Committees to prepare legislations:**
  The Committees examine proposals for legislation, and MAPs may put forward amendments or propose rejecting bills.

- **Stage 2: Plenary sessions to pass legislations:**
  This occurs when all the MAPs gather in the chamber to give a final vote on the proposed legislation and/or the proposed amendments.

4.3  *Arab Dispute Settlement Council (ADSC)*

One of the main tasks parallel to establishing the Arab Economic Union is the formulation or development of an already existing dispute resolution body. This body will be called the Arab Dispute Settlement Council (ADSC). The ADSC’s main mandate will be to resolve disputes which occur between member states, by clarifying the rules of the AEU. The council aims to reach an amicable settlement prior to involving the
disputing parties in the alternative dispute resolution (ADR) mechanisms which are usually concluded by the arbitration procedures which is the final stage of the ADR mechanisms, it cannot legislate or promulgate new rules. Dispute settlement is administered by a Dispute Settlement Council. The ADSC has the authority to look into all disputes referred to it either by the disputing parties or by the Commission. It may establish panels, appoint experts, adopt panel reports, maintain surveillance of implementation of rulings and recommendations, and authorize suspension of concessions and various other obligations, depending on the specifies needs.

Similar to other dispute resolution bodies in other parts of the world, when a member country believes that another party has taken an action that impairs “benefits accruing to it directly or indirectly”, it may request consultations to resolve the conflict through informal negotiations. If mutual consultations failed to reach an agreement after a certain set number of days, members may request the formation of a panel to resolve the dispute.

Such panels typically consist of three individuals with expertise in law and policy; these panellists hear the evidence and present a report to the ADSC recommending a course of action within a certain specified period of days, which may be up to six (6) months. All deliberations and communications are confidential. Once panel reports have been prepared, they are presented to ADSC, which either adopts the report or decides by consensus not to accept it. Alternatively, if one of the involved parties decides to appeal the decision, the report will not be considered for adoption until the appeal process ends.

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163 Any method of resolving disputes other than by litigation. Public courts may be asked to review the validity of ADR methods, but they will rarely overturn ADR decisions and awards if the disputing parties formed a valid contract to abide by them. Arbitration and mediation are the two major forms of ADR. Alternative Dispute Resolution (“ADR”) refers to any means of settling disputes outside of the courtroom. ADR typically includes early neutral evaluation, negotiation, conciliation, mediation, and arbitration. As burgeoning court queues, rising costs of litigation, and time delays continue to plague litigants, more states have begun experimenting with ADR programs. While the two most common forms of ADR are arbitration and mediation, negotiation is almost always attempted first to resolve a dispute. It is the preeminent mode of dispute resolution. Negotiation allows the parties to meet in order to settle a dispute. Mediation is also an informal alternative to litigation. Mediators are individuals trained in negotiations, who bring opposing parties together and attempt to work out a settlement or agreement that both parties accept or reject. Arbitration is a simplified version of a trial involving limited discovery and simplified rules of evidence. The arbitration is headed and decided by an arbitral panel. To comprise a panel, either both sides agree on one arbitrator, or each side selects one arbitrator and the two arbitrators elect the third. Arbitration hearings usually last between a few days to a week, and the panel only meets for a few hours per day. The panel then deliberates and issues a written decision, or arbitral award. See Cornell Law School. (n.d.). Retrieved from law.cornell.edu: https://www.law.cornell.edu/wex/alternative_dispute_resolution
4.4 Arab Ministerial Council (AMC)

While it is different from the League of Arab States Ministerial Councils, the suggested Arab Ministerial Council (AMC) is composed of the foreign affairs ministers of all the Member States or other ministers representing them or delegated by the Member State. The Council is presided over by the Member State which presided over the last ordinary session of the Arab Supreme Council (explained below). It convenes its ordinary sessions on quarterly bases. An extraordinary session can be convened at the invitation of any one Member State seconded by another Member State. A session is valid if attended by two thirds of the Member States.

The functions of the Ministerial Council include, among other things:

- Formulating policies and making recommendations for promotion of cooperation among the Member States.
- Achieving coordination among Member States for implementation of ongoing projects
- Submitting decisions in form of recommendations for Supreme Council’s approval.
- Organising and holding meetings of the Supreme Council and preparing agendas.

4.5 Arab Senate House (ASH)

While there has been no real Arab affiliated experience with the constitutional formation of a senate, the US Senate, and for the purpose of this research, was used as a reference
model to adopt in terms of structure and only to certain extents. In the US, the Senate Oath\textsuperscript{166} clarifies the role.

While the main mandate of the Arab Senate is to initiate debates and vote on legislation, it is regarded as one of the main constitutional bodies of the AEU. The members of the suggested Arab Senate constitute all Member Countries and voting is proportional to the population of the countries, or other indicators depending on the agreements.

The chairmanship of the Arab Senate shall be rotatable between states with Veto powers, if required. The mandate for the Arab Senate Members will be set to four-year terms.

Regarding proposals, every proposal is referred to a specialised committee within the Senate for consideration.

\subsection{4.6 Arab General Secretariat (AGS)}

The functions of the Arab General Secretariat are broadly the preparation of special studies relating to cooperation, coordination, planning and programming for common action, preparation of reports and studies on the demand of the Arab Ministerial Council. The General Secretariat is composed of the following:

A. The Secretary General is appointed by the Supreme Council for a term of three (3) years renewable for another term.

B. The Assistant(s) Secretary General are mandated to deal with the functional areas, like political, economic, security. They are appointed by the Ministerial Council on the nomination of the Secretary General for a renewable term of four (4) years.

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\textsuperscript{166} The Constitution requires that senators take an oath or affirmation to support the Constitution. Congress has prescribed the following oath for all federal officials (except the President), including Senators: I, ____ ______, do solemnly swear (or affirm) that I will support and defend the Constitution of the United States against all enemies, foreign and domestic; that I will bear true faith and allegiance to the same; that I take this obligation freely, without any mental reservation or purpose of evasion; and that I will well and faithfully discharge the duties of the office on which I am about to enter. So help me God

4.7 Arab Supreme Council (ASC)

The similar existing form to the suggested Arab Supreme Council is currently the existing UAE Federal Supreme Council\(^{167}\). The Functions of the ASC will be later set by the Arab Commission and Arab Parliament. Thus, and while UAE’s Council is Federal and deals with all elements including political, the ASC shall be more oriented to serve the AEU under its mandates, adopting economic approaches rather than a political ones.

4.8 Arab Monetary Fund (AMF)

The (AMF)\(^{168}\) is an existing regional Arab organisation. It is a working sub-organisation of the LAS. Due to the fact that the AMF is one of the few currently efficient Arab institutions, its importation under the AEU would be considered as a very favourable scenario. The Arab Monetary Fund is regarded as the most relevant to the suggested AEU since it deals with all sorts of economic, financial, monetary and fiscal matters.

\(^{167}\) The Federal Supreme Council (Arabic: المجلس الأعلى للاتحاد) is the highest constitutional authority in the United Arab Emirates, being the highest legislative and executive body. It establishes general policies and sanctions federal legislation. It is the First Federal Authority in terms of ranking in the hierarchy of the Five Federal Authorities prescribed in the Constitution: Federal Supreme Council, Federal President and Federal Vice President, Federal Cabinet, Federal National Council, Federal Judiciary.

The Supreme Council of the Union has the following functions:

1. The general policies in all matters entrusted to the Union by this Constitution and to consider what would that achieve the objectives of the Union and the common interests of the member Emirates.
2. The ratification of the various federal laws before they are issued, including the laws of the annual general budget of the Union and the final account.
3. The ratification of the decrees on the subject matters under the provisions of this Constitution for the ratification or approval of the Federal Supreme Council prior to the issuance of these decrees by the Federal President.
4. Ratification of institutions and agreements are ratified by decree.
5. To approve the appointment of the Federal Prime Minister and the Federal Cabinet and the acceptance of their resignation and removal from office upon the proposal of the Federal President.
6. To approve the appointment of the President and Judges of the Federal Supreme Court and the acceptance of their resignations and dismissal in the circumstances prescribed in the Constitution. Are all decrees.
7. High control over the affairs of the Union in general.
8. Any other functions stipulated in this Constitution or federal laws.


\(^{168}\) Arab Monetary Fund is a Regional Arab Organisation, Founded in 1976, and has started operations in 1977. Member Countries (22) are: Jordan, United Arab Emirates, Bahrain, Tunisia, Algeria, Djibouti, Saudi Arabia, Sudan, Syria, Somalia, Iraq, Oman, Palestine, Qatar, Kuwait, Lebanon, Libya, Egypt, Morocco, Mauritania, Yemen, Comoros. The member States shall co-operate among themselves and with the Fund for the realisation of the goals of the Fund and each member shall, in particular.

1. Reduce the restrictions on current payments among member States and the restrictions on the transfer of capital and the transfer of profits therefrom, with a view to the total elimination of the said restrictions.
2. Endeavour to achieve the necessary degree of co-ordination between Arab economic policies, particularly financial and monetary, in a manner that will contribute to Arab economic integration and assist in creating the necessary conditions for the establishment of a unified Arab currency.

The Arab Monetary Fund's main objectives are to correct and balance the payments of its member states, remove payment restrictions between members, improve Arab monetary cooperation, encourage the development of Arab financial markets (paving the way for a single Arab currency), and to facilitate and promote trade between member states.

The principal organs of the AMF are the Board of Governors, the Board of Executive Directors, and the Director General. In the Board of Governors (General Assembly) each member state is represented by a Governor and a Deputy Governor.

The Board of Executive Directors, composed of eight directors of renewable three-year terms, is chaired by the Director General, who is appointed to the board for a renewable five-year term and also holds the position of Managing Director of the AMF. The organisation distributes its work through offices, departments, committees, and divisions.

As mentioned in the AMF Objectives, “the Fund shall cooperate with similar Arab institutions to achieve its objectives, likewise, when necessary, it shall cooperate with similar international organisations”.

In addition, “AMF shall provide technical assistance and services in the financial and monetary sphere to member States, which conclude economic agreements aimed at attaining a monetary union between them leading the realisation of the goals of the Fund.

### 4.9 Arab Central Bank (ACB)

In spite of many Arab unification efforts, not only on the economic level but also on the political level, to date there has not been a serious attempt to establish an Arab Central Bank. For the purpose of the creation of the Arab Economic Union, the closet model to observe and explore is the European Central Bank (ECB). Table (2.6) below shows the

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169 The European Central Bank (ECB) is the central bank of the 19 European Union countries which have adopted the euro. Our main task is to maintain price stability in the euro area and so preserve the purchasing power of the single currency. The ECB is an official EU institution at the heart of the Eurosystem as well as the Single Supervisory Mechanism for banking supervision. Find out how we are organised and learn who is who in the Governing Council, the main decision-making body. The European Central Bank and the national central banks together constitute the Eurosystem, the central banking system of the euro area. The main objective of the Eurosystem is to maintain price stability: safeguarding the value of the euro.
full organisation structure of the ECB, whereby the plan would be to build up the ACB in a parallel structure to the ECB.

The Arab Central Bank (ACB) mandate will be to implement the AEU’s economic, fiscal and monetary policies. Its main aim is to keep prices stable, thereby supporting economic growth and job creation. The Arab Central Bank will work in close cooperation with the Arab Monetary Fund (AMF) as a leading Arab financial institution.

The roles of the ACB will be continuously developing, however and upon the AEU’s initiation, some of its roles may be identified as follows:

1. Controlling money supply and inflation.
2. Managing the buying or selling of currencies to balance exchange rates.
3. Ensuring that financial markets and institutions are well supervised.
4. Ensuring that authorities and that payment systems work well.
5. Ensuring the safety and soundness of the Arab banking system.
7. Regulating and supervising the national central banks.

The ACB will also work with the national central banks of all AEU member states as a chaperone to ensure the maintenance of common economic and fiscal policies as well as the control of supply and support for the Arab unified currency to be discussed later.

The European Central Bank is responsible for the prudential supervision of credit institutions located in the euro area and participating non-euro area Member States, within the Single Supervisory Mechanism, which also comprises the national competent authorities. It thereby contributes to the safety and soundness of the banking system and the stability of the financial system within the EU and each participating Member State. We at the European Central Bank are committed to performing all our tasks effectively. In so doing, we strive for the highest level of integrity, competence, efficiency and accountability. We respect the separation between our monetary policy and supervisory tasks. In performing our tasks we are transparent while fully observing the applicable confidentiality requirements. See European Central Bank. (2017). Retrieved from ecb.europa.eu: https://www.ecb.europa.eu
Table: (2.6): Organisational Chart of the European Central Bank¹⁷⁰:

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<td>- Audit Missions 2</td>
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<tr>
<td>Legal Services</td>
<td>Divisions:</td>
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<td></td>
<td>- Financial Law</td>
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<td>- Institutional Law</td>
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<td>- Legislation</td>
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<td>- Supervisory Law</td>
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<td>Market Infrastructure &amp; Payments</td>
<td>Divisions:</td>
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<td></td>
<td>- Market Operations Systems</td>
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<td></td>
<td>- Money Market &amp; Liquidity</td>
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<td>Risk Management</td>
<td>Divisions:</td>
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<td>- Risk Analysis</td>
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<td>- Risk Strategy</td>
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<tr>
<td>Statistics</td>
<td>Divisions:</td>
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<td></td>
<td>- External Statistics</td>
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<td></td>
<td>- Macropurpositional Statistics</td>
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<td>- Monetary &amp; Financial Statistics</td>
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<td></td>
<td>- Statistical Information Services</td>
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<td></td>
<td>- Statistics Development / Coordination</td>
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<td></td>
<td>- Supervisory Statistics</td>
</tr>
</tbody>
</table>
| Market Infrastructure & Payments | Divisions:
|                 | - Market Infrastructure Development |
|                 | - Market Infrastructure Management |
|                 | - Market Integration |
|                 | - Oversight |
| Research | Divisions: |
|               | - Financial Research |
|               | - Macropurpositional Policy Research |
| Secretariat | Divisions: |
|               | - Compliance and Governance Office |
|               | - Information Management Services |
|               | - Secretariat |

¹⁷⁰ Organisation Chart of the European Central Bank
Table (2.7) - Continued: Organisational Chart of the European Central Bank\textsuperscript{171}:

\begin{table}
\centering
\includegraphics[width=\textwidth]{chart.png}
\end{table}

\textsuperscript{171} Table 2.7: Organisation Chart of the European Central Bank
Section (5): Functions

While the structure of the Arab Economic Union has been categorised in departments and sections, each department or organisation in the AEU will have its own functions. While a full picture on the functions cannot be provided “in globo” at such an early stage, I will convey in the below parts the functions of some of the AEU organisations:

5.1 Internal Functions of the AEU:

5.1.1 The Arab Parliament:172 (Previously elaborated)

The Arab Parliament has three main functions: legislative, supervisory and budgetary.

a) Legislative Functions, which include but not limited to the following:

- Setting up the AEU laws and legislations in accordance to a proposal designed by the Arab Commission.
- Monitoring and reviewing the program of the Arab Commission and requesting it to propose legislations when required.

b) Supervisory, which include but not limited to the following:

- Examining, in a sound manner, of all AEU institutions.
- Electing the Commission President and approving the Commission as a body.
- Approving how AEU budgets should be spent.
- Discussing the monetary policy with the Arab Central Bank.
- Questioning the Arab Commission and Council.
- Observing the elections.

c) Budgetary, which include but not limited to the following:

- Establishing the AEU budget, together with the Council.
- Approving the AEU’s long-term budget.

5.1.2 The Arab Commission: (Previously elaborated)

The Arab Commission has several main internal functions in the AEU including:

- Suggesting new laws in order to protect interests of the AEU and its citizens.

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172 Arab Parliament was elaborated and explained in Section 4.
- Managing the policies of the AEU and assign the AEU funding:
- Setting the AEU expenditure priorities, in coordination with Council and Parliament.
- Setting the annual budgets to be approved later by the Parliament and Council.
- Enforcing AEU laws, legislations and regulations to all the member countries.

5.1.3 *The Arab Council:* (Previously elaborated)
- Decides the overall direction and political priorities of the AEU without passing legislations.
- Deals with complex and sensitive issues that cannot be resolved at lower levels of intergovernmental cooperation.

5.1.4 *The Arab Central Bank:* (Previously elaborated)
- Sets the interest rates therefore can control the money supply and inflation.
- Ensures that financial markets and institutions are well supervised by national authorities, and that payment systems work well.
- Ensures the safety and soundness of the Arab banking and monetary system.
- Monitors price trends and assesses risks to price stability.

5.2 **External Functions of the AEU:**

5.2.1 *The Arab Parliament*\(^{173}\)
- Conducting revisions and making decisions with reference to international agreements, conventions, bilateral & multilateral treaties and partnerships.
- Revising of enlargement requests, and making decisions with reference to the acceptance or refusal of enlargements (regarding new members joining the AEU).

5.2.2 *The Arab Commission*\(^{174}\)
- Representing the AEU on the international arena.
- Representing all AEU countries in the international organisations and conferences, in particular in areas of trade policy and humanitarian aid.
- Negotiating the international agreements for the AEU.

\(^{173}\) Explained in Section 4 of this chapter.
\(^{174}\) Explained in Section 4 of this chapter.
5.2.3 The Arab Council (explained in Section 4):
- Sets the AEU’s common foreign and security policy, taking into consideration the AEU strategic interests and defense implications.

5.2.4 The Arab Foreign Affairs Service:
- Supports the AEU High Representative in conducting the AEU foreign and security policy
- Manages diplomatic relations / strategic partnerships with non-AEU states
- Works with the national diplomatic services of AEU countries, the UN and other international organisations and leading global powers and decision makers.

5.3 Administration of Functions:
As detailed in the previous section, each organisation in the Arab Economic Union holds responsibility for a specific external or internal function. The Arab Parliament, the Arab Commission, the Arab Council, the Arab Central Bank, the Arab Foreign Affairs Service and many others are responsible for the different functions in the AEU.

Section (6): Objectives, Partnerships and Affiliations of the AEU
The main entity which is considered the corner stone of the establishment of the Arab Economic Union is the Economic Unity Agreement approved on June 3, 1957, the Council of Arab Economic Unity, as per its charter, aims to "Organize and consolidate economic relations among the States of the Arab League on bases that are consistent with the natural and historical links among them; and to provide the best conditions for flourishing their economies, developing their resources and ensuring the prosperity of their countries." The bases of economic relations between states in the Council of Arab Economic Unity, and which may well be adopted as the bases for the establishment of the Arab Economic Union, are outlined in Chapter (1), Articles ‘1’ and ‘2’ of the Economic Unity Agreement.  

175 Agreement on Arab Economic Unity (previously explained in the body of the thesis and elaborated further in the footnotes)

The Agreement on Arab Economic Unity was signed on 3 June 1957 and came into force on 30 April 1964. The original signatory States were Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahirija, Morocco, Saudi Arabia, Sudan, Syrian Arab Republic, Tunisia, United Arab Republic, and the Arab Republic of Yemen. Mauritania, Palestine and Somalia subsequently also became signatories to the Agreement.
6.1 Objectives of the AEU

The objectives of the Arab Economic Union have been elaborated during the description of the structure of the AEU; however, it is important to point out the two prime articles.

Article (1), identifies the core of economic unity, outlines each member’s rights to personal and capital mobility, free exchange of goods and products, exercise of residence and economic endeavours, transit & use of ports / airports and possession & inheritance.

Article (2), harmonises Article (1) as it encourages and orients the signatories of the Economic Unity Agreement to work towards the objectives specified in Article (1) through various steps, which include merging into a unified custom area, unifying import and export policies and regulations with regard to transit, jointly negotiating agreements with other states, unifying and coordinating legislations to achieve equal conditions of agriculture, industry and trade among Member States, coordinating labour and social security legislation, coordinating monetary and fiscal policies and adopting any other measures consistent with the objectives of Articles (1) and (2).

The Governments of: Kingdom of Jordan; Tunisian Republic; Republic of Sudan; Republic of Iraq; Saudi Arabia; the Syrian Arab Republic; United Arab Republic; Lebanese Republic; United Libyan Kingdom; Yemenite Kingdom; Kingdom of Morocco; and State of Kuwait; In pursuance of their desire to organize and consolidate economic relations among the LAS on principles conforming with the natural and historical ties among them, and with view to creating the best conditions for the advancement for their economy, for promoting their wealth and ensuring the welfare of their peoples, have agreed on setting up a complete unity among themselves to be achieved gradually with the speed commensurate with effecting their transfer from the present to the desired situation without detriment to its vital interests, in accordance with the following stipulations: / Chapter 1: Objectives & Methods:

Article 1: A complete economic unity shall be established among the Arab League States. The member states and their nationals are guaranteed the following on equal footing:

1. Freedom of movement of persons and capital.
4. Freedom of residence, work, employment and exercise of economic activities.
5. Rights of ownership, of making one's will and of inheritance.

Article 2: For attaining the unity mentioned in Art (1) the contracting states shall work for accomplishing the following:

1. The Arab States should be made one customs zone subject to a single administration. Customs' tariffs, legislation and regulations applied in these states should be standardized.
2. The Arab States should work for standardizing regulations thereof.
3. Standardizing transport and transit systems.
4. Concluding collective trade agreements and payments agreements with third countries.
5. Coordinating agriculture, industry, and internal trade policies. Economic legislations should be standardized to ensure equal terms to all nationals of contracting countries working in agriculture, industry, and other professions.
7. a. Co-ordinating legislation concerning government and municipal taxes and duties and all other taxes pertaining to agriculture, industry, trade, real estate, and capital investments in a manner ensuring equal opportunities.
   b. Avoiding double taxation and duties levied on the nationals of the contracting parties.
8. The co-ordination of monetary and fiscal policies and all regulations thereof [in] the contracting countries should be undertaken as a prerequisite for the standardization of the currency.
9. Standardizing the methods of the classification of statistics.
10. All necessary measures should be taken to ensure the attainment of goals specified in Art 1&2 of the Agreement. It is, however, possible to circumvent the principle of standardization in respect of certain circumstances and certain countries subject to the approval of the Council of Arab Economic Unity.

The signatory Member States will agree to establish an inclusive economic unity amongst them to be achieved through a gradual method and at such a timely manner so that the transfer of their countries from the status quo to the future developed status is accomplished without rendering any damage to their basic interests, in accordance with several associated and imperative provisions. The fact is that economic unity does not necessarily diminish sovereignty; on the contrary, it will enhance it if well structured.

6.2 Economic Partnerships and Affiliations of the AEU

Similar to any other economic bloc, the desired Arab Economic Union should seek to build strong economic and partnerships and affiliations with other economic blocs and countries depending on the need and the nature of the partnership. Based on the experiences of other blocs of similar nature, it is always preferable to instigate with building the economic and financial relations since they tend to pave ways and open doors to achieve political confidence and lead to building robust political relationships, which will support the continuity, sustainability and effectiveness of the Union.

Once again and through the already existing committee under the Arab League of States, and which is suggested to be imported to the AEU, the later should consider and seek building economic partnerships and affiliations on the global scale, especially that the platform already exists. These already existing committees include but not limited to:

- The Monetary and Financial Committee, which considers the handling of affairs pertaining to monetary and banking matters, taxes, duties and other financial affairs.
- The Economic Committee, which considers the affairs pertaining to agriculture, industry, trade, transport, communications, labour and social insurance. In addition, the Council may set up other committees whenever necessary.
- The Council of Arab Economic Unity, which has been previously detailed, shall exercise the functions and powers that are specified in their Agreements that are deemed necessary for ensuring implementation of economic partnership.

This research shall not go through specific suggestions related to economic partnerships and affiliations, simply since there are numerous bodies in the form of economic blocs, organisations and many more which fit to be partners of added value to the AEU. Nevertheless, the indispensable choice would be to launch negotiations to build a strong partnership, or affiliation to say the least, with the European Union, a step which shall
bring unlimited added economic value for both unions and regions respectively. Prior to engaging in any form of negotiations with potential economic partners or establishment of affiliations, the AEU shall identify criteria for such relations which aim to safeguard the AEU and protect it from any unfair competition, non-reciprocal benefits or lack of mutual advantages, while at the same time securing the principles of openness which will only bring progress and development to the union and its member countries at all times.

It is well known that the economic union is not the final stage of unity[^176]. The phases of “unity” starts with a simple free trade agreement and finally concludes and materialises with a successful political union which, as explained, is a type of state that is composed of smaller states, referred to as political unification. It is also the last stage of the multinational integration process which involves common home and judicial policies and a common foreign and security policies, added to all the economic integration criteria.

Unification of states that used to be together and are reuniting would be referred to as reunification. The clear examples on political unions are currently the United States of America (USA) and the United Arab Emirates (UAE), while former examples and the Soviet Union (USSR) which collapsed in 1990 and the United Arab Republic (UAR) which collapsed in 1961 after less than three years from formation. While this is neither the objective of this research, nor the core of it, the pinnacle of success of any economic union is actually reaching full political integration to form a political union, “one nation”.

Chapter (3) is considered integral in terms of the institutional structure where there is an attempt, and in spite of the fact that the Arab Economic Union is an idea, to draw an almost complete structure for the functions and administration and hierarchy of the AEU. While this Chapter presents details on the actual construction of the union, it also develops the factors and elements of the organisational structure from a substance, technical and logistical perspective. Therefore, and based on the discussion of the structure and all its elements (membership, location, administration, management, organisational structure, hierarchy, functions, objectives, partnerships and more), the attempt to draw a frame for Arab economic integration by looking at unions of similar functions around the world, while taking into account the Arab specificities and culture, proved to be a sound step towards achieving successful results for this this research.

[^176]: This point was elaborated thoroughly in the previous chapter where levels of trading blocs were explored.
Chapter (4)
The Role of Arab Workers’ Remittances to enhance the Development of an Arab Economic Union
“Lesson from Lebanon”

PART 4.A: "Institutional and Regulatory Framework Analysis"

Section (1): Introduction

With the high levels of emigration which have been taking place in the Arab Region for several decades, and the severe "Brain Drain"178 entailing the relocation of the educated youth who aim for higher returns, higher living standards and more secure and stable living environments, the phenomenon of remittances in the Arab Region has become a cornerstone for developing economies with a large volume of emigrants, namely Lebanon which has ranked an average of about eight (8) Billion USD in 2015, while the real volume of the remittances’ inflow through unofficial channels may be larger. Such financial transfers remained stable and consistent during war, financial crisis and other times of commotion in Lebanon and even source countries.

Remittances have created a financial sanctuary for families as their regular income on the microeconomic level, in addition to the positive effects on the macroeconomic indicators in recipient countries and especially Lebanon in our case, and the expansion of human, physical and financial capitals. Nevertheless, the real extent of their impact on financing development in Lebanon is still not crystallized, especially that a major part of remittance inflows spurs the demand, causing inflationary pressures.

178 “Brain drain in Arab World”
There is no dearth of talented people in the Arab world. But if that talent is not explored and utilized effectively and not given due respect, recognition and above all not provided with an environment conducive to proper learning, we will eventually experience brain drain. Where would they go? Ironically, they would look for greener pastures in countries we usually consider as conspirators, who are working to destroy us. Is it very puzzling to see the finest Arab brains leaving for the West? No, it is not. It has become a destination where talented Arabs can work with others and get highly paid, earn more respect, enjoy social equality and most importantly, they feel happy, I mean very happy. They can vote, nominate themselves to top scientific positions and have no fear. Before I forget, Arab scientists, doctors and researchers in the United States have much higher incomes than the national income average.

Abdulateef Al-Mulhim | Published — Wednesday 24 December 2014
See: http://www.arabnews.com/columns/news/678926
Therefore, an urge has generated to come up with a long term development strategy for the management of remittances as a significant source of long term development finance. Such strategy is vital in the build-up of Arab national economies which will automatically play an important role in supporting the establishment and development of the Arab Economic Union, since remittances are regarded as an external source of income which represent a backbone for the non-oil economies in the Arab countries, and could make up for the gap in wealth amongst Arab countries, facilitating the Arab Economic Union to be established from the perspective of fiscal volumes of countries.

In an attempt to reach this goal, the first section of this chapter provides information on the state of remittance inflows in the Arab Region, taking Lebanon as a study case, in order to help understand how the wealth of remittances is handled at all levels, namely by addressing the regulatory and legislative position. While it is true that there is no one size that fits all, the fact remains that the economies of Arab countries are quite similar (with the exception of the GCC oil producing and capital exporting countries). For this very reason, Lebanon could well serve as the ideal study case and a “lesson to learn from” with reference to the role of remittances and development. The Lebanese scenario may well be applied to the rest of the MENA Region in that context.

In addition, this chapter provides a useful tool for a broader audience such as practitioners, academics, students, donors and anyone interested in understanding the context of the remittances. The comprehensive research undertaken on remittances in Lebanon aims at proposing policies and programs in the form of policy recommendations, in an attempt to enhance the impact of remittances on financing sustainable economic development in the country, and create a “Lesson to Learn” for other Arab countries and as a supporting tool along their path to achieve gradual economic integration resulting in the establishment of the Arab Economic Union.

The analysis originates from the fact that there is an ultimate need for a national strategy based on solid economic and regulatory plans to create a proper framework for migrants’

\[179\] The statements of politicians and professionals quoted in this paper were extracted from published interviews. Other interviews were conducted under the condition of nondisclosure, thus the scrutiny herein was based on such interviews.
affairs on broad terms and specifically remittances, in order to secure the sound allocation of such fiscal resources in sustainable economic sectors, while stimulating the economic cycle. Once this national strategy is produced and implemented, the favoured course to adopt is to share the Lebanese experience with other Arab countries, which succeeded in managing the field of migration and development and namely the Maghreb countries (specifically Tunisia and Morocco), which will pave the way to roll out the experience towards the rest of the Arab countries with the intention to produce an Arab Regional Migration Strategy.

Part (2) of this chapter which is the factual report about remittances and the involved stakeholders, was based on the conviction which applies to all Arab countries (but in this present case Lebanon), that recipient countries suffered from the lack of a proper infrastructure for migration strategy and affairs’ organisation, including the remittances factor of course. It was clear that there neither was a unified national strategic plan for migration in Lebanon, nor were there economic and regulatory structures to cater for migrants and plan the proper utilisation and making use of the remittances they transfer.

As a result, Part (2) introduces the “National Factual Report for Lebanon” which crystallises the current situation by revealing what currently exists on ground, what is misplaced and what is missing. It also suggests that there is a need to duplicate this report and roll it in the rest of the Arab countries, to finally be able to compile them in a unified master report, to serve in the process of achieving a unified Arab Migration Strategy and a set of related regulations which will play a major role in forming Arab economic unity.

This was managed by compiling several thematic institution-specific factual reports, of which were compiled with the rest of the thematic institution-specific factual reports to come up with a comprehensive national factual report that would facilitate drawing the roadmap for action, towards constructing the National Strategy for Migration and Development in Lebanon, in support of dealing with the flow of remittances and its proper channelling. Similarly to Part (1), this report should be produced in each of the Arab countries in order to facilitate the production of a regional developed Arab report on migration and remittances, which will be a main pillar to form the Arab Economic Union.
Section (2): Introduction to Emigrants’ Remittances - Case of Lebanon

Lebanon has a long history of migration, whereby modern migration from Lebanon dates back to the second half of the 19th century and can be divided into four main eras:

1. First wave of migration to West Africa as well as the Americas: 1870 - 1940s.
2. Second wave of migration to West Africa, North America, South America, Australia, Arab Gulf States and Western Europe: 1940s - 1974.
3. Third wave of migration (civil war) increased to all the regions: 1975 - 1989.
4. Fourth wave of migration increased for highly skilled migrant workers towards the Gulf States: 1990 - present.

Recent migration waves comprise mostly of young individuals who are usually educated and highly qualified, which cause a serious and large scale “Brain Drain”. The feminisation of migration marks a recent trend in migration from Lebanon. Indeed, more women are attempting to migrate independently in order to seek employment opportunities abroad. There are internal and external "Push Factors" which influence Lebanese migration, which are mainly triggered by political, socio-economic, and security circumstances. The cause of modern migration from Lebanon may be found in a combination of political, financial and social factors. According to the paper “MTM - A Dialogue in Action” published by the joint ICMPD-IOM Project, the factors influencing the Lebanese emigration are as follows\(^\text{180}\):

**Table (4.1): Push and Pull Factors**

<table>
<thead>
<tr>
<th>Push Factors</th>
<th>Pull Factors</th>
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</thead>
<tbody>
<tr>
<td>Economic factors</td>
<td>Labour factors</td>
</tr>
<tr>
<td>Unemployment, notably among youth*</td>
<td>Demand for labour in Gulf States***</td>
</tr>
<tr>
<td>Deficient salary conditions within the national labour market</td>
<td>Attractive job opportunities</td>
</tr>
<tr>
<td>Political factors</td>
<td>Educational factors</td>
</tr>
<tr>
<td>Political instability**</td>
<td>Education/training opportunities****</td>
</tr>
<tr>
<td>Social factors</td>
<td></td>
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<tr>
<td></td>
<td>Family reunification</td>
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<td></td>
<td>Role of networks (i.e. family, relatives, friends)</td>
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<tr>
<td></td>
<td>Attraction to ‘western lifestyle’</td>
</tr>
</tbody>
</table>

* In 2007, the unemployment rate was estimated to 15-20%. In addition, the unemployment rate for new entrants into the labour market was estimated to be twice the national average. (Source: EC Country Strategy Paper for Lebanon 2007-2013 and National Indicative Programme 2007-2010)

\(^{180}\) See ICMPD. (2010). A Dialogue in Action: Inventory of Institutional Capacities and Practices. ICMPD-IOM.
2.1 Definition and History:

The World Bank globally defines personal remittances as the sum of personal transfers and compensation of employees of a certain country living and working abroad. Personal transfers include all current transfers in cash or in kind between resident and non-resident individuals, independent of the source of income of the sender (and regardless of whether the sender receives income from labour, entrepreneurial or property income, social benefits and other sources and transfers) and relationship between the households (regardless of whether they are related or unrelated individuals).

Lebanon is currently under the burden of a large financial public debt exceeding 62 billion USD which represents around 150% of the GDP, while unemployment has risen to more than 17%, and the number of displaced Syrians (who form a significant economic burden) has officially exceeded 1.15 million according to the UN Refugee Agency (UNHCR), while the unofficial number has soared over two million displaced. Lebanon benefits from its large, cohesive, and entrepreneurial Diaspora.

Over the course of time, emigration has yielded Lebanese "commercial networks" throughout the world. As a result, remittances from expatriates and immigrants to family members within the country total $8.2 billion and account for one fifth of the country's economy in 2014.

The historical trend of the Lebanese migration reveals a clear shift from the traditional countries of migration such as South America, the United States of America and Europe to oil-producing countries in the Arabian Peninsula, primarily the KSA, the UAE and Qatar; due to many reasons, including but not limited to, the high level of income and geographical location. During the years of the civil war (1975 - 1990), the plethora of Lebanese expatriates in the Arab Gulf Region, educated for the most part, cultured, and

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183 See BI-ME staff. (2010). Middle East economic growth to rebound to 3.7% in 2010, says World Bank. BI-ME.
high income earners, were generally operating in the fields of construction followed by trade, tourism, transport and communications, banking, and public service sectors.\textsuperscript{184}

In May 2006, (Fargues, 2006) estimated that 51.8\% of Lebanese emigrants had a university education\textsuperscript{185}.

During the July 2006 war, remittances increased as migrants feared for the safety and the security of their family and friends back home. According to (Hourani & Dabbous, 2007), in a study conducted on migrant families abroad, 17\% of the migrant Diaspora claimed they had notably increased their remittances to family and friends in Lebanon in July 2006. Furthermore, slightly more than one third of Lebanese residing in Lebanon 34.9\% claimed that they had noticed an increase in the amount of remittances that they would ordinarily have received.\textsuperscript{186}

2.2 Economic facts and Socio-economic Impacts of Remittances in Lebanon

According to the 2013 “Investment Climate Statement” published by the Bureau of Economic and Business Affairs at US Department of State in February 2013, Lebanon places no restrictions on the movement of capital in or out of the country, whether for investment or other purposes. The government permits the free exchange of currencies, precious metals, and monetary instruments, both domestically and internationally.

According to the World Bank’s estimates, remittance inflows to Lebanon remained almost constant at $7.6 billion for 2011, or 19.1\% of total remittances to the MENA region. Lebanon is considered by the World Bank to be one of the top recipients of remittances relative to the size of its economy. Remittances as a share of GDP reached 18\% in 2011, the highest in the region and among the highest in developing countries.\textsuperscript{187}


\textsuperscript{186} See Hourani, G., & Dabbous, E. (2007). Insecurity, Migration and return: The case of Lebanon following the Summer 2006 War. Florence: European University Institute, RSCAS.

In addition, according to the World Bank numbers, in 2012, Lebanon ranked 10th among developing economies and 16th globally as the largest recipient of remittances. Of the global inflow of remittances, the remittance inflows to Lebanon were around 1.6% in 2009, 1.8% in 2010, 1.6% in 2011 and 1.5% in 2012. Lebanon was also the second largest recipient of remittances among 42 Upper Middle-Income Countries (UMICs).

The Lebanese Diaspora plays a large role in influencing economic growth and development in Lebanon. According to Tabar, “Not only do remittances significantly enhance the economic status of many Lebanese who have family members in the Diaspora, but they also play a key role in promoting and maintaining stability in the Lebanese economy.”

Transfers or inflows to Lebanon are often used to buy real estate, cover individual private education, make personal items' purchases which include clothing and vehicles, or to make bank deposits. However, the lack of a comprehensive plan impedes the development course of the country and hinders linking the Lebanese Diaspora to their homeland, which would facilitate the creation of new jobs and provide sustainable income to support the Lebanese youth to cling on to their land and refrain from immigrating. Between 1998 and 2001, FDI in Lebanon, which should represent one of the main pathways of foreign financing of the nation, reached US$250 million. Remittances, however, reached US$1.6 billion dollars, ahead of exports and tourism, which averaged US$740 and US$840 million respectively.

The numbers and statistics stated are evidence on the importance of sustaining and developing the framework for remittances.

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Section (3): Regulatory and Legislative Framework

The previous two sections have clearly indicated the importance of the inflow of remittances and its impact on the Lebanese socio-economic wellbeing. Nevertheless, the absence of a sound regulatory plan has caused the loss of unprecedented opportunities at a time where the country is at its peak of need for economic transformation and regeneration. This section addresses this issue.

3.1 Introduction

Lebanon, a politically turbulent country, continues to experience insecurity, which highly affects sound policy making and reflects the socio-political and economic situation of the country, thereby hindering the decision to formulate a concrete framework for the drafting, ratification and amendment of relevant and sufficient laws, policies and regulations which should govern the inflow of remittances in Lebanon.

The below sub-sections will explore (i) the Existing key legislations in Lebanon, mainly the ones comprising incentives aimed at encouraging transfers of financial resources, and (ii) the adequacy of the regulatory framework in Lebanon and its impact on the economic development and sustainable growth.

3.2 Existing key legislations in Lebanon

With reference to the national legislations, various legislative and regulatory frameworks pertaining to Lebanese migrant communities have been introduced in Lebanon. However, a single comprehensive policy concerning Lebanese migrant communities does not exist. Although to date no genuine steps were taken in terms of the progress of a national immigration strategy, the Lebanese Ministry of Foreign Affairs and Emigrants reports that a long term strategy involving the Lebanese emigrants is being developed.

In addition to the governmental and Central Bank legislations related to the transfer of money that have a direct effect on remittances, the table below shows the two main legislations which directly relate to the transfer of financial resources, and play the role of incentive providers which enhances the business-doing and encourage migrant workers to explore better ways to invest in Lebanon in economically viable fields.

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190 Interview with the Ministry of Foreign Affairs and Emigrants; and Answer to joint ICMPD-IOM Questionnaire from the Ministry of Foreign Affairs and Emigrants.

191 Annex 1 - national and main central bank legislations.
3.2.1 Legislations promoting incentives to encourage transfer of financial resources

Table (4.2): Lebanese legislations with incentives to transfer financial resources

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Description</th>
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<tbody>
<tr>
<td>Legislative Decree No. 11614 of 1969 / amended by Law No. 296/2001 on Foreign Acquisition of Property &amp; Property Rights in Lebanon</td>
<td>It defines access to real estate for Lebanese and foreigners and eases legal restrictions on foreign property ownership, thus encouraging investments in Lebanon, particularly in industry and tourism. The law further lowers real estate registration fees for both Lebanese and foreign nationals.</td>
</tr>
<tr>
<td>Law No. 360 of 2001 on Investment Development in Lebanon</td>
<td>It regulates investment promotion of domestic and foreign entities in Lebanon and stipulates a series of incentives, such as tax exemptions granted for investments in fields of technology, information, telecom, media, tourism, industry, and agriculture. The law foresees the division of Lebanon into three investment zones located outside Beirut. It further established the public agency (IDAL), which is entrusted with the development of a program aimed at encouraging and attracting Lebanese emigrants to invest in Lebanon.</td>
</tr>
</tbody>
</table>

3.2.2 Regulations which generate financial and monetary incentives

With the beginning of the new millennium, the Lebanese Government passed several laws and decrees in an attempt to boost the business environment and investment in Lebanon. Such legal incentives include but are not limited to the following:

- **Legislative Decree No. 11614 of 1969 as amended by Law No. 296 of 2001 on the Foreign Acquisition of Property and Property Rights in Lebanon**
  
  It defines the access to real estate for Lebanese and foreign nationals and eases legal restrictions on foreign property ownership, thus encouraging investments in Lebanon, particularly in industry and tourism.

- **Law No. 318 of 2001 on Combating Money Laundering**

- **Law No. 440 - 2002 on Arbitration between State and Private Entities in Lebanon**

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193 The Investment Development Authority of Lebanon (IDAL) is the national investment promotion agency that was established in 1994 with the aim of promoting Lebanon as a key investment destination, and attracting, facilitating and retaining investments in the country. See http://investinlebanon.gov.lb/en/about_us
3.2.3 International & foreign instruments relevant to inflow of remittances to Lebanon

As a country with a significant migrant community, Lebanon has, *inter alia*, ratified the following international conventions relating to international migration:

- **49 International Labour Organisation (ILO) Conventions**, including seven fundamental conventions;

- **Lebanon has not ratified the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families of 1990**;

- **International Narcotics Control and Strategy Report on Money Laundering and Financial Crimes (INCSR) - March 21, 2000**:
  "U.S. Department of State issued its Int’l Narcotics Control and Strategy Report on ML and Financial Crimes (“INCSR”). According to the report, Lebanon’s “long tradition” of bank secrecy, its cash-intensive economy, heavy use of foreign currency, and the influx of remittances from Diaspora expatriates, makes the country vulnerable to money laundering. Although the report acknowledges Lebanon’s efforts to improve the regulatory environment, such as its repeal of a law authorizing offshore banking and its requirement that banks establish internal audits and procedures, it finds that Lebanon needs to make additional strides”.

- **The State Department issued the INCSR, including its section on Money Laundering and Financial Crimes (Volume II) - March 1, 2010**,
  "The State Department issued the INCSR, including its section on Money Laundering and Financial Crimes (Volume II) It notes: “Lebanon has a substantial influx of remittances from expatriate workers and family members, estimated by the World Bank at $7 billion per year. It has been reported that a number of these Lebanese abroad are involved in underground operations.”

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3.3 Adequacy of the regulatory framework and impact on economic development

Regrettably, in Lebanon, there are no real attempts at managing monetary inflows and providing a well-structured framework for remittances to spur economic development. Due to the huge volume of remittances, it has become essential for developing nations, namely Lebanon, to develop policies and regulations to prevent manipulation and loss of remittances in the future. In spite of the clear indications of the importance of the "remittances pillar" in the Lebanese economy, Lebanon is still in its infant stages regarding the deployment of the full advantages of remittances by implementing a national action plan for remittances, which leads to a sound migration policy.

According to (Hourani, THE GLOBAL FINANCIAL CRISIS: IMPACT ON LEBANESE EXPATRIATES IN THE GULF, 2009): “Lebanon does not have a migration policy. Only one activity has been reported in regard to interventions pertaining to the global financial crisis, that of the International Labour Organisation (ILO). The ILO has announced a technical cooperation initiative with the Ministry of Labour. This initiative, which is being funded by the Canadian International Development Agency (CIDA), aims at strengthening the capacity of the public employment services to better deal with Lebanese migrant returnees, particularly from the Gulf countries, who are seeking jobs in Lebanon. UNDP and ILO found that Lebanon needs major reforms to reduce unemployment”.

In spite of the serious attempts to develop several national regulations as well as the ratification of international instruments to serve the migrant community at a macro level and the flow of remittances on a more specific front, it has become evident that there is still a lack of sufficient legislations and policies which address the phenomenon of remittances. This creates an unorganized and turbulent economic cycle, instead of a solid framework which would ensure that such a large inflow of capital (representing almost 20% of the GDP) is exploited under a practicable and viable plan that would guarantee economic sustainability and wide monetary growth.

Section (4): Role of institutions in the management of remittances

4.1 National Stakeholders

4.1.1 Ministry of Foreign Affairs and Emigrants\textsuperscript{197}

“The Ministry of Foreign Affairs and Emigrants is the primary national authority responsible for questions relating to Lebanese citizens residing abroad. The former Ministry of Emigrants was created by Law No. 213 of 1993. As the Law No. 247 of 2000 came into force, the Ministry of Emigrants was incorporated into the Ministry of Foreign Affairs to become the Ministry of Foreign Affairs and Emigrants.

The original structure of the Ministry of Emigrants was preserved within the newly established Ministry and was renamed as the Directorate of Emigrants, which has become the main player for the relation between the Lebanese Government and the Lebanese Diaspora all around the world.

In the context of Lebanese migrants, the main objective of the Ministry of Foreign Affairs and Emigrants is to protect the interest of Lebanese citizens living abroad and to foster their ties with Lebanon. To achieve this objective, the Ministry of Foreign Affairs and Emigrants has established a framework for linking up with Lebanese nationals abroad based on the following principles:

1. Sincerity and transparency in communication with Lebanese emigrants: Embassies and consulates represent Lebanon abroad, protect the interests of Lebanese emigrants, and play an important role in facilitating linkages between Lebanon and Lebanese emigrants.

2. Public and Private Sectors: The Government of Lebanon acknowledges the positive role of emigrant communities in development. Among policies used to link emigrants to the development of Lebanon, the Ministry of Foreign Affairs encourages close cooperation between private and public sectors.

3. Educational ties of emigrants: Maintaining the link between the young generation of Lebanese emigrant communities with Lebanon by establishing Lebanese schools and institutes teaching the Arabic language.

\textsuperscript{197} See ICMPD-IOM. (2010). Linking Emigrant Communities for More Development. ICMPD.
4. Emigrants’ Associations: Encouraging Lebanese emigrants to create Lebanese local unions, associations and clubs, in order to consolidate links among Lebanese emigrants. Through Lebanese embassies, the Ministry of Foreign Affairs and Emigrants organizes cultural and social events to promote Lebanon’s cultural heritage. The Government of Lebanon also provides grants to the World Lebanese Cultural Union for its cultural activities.

5. Role of Remittances: Remittances from Lebanese emigrants are of considerable economic importance to Lebanon. The Government does not interfere in the inflow of remittances from Lebanese emigrants. Through its support to the “UNDP LIVE LEBANON” initiative, the Government of Lebanon, however, has been increasing its efforts to channel parts of the contributions of Lebanese emigrant communities into development projects.

6. Dual Citizenship: The role of dual citizenship has been an important factor in strengthening cultural, social and economic links between Lebanese emigrants and their home country.”

4.1.2 Directorate of Emigrants

As a section of the Ministry of Foreign Affairs, the Directorate of Emigrants was established in 2000 by Law No. 247. Its main objective is to enhance cultural and educational bonds with Lebanese migrants. Outreach activities of the Directorate of Emigrants are carried out mainly through Lebanese diplomatic representations abroad. The authority participates in various international dialogues and research networks addressing emigrant affairs. Moreover, the Directorate of Emigrants cooperates with international organisations in the domain of Lebanese migration.

The Directorate of Emigrants, has, since 1993, accomplished remarkable leaps in terms of establishing solid platforms of communications and relations with the Lebanese Diaspora, whereby the reach out and communication and coordination for the immigration power and Diaspora in general is conducted through various channels, mainly as follows:

a. The official indirect communication through embassies and consulates: Whereby the communities are reached through official channels, mainly embassies and
consulates, on several matters such as of the organisation of general elections, serving of legal notifications, passing of governmental accords and similar issues are coordinated for the immigrants.

b. The direct relationship and communication through associations and communities' representatives, whereby coordination occurs between the Directorate of Emigrants and representatives of communities as well as Lebanese associations, clubs, organisations, groups and other similar channels and individual initiatives.

The General Director of the Directorate of Emigrants, and while being interviewed for the purpose of this research in his office in Beirut, stressed the fact that there needs to be more governmental support for the migration status, especially that the power of Diaspora, if well exploited, would bring huge benefits to the country and its citizens.

He reflected the importance of keeping destructive politics away from migration affairs, in addition to the crucial necessity for a strategic plan to cater for the migrants' needs. More importantly, he stated that all efforts should unite to secure the issuance of an "Migration Law" to regulate all the matters related to migration.

The Directorate objective is to cater for the needs of the Lebanese Diaspora, while at the same time to realise the importance of the contribution of the migrants to the Lebanese economy through remittance inflows. As a result, the Directorate has been calling for more protection for the migrant individuals who should be treated as a de facto investor and should provide them with safeguarding measures that represent main incentives for them to further contribute in various Lebanese economic sectors.

The Directorate, which continuously participates in events related to migration around the world, is in continuous discussion regarding the challenges faced by migrants, and calls for further improvement and for policy recommendations for the benefit of all stakeholders. In spite of the above described performance, the road still appears to be furnished with spikes and the Directorate needs to do much more in terms of coordination and collaboration in order to place the Diaspora relations management on all levels on the right track.
Table 4.3: Table elaborates the various channels of communication mentioned:  

<table>
<thead>
<tr>
<th>Outreach Channels of the Directorate of Emigrants</th>
<th>Initiatives Relating to Emigrant Communities¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Internet website of the Directorate of Emigrants: <a href="http://www.emigrants.gov.lb/eng/">www.emigrants.gov.lb/eng/</a> (EN);</td>
<td>Development of an EmigrantsMap (AR) providing information on Lebanese communities around the world</td>
</tr>
<tr>
<td>2) Information and awareness raising campaigns targeting emigrant communities;</td>
<td>Lebanese Emigrant Youth Camp in Lebanon</td>
</tr>
<tr>
<td>3) Liaising with Migrant Associations in destination countries (e.g. World Lebanese Cultural Union (EN));</td>
<td></td>
</tr>
<tr>
<td>4) Emigrant Community Knowledge Networks;</td>
<td></td>
</tr>
<tr>
<td>5) ICTs; etc.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outreach Channels through Other National Institutions</th>
<th>Other Activities Relating to Emigrant Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Lebanese Embassies and Consulates Abroad;</td>
<td>Organisation of cultural and social activities through Embassies and/or Consulates</td>
</tr>
<tr>
<td>2) Investment Development Authority in Lebanon (IDAL) (EN); etc.</td>
<td>Coordination with UNDP and Lebanese diplomatic representation for support to the LIVE LEBANON (EN) initiative</td>
</tr>
<tr>
<td></td>
<td>Support to the Targeting Lebanese Expatriates - TLE (EN) project</td>
</tr>
</tbody>
</table>

¹N.B: This list is not exhaustive

### 4.1.3 Directorate of Political and Consular Affairs

The Ministry of Foreign Affairs and Emigrants created the Consular Section at the Directorate of Political and Consular Affairs in order to provide protection and assistance to Lebanese citizens residing abroad. The Consular Section, through Lebanese Embassies and Consulates, provides Lebanese citizens living abroad with crucial services including, but not limited to, the following:

- Renewal and authentication of official documents and passports
- Information on investment opportunities as well as on political and economic developments in Lebanon; in addition to providing information on tourism;
- Recording and registration of all personal status related matters such as Lebanese citizenship, birth, death, divorce, marriage and other similar procedures
- Information on activities organized in Lebanon and/or the respective destination country addressing Lebanese residing abroad;
- Registration for outside country voting in Lebanese elections.

4.1.4 Civil Society Organisations (CSOs) and Non-Governmental Organisations (NGOs) involved with Lebanese migrant communities

According to the 2013 Joint ICMPD-IOM Project "Linking Emigrant Communities for More Development Inventory of Institutional Capacities and Practices", the large numbers of community-based national and international migrant organisations reflect the solid tradition of support to Lebanese emigrants. The Lebanese NGOs are involved in main sectors such as local infrastructure support, social services, education, health, cultural activities, and religious endowments, among other sectors.

4.1.4 (a) Civil society and non-governmental organisations, as well as Lebanese research institutions are the primary collectors of statistics on Lebanese emigration. The main Lebanese research institutions addressing emigrant affairs include:
- The Lebanese Emigration Research Centre (LERC) - Notre Dame University.
- The Institute for Migration Studies (IMS) - Lebanese American University.
- The Saint Joseph University in Beirut (USJ); and
- The Lebanese Institute for Economic and Social Development (ILDES).

In addition to the above, there is a large number of NGOs working on ground in supporting migrant communities through initiatives aimed at Lebanese Diaspora.

4.1.4 (b) The World Lebanese Cultural Union (WLCU) has played an important role in organizing Lebanese migrants worldwide. WLCU was established as a non-profit non-political organisation in 1959 aiming to consolidate links among Lebanese migrants and promoting cultural linkages with Lebanon. WLCU has established an elaborate network with representations around the world, and although moderately active at present, it provides a model for fostering ties between emigrants from different ethnic or sectarian communities and their home country.

Although the entities listed above reveal a certain level of progress in the array of Diaspora services, there still seems to be a major gap represented by the lack of coordination among the private sector on one hand, and between the public sector and the private bodies, organisations and individuals on the other hand.

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199 See ICMPD-IOM. (2010). Linking Emigrant Communities for More Development. ICMPD.
There is a critical need for the development of an inclusive "National Strategic Plan for Lebanese Migrants", a matter which has recently become the main focus of the Directorate of Emigrants. Besides, it is important for all counterparts and stakeholders to take part in such an initiative to be able to tackle all stressing issues and draw a road map to address all challenges in conformity and unity.

4.2 Involved investors and financial institutions

The financial institutions are main players in teaming up to draw a road map for economic regeneration of any country. The remittances in developing countries, namely Lebanon, constitute a prime source of income and a main factor for economic restoration. The financial playfield able to channel those inflows consists of (i) the Central Bank of Lebanon; (ii) the public sector through the Ministry of Finance, the Ministry of Economy and Trade; (iii) the private sector represented by the commercial banks and the association representing them; and (iv) specialized bodies such as the Investment Development Authority of Lebanon (IDAL).

The Central Bank, "Banque Du Liban (BDL)", is referred to as the backbone of the country's economy. Many sceptics oppose the BDL performance for being too rigid in terms of imposing strict regulations on financial institutions while not making sufficient efforts to capitalize on important sources of income such as the inflow of remittances.

During the past five years, the commercial banks have commenced developing special banking services for Lebanese migrants and expatriates through offering tailored financial packages suitable to their needs. This can be perceived as a good step towards creating incentive schemes to attract more capital and revive the link of expatriate Lebanese with their homeland. Nevertheless, the public sector remains the weakest link among the financial players in their mission to incentivise the expatriates to invest in Lebanon.

To date, there are no visionary attempts to make the Lebanese government a pioneer in catering for its citizens abroad by offering them what many other countries offer to their national migrants in terms of economic and financial opportunities.
4.2.1 Role of Central Bank (BDL) & the Association of Banks in Lebanon

According to a report published by the Association of Banks in Lebanon titled "The Lebanese Banking Sector - Pillar of Lebanon's Stability", it states that, in 2011, the BDL issued Intermediate Circulars 273 and 274 imposing greater restrictions on financial intermediation entities that engage in the cross-border movement of funds and currencies. It also sets out in the 27/5/2011 circular provisions to be followed by auditors to ensure the highest levels of compliance with anti-money laundering rules.

Most recently, Lebanon has been recognized for its progress in efforts to mitigate the risks of money laundering and terrorism-financing in the banking sector. As of February 2012, Lebanon remains excluded from a list of 40 jurisdictions designated by the "Financial Action Task Force" (FATF) as either subject to counter-measures by the international regulatory bodies, or cited for not having made sufficient progress in addressing the deficiencies in Anti Money Laundering and Combating Financing Terrorism AML/ CFT.200

4.2.1(a) The Central Bank’s policy towards remittances:

According to (Aoun), in his published paper "Immigration: Opportunities & Losses"201, the Central Bank of Lebanon is considered to be the main engine stimulating migrant remittances and encouraging the emigrants to transfer money via formal channels and agents. The primary steps employed at this level are:

1. Guiding the banking sector to keep track of international standards regarding availability, liquidation and transparency, while remaining in full compliance.
2. Using state of the art technologies for banking processes through transfers, settlements and compensation, ensuring safety and speed. Nevertheless, some banks have signed agreements with Lebanon electronically, thus simplifying and reducing the cost of money transfer.
3. Adopting a policy to promote banking mergers that produce strong institutions able to spread in countries with Lebanese presence; i.e. providing financial services to the community and endorsing immigrant services like housing loans.202

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4.2.1 (b) The need for a larger role of the Association of Banks in Lebanon

While the Association of Banks in Lebanon (ABL) is well aware of the importance of remittances for the wellbeing of the economy on one hand, and the difficulties and challenges induced by the management of remittances on the other hand; no serious attempt can be spotted concerning the orchestration of the inflow of remittances. However, the ABL has the ability to influence the agenda of local banks regarding remittances due to the fact that it benefits from a large influence in the banking sector and consequently the country.

4.3 Role of the Investment Development Authority of Lebanon (IDAL)

The Investment Development Authority of Lebanon (IDAL) describes itself as the national investment promotion agency of Lebanon. It was established in 1994 with the aim of promoting Lebanon as a key investment destination, and of attracting, facilitating and retaining investments in the country. The main relevant law is the Investment Law No.360 enacted in 2001, and is considered the prime reinforcement for IDAL’s mission that mainly plays the following roles:

1. Providing a framework for regulating investment activities in Lebanon.
2. Providing investors with a range of incentives and business support services.
3. Identifying a set of priority sectors that showed the most promising opportunities in terms of their investment potential and their impact on socio-economic growth, mainly in the sectors of Communication, Industry, Technology Agriculture, Media, Tourism, Agro-Industry, Information and other sectors.

IDAL is also entrusted with the development of a program aimed at encouraging and attracting Lebanese emigrants to invest in Lebanon. As a result, and in its attempts to implement its objectives, IDAL is continuously developing projects which target Lebanese expatriates. IDAL coordinates regularly with the Directorate of Emigrants to insure better results. In terms of the implementation of its goals, IDAL realizes that the Directorate has direct and strong links with the migration population. It is however worth mentioning that IDAL is not a regulating body, and only has the capacity to operate under the current existing regulations and legislations in order to utilise them to the best extent to reach desirable packages for investors. Nevertheless, many experts believe that IDAL should spend more efforts on tailoring investment opportunities for Lebanese expatriates.
Table (4.4)\textsuperscript{203}, in addition to the above, reveals the relevant national authorities with competencies regarding emigration:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Ministry</th>
<th>Areas of Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directorate General of Emigrants (EN)</td>
<td>Ministry of Foreign Affairs and Lebanese Emigrants (EN)</td>
<td>Key responsibilities: 1) To foster the relationship between Lebanese abroad and Lebanon, 2) To promote the cultural heritage of Lebanon through educational and cultural programmes; 3) To consolidate links among the Lebanese communities abroad (i.e. through the World Lebanese Cultural Union*, by supporting the establishment of Lebanese unions and associations around the world, etc.); and 4) To promote projects and policies which channel a share of the Lebanese emigrant communities' contributions into local development projects.</td>
</tr>
<tr>
<td>Tourism Promotion Department</td>
<td>Ministry of Tourism (EN)</td>
<td>Key responsibility: To promote Lebanon’s cultural heritage, seasonal tourism by Lebanese expatriates, and encourage investments in Lebanon, notably in the tourism sector.</td>
</tr>
<tr>
<td>The Investment Development Authority of Lebanon (EN)</td>
<td>N/A</td>
<td>Key responsibilities: 1) To promote and facilitate investments of Lebanese expatriates in Lebanon; 2) To sign bilateral agreements with countries having large Lebanese communities to create a legal framework whereby investors and investments are granted the most favourable treatment; and 3) To develop the programme “Targeting Lebanese Expatriates” (TLE), aimed at encouraging and attracting Lebanese nationals residing abroad to invest in Lebanon.</td>
</tr>
<tr>
<td>Council for Development and Reconstruction (EN)</td>
<td>N/A</td>
<td>Key responsibility: To act as the executing agency of the UNDP TOKTEN Project on behalf of the Lebanese Government, promote the project throughout Lebanese ministries and public institutions, and coordinate fund raising efforts for the project with UNDP.</td>
</tr>
</tbody>
</table>

4.4 Initiatives by Institutions related to Remittances and Migrants Investments

Many observers debate that the Lebanese government has the ability develop more plans to invest in more efforts, under the leadership of the Central Bank (as a regulating body), to leverage on the source of income, which comprises 20% of the country's GDP, in collaboration with the private sector being the channel for implementation. The primary step should be to introduce new laws and legislations at the national level, instead of focusing on quantifying and tracing the inflow of remittances. It is important to build up a lucrative scheme for such inflows to be allocated in sustainable eco-sectors.

\textsuperscript{203} Source: Directorate of Emigrants website.
Table (4.5): Initiatives by Institutions on Remittances & Migrants’ Investments

<table>
<thead>
<tr>
<th>Agency</th>
<th>Initiative</th>
<th>Coop.</th>
<th>Aim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directorate of Lebanese Emigrants in the Ministry of Foreign Affairs and Emigrants *</td>
<td>Conferences for Lebanese business men abroad</td>
<td>N/A</td>
<td>To provide Lebanese business men living abroad with information on investment opportunities in Lebanon</td>
</tr>
<tr>
<td>Investment Development Authority in Lebanon (IDAL)</td>
<td>Bi-yearly conference</td>
<td>N/A</td>
<td>To encourage Lebanese abroad to invest in the country</td>
</tr>
<tr>
<td>The Lebanese International Business Council (LIBC)</td>
<td>Planet Lebanon (EN) Lebanese-Arab Expatriates Networking Conference</td>
<td>Directorate of Emigrants - MOFAE (EN)</td>
<td>The conference aims to develop and advance business opportunities by strengthening the links between Lebanese and Arab business communities</td>
</tr>
<tr>
<td>The Federation of Chambers of Commerce Industry and Agriculture in Lebanon and the Lebanese Int’l Chamber of Commerce</td>
<td>Data collection</td>
<td>N/A</td>
<td>To collect data that contributes to the development of investment opportunities (national authorities)</td>
</tr>
</tbody>
</table>


Section (5): Challenges and Opportunities

Lebanon continues to experience insecurity, which affects the socio-political and economic situation of the country and consequently impinges on the Diaspora’s decision to return to their homeland. However, challenges and difficulties may be well observed as golden opportunities to initiate the change which the country surely needs in terms of creating economically viable opportunities. In other words, the country's main financial and regulatory key players must join efforts and overcome political and sectarian differences in order to set up feasible plans to manage the genuine and stable sources of income, such as remittances.

Lebanon has ranked 18th in largest recipient countries for remittances globally and 12th among developing economies in 2013, in addition to being the second largest recipient of remittances among 16 Arab countries. Establishing a national scheme for managing the capital inflows to Lebanon must be an ultimate priority due to its immense potential.

"The field of law is the father of all fields" thus the development of relevant laws and regulations through proper scientific legislations in favour of engineering and orchestrating remittances and acquiring the maximum economic, fiscal and social value and impact has become inevitable.

In light of the above, it has become necessary to identify some of the main challenges and opportunities regarding remittances in view of transforming them into opportunities.

5.1 Challenges

5.1.1 The non-existence of a Migration Law which regulates the migrants' affairs and represents a cornerstone for building a comprehensive framework for Diaspora contribution in local economy, especially in terms of taking advantage of the Lebanese migration strength, including investment and remittances.

5.1.2 Lack of a sound legal framework which addresses the issue of remittances from various angles, namely transfers, taxation, investment and similar fields.

5.1.3 According to the DG of the Directorate of Emigrants, the politicisation of the migrants' transfers and intervention of politicians in the process of the organisation and regulation of the migrants' investments and remittances pose a real threat and danger to the ability to positively capitalise this potential.
5.1.4 The underperformance of the government and the Central Bank in issuing the relevant legislations/regulations which would protect Lebanese migrants while serving the national economy.

5.1.5 Lack of banking regulations, which provide an incentive for expatriates to take full advantage of remittances to achieve economic progress at macro level.

5.1.6 The humble efforts and initiatives taken by commercial banks to contain the large flow of remittances and encourage senders and recipients to invest them.

5.1.7 The lack of an official vehicle for tracking and regulating remittance inflows.

5.1.8 The random nature of capital inflow and the lack of a national plan to allocate the proceeds of remittances while creating maximum desired economic impact.

5.1.9 The obligation placed on Lebanese banks to conform their regulations to international regulations upon dealing with global financial markets and correspondent banks, especially in the midst of the heavy foreign banking (namely US based) over-regulation wave and the continuous emergence of new laws. The lack of implementation of adopting such regulations leads to heavy banking sanctions and penal measures.

5.1.10 The high costs associated with money transfer which causes the decrease remittance; in addition to lack of incentives or tax exemptions to encourage Lebanese migrants to increase their remittances and investments.

5.1.11 The 2011 Central Bank Intermediate Circulars 273 and 274, imposing greater restrictions on financial intermediation entities that engage in the cross-border movement of funds and currencies and May 2011 circular to be complied with by auditors to ensure highest levels of compliance with AML rules.

5.1.12 Heavy and aggressive implementation of foreign and international financial regulations connected to Money Laundering, Terrorism Financing, Foreign Account Tax Compliance Act (FATCA), Common Reporting Standards (CRS)
5.2 Opportunities

5.2.1 The highly skilled nature of migrants, paves the way for Lebanese institutions to take advantage of their capabilities and capitalise on their knowledge and technical and scientific value to better develop the country in general, through maintaining strong links with specialized entities in Lebanon and abroad.

5.2.2 The emergence of projects related to social development in Lebanon and which encourages migrants to invest in Lebanon, such as "Live Lebanon" and "South-South Program" are key elements towards spreading the knowledge of the migrants and the proper allocation of their financial resources in a structured manner for community-led economic development purposes.

5.2.3 According to the General Director of Emigrants in Lebanon, who was interviewed for the purpose of this research, the enhanced relationship with the foreign countries, where the Lebanese Diaspora (through official Lebanese channels such as the Directorate of Emigrants) has taken genuine steps to serve host communities, including, but not limited to, (1) the training of bankers in West Africa; (2) the provision of academic scholarships for the students' force in West Africa; and (3) the unprecedented success of the individuals of Lebanese origins to get engaged at the highest levels in the political and economical fields, namely in the Americas.

5.2.4 Remittances have proven to be strong and stable in times of crises, since the numbers did not drastically fall even amid global financial crisis and civil wars.

5.2.5 Remittances often lead to additional liquidity mainly deposited in the local Lebanese banks in the form of savings, which results in banks increasing their lending schemes to the public as well as the private sector.

5.2.6 The profile of the country’s Diaspora network: its size and wealth, how well organized it is and how easily it can be tapped into.

5.2.7 The relationship between the Diaspora and its home government: patriotism, i.e., the emotional tie to the homeland and the national identity.
Section (6): Opinions and Feedback – Interviews with Public Officials

6.1 Interview with Mr. Alain Hakim: Minister of Economy and Trade\textsuperscript{205}

HE Hakim stated that the size of foreign investments rose in Lebanon, as well as the size of the flow of capital. In an interview with Al Araby press on 17/4/17, he said:

**Q:** In your opinion, does economic growth in Lebanon reflect the well-being of all citizens or is it limited to few financiers?

**A:** Growth affects all citizens, institutions, society and State, but our economy is based on the three main pillars only, which leads to the creation of weaknesses in the underpinnings of other sectors. In Lebanon, there are three growing sectors: the banking sector, the private sector and the remittance inflows, all of which form safeguards for the economy. In 2013, Lebanon received a capital of US$14.5 Billion, including US$7.5 billion in remittances from Lebanese expatriates.

**Q:** Do you consider remittances as an economic pillar? Aren't these inflows converted from the Lebanese youth force that decided to run away from bad economic policies?

**A:** The fiscal policy of the country and the strategy of distribution of funds have taken this trend. Emigration results from a lack of educational planning that leads to migration.

6.2 Eng. Gebran Bassil: Minister of Foreign Affairs and Emigrants\textsuperscript{206}

During his participation in a conference entitled "Effective Diplomacy - Economic, Expatriate & Political Branches" in Beirut on 30 April 2014, Minister Bassil stated that remittances to Lebanon reached US$ 8 billion per year, with profits up to more than US$ 50 billion a year, pointing out that this gives expatriates a pivotal role in the economic diplomacy. He said economic diplomacy must prioritize developing a methodology to attract foreign investment to Lebanon and especially companies and institutions related to Lebanese migrants, in addition to stressing the need to focus on oil resources and energy as the primary source of investment in Lebanon.


Note: Mr. Hakim was the Minister of Foreign Affairs and Emigrants at the time of the interview; however he is not a part of the cabinet at the time of the submission of this thesis.

6.3 Mr. Haitham Jumaah: The General Director of the Directorate of Lebanese Emigrants in the Ministry of Foreign Affairs and Emigrants

In an interview conducted with him in 2016 for the purpose of this research, in his office at the Directorate of Emigrants in Beirut, Mr. Jumaa explains that the concern is not limited to remittances, investment or contribution of expatriates, but more importantly on the governmental role in helping the migration population by catering for their needs and by deploying resources. This could only be accomplished through the introduction of a broad policy to serve the expat community.

Mr. Jumaa touched upon an important issue, when he explained that throughout the past 25 years, the Lebanese migrants were mostly highly educated with substantial professional and technical expertise, and have been playing important roles in the development of the countries hosting them. Such a work force is part of Lebanon's valuable intellectual property, a matter which should be further explored as it holds a great value for host states.

The Director also explained the structure of the Directorate and the important network that it has established since its inception mainly through official direct and indirect channels among various others. This is more elaborated through the projects which the Directorate is involved in such as "Live Lebanon" and "South - South" both of which aim to secure socio-economic development.

Furthermore, he elaborated that the Directorate ensures the strengthening of the relationships between expats and their host countries, by delivering technical and professional assistance to several countries, especially developing ones.

He stressed on the need to amend the existing regulations related to migration on one hand, and the necessity of introducing an "Emigration Law" on the other hand. More importantly, he has revealed the necessity for the development of an inclusive "National Strategic Plan for Lebanese Emigrants" to provide the tools for all stakeholders to develop a structure for apprehending the role of national migrants.

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207 Mr. Jumaa has been in position for over 20 years, he has built robust connections with Lebanese communities abroad
6.4 Dr. Joseph Torbey\textsuperscript{208}: Chairman of the World Union of Arab Bankers (at the time)
In an interview in 2015 in Beirut, Dr. Torbey referred to two dangers: the first is of an economic nature as a result of migration and the second is the imbalance of the national demography, warning of dwindling demographic weight in the national equation. He also stated that the activity of banks led to attract $180 billion USD to date, thereby causing excess liquidity which is not being properly utilised due to the current political situation, and that banks have succeeded in improving the image of Lebanon in attracting deposits despite the instability.

6.5 Mr. Mohamed Choucair\textsuperscript{209}: President of the Federation of Chambers of Commerce, Industry and Agriculture in Lebanon
In his interview with the "Executive Economic Magazine" he stated that 50\% of remittances from Lebanese expatriates emanate from the KSA, which is the largest foreign investor in his country Lebanon. He added that there should be a specific plan to specifically administer the inflow of remittances in order to allocate them soundly.

\textsuperscript{208} Dr. Joseph Torbey is the Chairman of the Association of Banks in Lebanon (ABL), Chairman and General Manager of Credit Libanais and Chairman of the World Union of Arab Bankers (WUAB) since 2006.

\textsuperscript{209} Mr. Choucair is also Honorary Consul of the Republic of San Marino; He held responsibilities in several professional associations and contributed in the foundation of some of them.
PART 4.B: Factual Report on Migration, Remittances & Development
(Case of Lebanon)

Section (1): Introduction and Background

1.1 Regional Outlook:
This chapter titled “Strengthening Capacities to Utilize Workers’ Remittances for Development”\textsuperscript{210}, and which consists of two parts, mainly aims to shed the light on strengthening capacities of government officials and financial institutions in Lebanon and enable them to formulate and adopt strategies, policies and programs to tap into part of the Lebanese expatriates’ pool of finances. This serves to finance long term developmental projects in priority sectors in Lebanon, followed by rolling out the experience in other Arab countries in order to, inter alia, support achieving the Sustainable Development Goals (SDGs) in selected Arab states, which can help in the establishment of an Arab Economic Union. This would require providing relevant technical support while working closely with policy makers in the Arab World to achieve the desired results. However, this Part comes in a form of a factual report specifically on remittances, migration and development in Lebanon, as an example, since it is the largest recipient of remittances in the MENA region\textsuperscript{211}, and among the largest in the world.

Over the past two decades and more precisely the current one, the majority of the MENA countries have become in desperate need for this initiative since it has a direct impact on poverty reduction and reconstruction, due to numerous factors including but not limited to (i) Meeting the “Post 2015 Sustainable Development Goals”, (ii) Financing the USD $3.6 Trillion Financing Gap in the Arab Region, and (iii) The Arab Region countries’ crave to serve independent financial resources to fill the abovementioned gap since 90% of remittances are channelled to consumption instead of economic sustainable sectors.


\textsuperscript{211} As per the ESCWA and World Bank numbers, Palestine ranks first in the scale of remittances recipients, however due to its classification as “Palestinian Territories”, Lebanon ranks first among sovereign Arab States with 19% of the GDP.

1.2 Lebanon Outlook

Lebanon is a notable case of an economy largely dependent on remittances, with a steady outflow of emigrants that ensures regular inflows of remittances. Some estimates state that Lebanon has an overseas Diaspora of around 14 million people (more than three times the size of its domestic population) that continues to send billions of dollars back home every year.

The majority of those migrants comprise skilled or highly skilled labour. Subsequently, Lebanon ranks 18th amongst recipients of remittances globally and the third among 48 Upper Middle-Income Countries (UMICs); Remittance inflows to Lebanon reached $47.7 billion in 2014, constituting an increase of 1.6% from 2013\textsuperscript{212}. These remittances constitute 16.2% of GDP and rank 13\textsuperscript{th} for the highest ratio in the world. Lebanese expatriates in GCC constitute the highest proportion of Lebanese expatriates remittances and provide the largest share at 66.3% of total remittances received by Lebanon.

Remittances of Lebanese expatriates are directed mostly towards household expenses: 56% are utilised for living expenses, 24% for education, 5% for real estate and 10% towards direct investment. Surprisingly, and despite the importance of remittances to the Lebanese economy, Lebanon does not have a specific policy in place that would attract remittances towards productive investments.

Although the Lebanese financial sector remains one of the most developed in the region, with over 54 active commercial banks and 10 specialized medium and long-term credit banks managing an equivalent of $175 billion in assets nationwide, such numbers are not translated into creating better conditions for financial access to expatriates. Moreover, remittances are essential for supporting the solvency of Lebanon’s banks, thus consolidating the potential of the banks to finance the economy; in particular their ability to purchase Lebanese treasury bonds. This promotes monetary stability, the only source of stability in a country buffeted by the region’s political and security crises.

Section (2): Objectives and Expected Outcomes of this Part (4.B) “the Report”

This Part Two which comes in a form of a report which represents the findings of all theme-specific reports which consist of separate reports from all Lebanese stakeholders in both public, private and non-governmental sectors, that are involved in working with migration from all angles. The merged and comprehensive report conveys the sum of services and products offered by the public, private and NGO sectors in Lebanon for the Lebanese migrants, specifically and in the fields of migration and remittances within the Lebanese territory and outside Lebanon, but with Lebanese migrants from different generations on a larger scale.

The objective of this Part Two is to serve as an assisting tool to set the platform for the production of a National Strategy for Migration in Lebanon, in an attempt to finally reach the formulation of a National Strategy for Lebanese Migration, to be merged with other Arab national migration strategies, in order to eventually come up with the “Arab Strategy for Migration” which will pave the way and aims to produce laws, legislations and regulations strictly related to migration and remittances, eventually facilitating the structuring and establishment of the Arab Economic Union.

Such final objective may only be met upon revealing the current situation on ground, namely through shedding the light on all types of services provided by the government as well as the private sector, to Lebanese migrants and mainly expatriates from eco-social and investment perspectives.

It is anticipated, that any government or entity who gets involved in the development of services to enhance migration contribution in any society would seek to own the information which relates to what has been previously implemented, in order for such parties to conduct realistic evaluation and assessment for what currently exists and what is further required. Such evaluation will aid any involved or interested party to soundly allocate its resources in accordance to needs based on the gaps identified.
Section (3): List of Main National Stakeholders

In addition to the main national stakeholders of which roles have been elaborated and explained in details in this [Chapter (4) / Part One / Section Four / Sub-section (4.1)]; Another set of involved stakeholders which will be listed later in Chapter (4) along with a brief listing of the main national stakeholders previously addressed.

3.1 Lebanese Ministry of Foreign Affairs and Emigrants (MoFAE)\textsuperscript{213}

   3.1.a General Directorate of Emigrants\textsuperscript{214}

   3.1.b Directorate of Political and Consular Affairs

3.2 Civil Society and Non-Governmental Organisations involved with Emigrants

3.3 Involved Investors and Financial Institutions

3.4 Investment Development Authority of Lebanon (IDAL)

Section (4): Services, products, activities and initiatives offered in Lebanon by all involved parties and stakeholders in different sectors relating to Migration and Remittances

4.1 Existing laws, regulations, legislations, policies, decrees, orders and texts related to Lebanese migration in general

The Lebanese history has been marked by numerous emigration waves since 1840\textsuperscript{215}. In spite of the significant contribution of the remittances inflow to the wellbeing of the Lebanese economy (18\% of the GDP), the continuous turbulence in Lebanon and its politically unstable environment have prevented the establishment of a comprehensive policy to increase the national integration of the Lebanese Diaspora. During the thorough research which was conducted by the Beirut Bar Association (BBA) and an independent team of researchers in order to identify the laws,

\textsuperscript{213} See ICMPD. (2010). \textit{A Dialogue in Action: Inventory of Institutional Capacities and Practices}. ICMPD-IOM.

\textsuperscript{214} The GDE was an independent “Ministry of Emigrants”, but it was merged with MoFA in 2000.

regulations, decrees, decisions and legislation related to emigration and specially remittances in Lebanon, there clearly appeared a deep lack of a legal framework addressing immigration issues. However, a group of researchers has responded to the request made to BBA and undertook a research effort to identify all legal texts that relate directly or indirectly to emigrants and migration.

Nevertheless, the Lebanese authorities have set as priority the improvement of the investment climate in Lebanon. For this purpose, serious efforts were deployed to modernize the regulatory framework of investment in order to offer the most suitable climate to foreigners and citizens desiring to invest in Lebanon. The most recent legislative changes introduced new legislative acts and treaties, as detailed below:

4.1.1 National Legislation

In spite of the lack of concrete legislations directly addressing the Lebanese migration and more specifically remittances, there appears to be various regulatory texts pertaining to Lebanese emigrant communities. The following represents the main regulatory texts relating to migration.

a. 2001 Law amending the 1969 law on the acquisition by foreigners of real estate and real estate rights in Lebanon (section I):

All non-Lebanese persons, whether legal or natural persons, and Lebanese legal persons considered by the Law as non-Lebanese as defined by Article 2 (at least one share owned by a non-Lebanese), willing to acquire any real estate right on the Lebanese territory are required to obtain a license granted by decree from the Council of Ministers upon proposal of Finance Minister.

b. Law on combating Money Laundering (section III):

Lebanon is aware of the necessity to combat money laundering particularly under the Banking Secrecy Law, which could be used as a means for such illegal operations. In this respect, the Lebanese Parliament endorsed on April 20, 2001 Law No. 318 on combating money laundering.
c. 2002 Law amending the Lebanese law on civil proceedings regarding arbitration (section IV):

The most interesting amendment (Law No 440 dated August 1, 2002) related to investment climate is the clear statement allowing the Lebanese as well as foreigners to seek either internal or international arbitration to settle a dispute related to a contract, whatever is the nature of this contract. However, the amending law added that in the case of an administrative contract, for instance a concession granted by contract, the arbitration clause should obtain prior approval by decree issued by the Council of Ministers upon the proposal of the relevant minister or the relevant guardian authority.

d. Dual Citizenship:

i) **Decree No. 15 of 1925** (EN), as amended by Law of 11/1/1960 (EN), also known as the “Lebanese Nationality Law”. This law defines Lebanese nationality and lays out procedures to be followed by foreign women married to Lebanese mendesiring to acquire the Lebanese nationality.

ii) **Law of 1946** (EN), as amended by Decree No. 10828 of 1962 (EN), regulates the acquisition of foreign citizenship and loss of Lebanese nationality. **Article 1.1** states that Lebanese citizenship can be renounced by Lebanese citizens having obtained a foreign nationality only through authorisation by decree.

iii) **Decree No. 10828 of 1962** (EN) facilitates the acquisition of a foreign nationality in countries, where acquisition of the local citizenship requires Lebanese citizens to renounce other citizenships. Subsequently, another Decree issued at the request of this same person allowing re-acquisition of the Lebanese citizenship. **Article 2** elaborates on the conditions set for a person of Lebanese origin wishing to acquire the Lebanese citizenship: “Any person of Lebanese origin who is residing outside Lebanon and who has opted not to take Lebanese citizenship, may, in the event that he returns permanently to Lebanon, apply to be considered as a Lebanese and the Cabinet is authorized to issue a regulation to that effect.”

iv) **Law No. 25 of 2008** (EN) allows emigrants to vote parliamentary elections even if they are non-residents. The main parts of the articles are:
Article 106

Upon the ratification of this law, the Ministry of Foreign Affairs and Emigrants invites, via Lebanese embassies and consulates, all the Lebanese non-resident natives fulfilling the abovementioned conditions, to voice their wish to participate in voting from their country of residence. They proceed by registering their names either personally or by a duly registered letter submitted to the embassy or consulate of their choice, including all the relevant information on their identity and register number. The timeframe for registration shall not exceed the 31st of December of every year preceding the parliamentary elections. After this date, the non-resident Lebanese natives’ right to vote in the subsequent parliamentary elections ceases to be valid.

Article 107

The concerned embassies and consulates shall consecutively send at the end of every week, the names of persons registered to the Ministry of Interior and Municipalities, via the Ministry of Foreign Affairs and Emigrants. The Ministry of Interior shall verify the registration of those names on the voters rolls and shall, after the expiry of the registration timeframe, prepare independent voters rolls for each embassy or consulate, including the names of eligible voters, distributed on basis of electoral districts. However, the number of registered voters in one electoral district shall not be less than 200 voters.

Article 108

Ministry of Interior shall send, via Ministry of Foreign Affairs & Emigrants, the independent voters' rolls to all concerned embassies and consulates.

Article 109

The ambassador or consul coordinates with the Ministry of Interior and Municipalities and the Ministry of Foreign Affairs and Emigrants to form the panel of each polling station. Party agents may be present during the voting, counting of votes and announcement of results.

Article 110

Voting outside Lebanon shall be made 10 days at the most prior to the Election Day, according to electoral districts, using of opaque sealable envelopes of one type adopted and stamped by the Ministry of Interior and Municipalities.
e. The Law of “Reacquisition of Lebanese Citizenship to the Descendants of Lebanese migrants”:

Law titled “The Reacquisition of Lebanese Citizenship to the Descendants of Lebanese Emigrants” to grant those of Lebanese origin the nationality on the basis of certain procedures and legal pathways.

This law has marked a quantum leap in the history of Lebanese policy making and legislative drafting in spite of the large and shameful loophole related to acquiring the nationality through motherhood. As for this new law, and twelve years after the submission of the law proposal to reinstate Lebanese nationality to immigrants, and four years after its endorsement by the Cabinet during the mandate of former President Michel Suleiman, the Parliament finally approved it during its session on 12/11/2015 after it was placed on the Parliament agenda following intense negotiations. The text of the law reads as follows:

Article I

Every natural person who meets one of the two eligibility requirements has the right to reclaim his/her Lebanese nationality.

i. If the records of the 1921 census at the Ministry of the Interior and Municipalities, and the records of emigration clearly indicate that he/she or any direct paternal ancestral/predecessors or next of kin to the fourth degree were present in the Republic of Lebanon, as registered by the 1921 census records at the Ministry of the Interior and Municipalities (that will prove the emigration to a direct paternal/ancestral predecessor.

ii. If he/she or the above mentioned ancestral predecessors or next of kin were naturalized as Lebanese citizens according to the law of naturalization promulgated in January 19, 1925, and has neglected to claim or reclaim his/her citizenship. In other words, most emigrants required little more than their emigration papers that listed origins, which luckily were preserved in Beirut.


Article II

This draft intends to verify the “actual presence of Lebanese relatives in the town, village or neighbourhood,” which an individual would claim, including the degree of kinship, along with any ownership/holding of rights to real property that may have been “devised, bequeathed, or inherited from a Lebanese citizen.” Once approved, and according to article 8, a successful candidate for citizenship would take the following oath of allegiance before an ambassador or Consul-General (if overseas), or before the court of competent jurisdiction where his/her records are present in the Republic of Lebanon. Although bureaucratic in nature, this aspect of the proposed law was meant to encourage associations with the land, a defining feature of Lebanese nationality. The draft law would allow grandchildren of Lebanese paternal grandfathers to apply for citizenship. The latest draft law would help Lebanese expatriates take part in future Lebanese parliamentary elections by voting at Lebanese embassies. The number of Lebanese living outside the country is thought to be at least triple the residents.

f. Legal texts involving financial incentives:

Since 2001, the Lebanese Government passed a number of laws and decrees to encourage investment in Lebanon. These laws comprise legal incentives, and aim to promote investment in Lebanon. Such laws include:

i) **Legislative Decree No. 11614 of 1969** as amended by Law No. 296 of 2001 on the Foreign Acquisition of Property and Property Rights in Lebanon: Regulating real estate access for Lebanese and foreign nationals and eases legal restrictions on foreign property ownership, thus encouraging investments in Lebanon, particularly in industry and tourism. The law also decreases real estate registration fees for both Lebanese and foreign nationals.

ii) **Law No. 318 of 2001** on Combating Money Laundering.

iii) **Law No. 440 - 2002** Arbitration State Vs Private Entities in Lebanon.

iv) **Law No. 360 of 2001** "the investment Law": regulates the investment promotion of domestic and foreign entities in Lebanon and stipulates a series
of incentives, such as tax exemptions granted for investments in fields of
technology, information, telecom and media, tourism, industry and agriculture.

The law divides Lebanon into three investment zones located outside Beirut
that are subject to different regulations. This law also established the public
agency Investment Development Authority of Lebanon IDAL entrusted to
develop a program encouraging and attracting Lebanese emigrants to invest in
Lebanon. In this context, IDAL is preparing the project entitled Targeting
Lebanese Expatriates (TLE), which targets encouraging Lebanese emigrants to
invest in Lebanon.

g. Agreements related to International investment promotion and protection:
These Agreements provide a legal framework for the investments of Lebanese
citizens residing abroad and whom spread along the five continents.

i) Instructions number 521/s2: The tax treatment of amounts paid to residents
of countries associated with Lebanon agreements to avoid double taxation.

ii) Instructions number 1071/s1: The mechanism of the tax treatment of interest
and dividends paid to a resident in France so that this resident will not pay
twice the taxes in Lebanon and France (Double taxation).

iii) Order of the minister number 349/s1: Exemption of deposits and other bank
liabilities in foreign currency belonging to non-residents from Income tax on
the benefits.

iv) Instructions number 1479/s1: Terms of the application of the exemption from
VAT for operations financed from external sources to departments and public
interests and municipalities.

v) Decree number 7837: Determine the application of the provisions of articles
of the law No. 379 of 14 (VAT) relating to taxable non-resident in Lebanon.
4.1.2 *International Legislations*

Lebanon has, inter alia, ratified the following international conventions relating to international migration and migrants abroad; (49) International Labour Organisation (ILO) Conventions, including seven fundamental Conventions: (1) Forced Labour Convention, (2) Right to Organize and Collective Bargaining Convention, (3) Equal Remuneration Convention, (4) Abolition of Forced Labour Convention, (5) Discrimination (Employment) Convention, (6) Minimum Age Convention, and (7) Forms of Child Labour. The Law ratifying the 1965 Washington Convention on the Settlement of Investment Disputes between states and nationals of other states (section V): The law No 403 dated June 5, 2002 ratified Lebanon's adhesion to the Washington Convention, which became effective for Lebanon on 25/04/03. Adhesion to International Centre for Settlements of International Disputes (ICSID)\(^\text{218}\) aims to facilitate the settlement of investment disputes between governments and foreign investors in view of helping promoting increased flows of international investment.

4.1.3 *Migration related Bilateral Agreements:*

Lebanon signed the sole bilateral agreement on labour migration with Syria (1994). Entry into force of bilateral investment agreements and tax conventions (section VI): A number of bilateral investment promotion and protection agreements and bilateral tax conventions between Lebanon and other countries entered into force since 2001, which included investment agreements with Austria, Belarus, Cyprus, Hungary, Kuwait, Malaysia, Russia, Sweden, Switzerland, United Kingdom, and Yemen; as well a tax conventions with Belarus, Kuwait, Morocco, and Sultanate of Oman.

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\(^{218}\) The ICSID Convention is a treaty ratified by 153 States. It entered into force on 14/10/66, 30 days after ratification by the first 20 States. Article 6 of the ICSID Convention requires the Administrative Council of ICSID to adopt rules of procedure for arbitration and conciliation and for the administrative and financial regulation of the Centre.

The Convention:
- creates the ICSID Administrative Council, Secretariat, Panels of Arbitrators and of Conciliators, and the status, immunities and privileges of the Centre (Chapter I);
- establishes ICSID’s jurisdiction (Chapter II);
- authorizes conciliation (Chapter III);
- authorizes arbitration (Chapter IV);
- addresses replacement and disqualification of conciliators and arbitrators (Chapter V);
- discusses the cost of proceedings (Chapter VI);
- deals with the place of proceedings (Chapter VII);
- provides for disputes between Contracting States (Chapter (VIII);
- provides for an amendment procedure (Chapter IX); and
- includes final provisions such as processes for signature, ratification, and denunciation of the Convention (Ch X).  

4.2 Financial products and services offered by Lebanese commercial banks and dedicated to Lebanese migrants and mainly expatriates.

The banking sector continues to be the backbone of the Lebanese economy: it is known to be stable, highly liquid and exceptionally sound, ranking 27th worldwide with a score of 5.8/7 in terms of Soundness of Banks indicator.\(^{219}\)

Remittance, a key component of bank deposits, has been continuously increasing, to reach a value of approximately USD 9 billion in 2014 (Figure 4). In terms of GDP, Lebanon is one of the most remittances dependent countries in the world, with remittances inflows constituting 18% of GDP in 2013, continuously increasing.

Lebanese banks cover commercial banking, retail banking, investment banking and private banking activities. The banking sector consists of small, medium and large-size privately owned banks; medium and long-term credit and investment banks; Islamic banks as well as an Arab and foreign banks presence through branches and representative offices. The country counts over 70 commercial banks, 55 financial institutions, 325 money exchange and 10 foreign bank’s representative offices.\(^{220}\)

Lebanese banks have also expanded to Arab countries, GCC, Europe, Africa and USA with more than 80 branches, affiliated companies, subsidiaries, sister banks and representative offices around the world. Banks and other financial institutions in Lebanon fall under the jurisdiction of the Central Bank, as the regulatory authority.

4.2.1 Expatriate Banking Products and Services in Lebanon with a window on the Arab Banking

Expatriate packages provided by Arab banks remain limited with the majority of banks merely offering money transfer/remittance services and expatriate housing loans. The Union of Arab Banks has produced a report which sheds light on the expatriate banking products and services provided by banks in Lebanon which received the most remittance inflows in 2014. The report is intended to be updated.


Table 1 below shows the top 10 Arab countries in terms of remittance inflows as well as the top 10 banks (by assets) operating in each country.

**Table 4.6: Top 10 Banks in the Top 10 Countries Ranked by Remittance Inflows in 2014**

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<tbody>
<tr>
<td>1</td>
<td>Egypt</td>
<td>Lebanon</td>
<td>Morocco</td>
<td>Jordan</td>
<td>Yemen</td>
<td>Tunisia</td>
<td>Palestine</td>
<td>Algeria</td>
<td>Sudan</td>
<td></td>
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<tr>
<td></td>
<td>Commercial International Bank</td>
<td>Brbylos Bank</td>
<td>Banque Marocaine du Commerce Exterior</td>
<td>Jordan Islamic Bank</td>
<td>Internationale Bank of Yemen</td>
<td>La Societe Tunisienne de Banque</td>
<td>Cairo Amman Bank</td>
<td>Credit Populaire d’ Algerie</td>
<td>Faisal Islamic Bank Sudan</td>
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<td></td>
<td>QNB Al Ahli Bank</td>
<td>Fransabank</td>
<td>Credit Agricole du Maroc</td>
<td>Jordan Ahli Bank</td>
<td>Saba Islamic Bank</td>
<td>Amen Bank</td>
<td>Bank of Jordan</td>
<td>Banque de L’Agriculture et du Developpement Rural</td>
<td>Agricultural Bank of Sudan</td>
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<tr>
<td></td>
<td>Arab African International Bank</td>
<td>Bank Med</td>
<td>Societe Generale</td>
<td>Jordan Kuwait Bank</td>
<td>Yemen Bank for Reconstruction and Developement</td>
<td>Banque de L’Habitat</td>
<td>Housing Bank for Trade and Finance</td>
<td>Banque de Developpement Local</td>
<td>Tadamon Islamic Bank</td>
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<td></td>
<td>Banque du Caire</td>
<td>Societe Generale de Banque Liban</td>
<td>Banque Marocaine Pour Le Commerce et l’Industrie</td>
<td>Cairo Amman Bank</td>
<td>National Bank of Yemen</td>
<td>Artijari Bank</td>
<td>Quds Bank</td>
<td>Al Baraka Bank Albania</td>
<td>Farmer’s Commercial Bank</td>
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<tr>
<td></td>
<td>Faisal Islamic Bank</td>
<td>Banque Libano-Francaise</td>
<td>Credit immobilier et hotelier</td>
<td>Bank Al Etihad</td>
<td>Yemen Kuwait Bank</td>
<td>Banque de Tunisie</td>
<td>Palestine Islamic Bank</td>
<td>Arab Banking Corporation</td>
<td>El Nilein Bank</td>
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<td></td>
<td>Alex Bank</td>
<td>Credit Libanais</td>
<td>Fonds’Equipement Communal</td>
<td>Capital Bank</td>
<td>Shamal Bank of Yemen and Bahrain</td>
<td>Union Internationale de Banques</td>
<td>Arab Islamic Bank</td>
<td>Housing Bank for Trade and Finance</td>
<td>Sudanese French Bank</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Credit Agricole Egypt</td>
<td>Bank of Beirut and Arab Countries</td>
<td>Bank Al Amal</td>
<td>Internationale Islamic Arab Bank</td>
<td>Islamic Bank of Yemen</td>
<td>Union Bancaire pour le Commerce et l’Industrie</td>
<td>Palestine Investment Bank</td>
<td>Trust Bank Albania</td>
<td>Blue Nile Mashreq Bank</td>
<td></td>
</tr>
</tbody>
</table>

*Syria Ranks 9th in the Arab Region in terms of remittance inflows but is excluded from the list due to unavailability of bank data. Qatar ranks 10th in the Arab Region in terms of remittance inflows. Source: World Bank and The Banker, 2015*

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221 This table was a part of the report submitted by the Union of Arab Banks in its capacity as a member of the ESCWA’s Lebanese National Committee on Migration & Development.
Table 4.7 showcases a sample of banking products and services dedicated to expatriates, offered by leading banks in each country.

**Table 4.7: Expatriate products/services provided by some Lebanese banks**

<table>
<thead>
<tr>
<th>Arab Bank</th>
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<tbody>
<tr>
<td>Arab Bank introduces services designed to meet the needs of Lebanese Expats, residing and working in the UAE (see below)</td>
</tr>
<tr>
<td>• Savings back home through Arab Bank dual account</td>
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<tr>
<td>• Free money transfers</td>
</tr>
<tr>
<td>• Access to retail products in UAE</td>
</tr>
<tr>
<td>o Payroll Accounts</td>
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<tr>
<td>o Credit Cards</td>
</tr>
<tr>
<td>✓ Internet shopping card</td>
</tr>
<tr>
<td>✓ Visa classic, Visa gold and Visa Platinum credit cards</td>
</tr>
<tr>
<td>✓ MasterCard titanium credit card</td>
</tr>
<tr>
<td>• Loans</td>
</tr>
<tr>
<td>✓ Personal Loan</td>
</tr>
<tr>
<td>✓ Auto Loan</td>
</tr>
<tr>
<td>✓ Non-Resident Lebanese home loan</td>
</tr>
<tr>
<td>• Elite Banking</td>
</tr>
<tr>
<td>✓ Financial security</td>
</tr>
<tr>
<td>✓ Network access</td>
</tr>
<tr>
<td>✓ Lifestyle benefits</td>
</tr>
<tr>
<td>Arab Bank introduces services designed to meet the needs of Lebanese Expats, residing and working in Bahrain (see below)</td>
</tr>
<tr>
<td>• Savings back home through Arab Bank dual account</td>
</tr>
<tr>
<td>• Free money transfers</td>
</tr>
<tr>
<td>• Non-resident home loans</td>
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<tr>
<td>• Access to retail products in Bahrain</td>
</tr>
<tr>
<td>o Payroll Accounts</td>
</tr>
<tr>
<td>o Credit Cards</td>
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<td>o Loans</td>
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</tbody>
</table>

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222 This table (4.7) was a part of the report submitted by the Union of Arab Banks in its capacity as a member of the ESCWA’s Lebanese National Committee on Migration & Development in 2016.
Arab Bank introduces services designed to meet the needs of Lebanese Expats, residing and working in Qatar

- Savings back home through Arab Bank dual account
- Free money transfers
- Non-resident home loans
- Access to retail products in Qatar
  - Payroll Accounts
  - Credit Cards and Loans
  - Remittance Services
    - Standing Instructions
    - Bill Domiciliation
    - Purchase/Collection/Transfers

**Banque Libano-Française**

- Benefit from the following advantages for USD 7 per month:
  - Two free Cash Platinum debit cards
  - A Premium Platinum card for USD 150 instead of USD 300
  - Free Point SMS service to track your card transactions
  - 50% discount on your Euro Blue card
  - Incoming transfers at a flat fee of USD 4
  - Free standing orders for your automatic transfers
  - Free E-Banking and Call Center services to manage account remotely
  - Free settlement of all utility bills in Lebanon
  - Special conditions on housing loans to expatriates in USD & LBP

- Expatriates Housing Loans in LBP and USD

- Renovation Housing Loan for Expatriates

**BLC Bank**

**Financial Services**
- Expatriates account
- Housing loans
- Time Deposit Account
- Land purchase Loan

**Non-Financial Services**
- Airline Tickets
- Hotel packages
- Rent a car
- Taxi Companies
**Bank Med**

- Free monthly incoming transfers
- Free international debit card for the first year
- Free monthly statement of account
- Free cash withdrawals from any BankMed ATM network
- Free SMS notification alert on international debit card
- Free credit card for the first year
- Free SMS notification on credit debit card
- Free credit card e-statement
- Free monthly utility domiciliation fee on landline bill
- Free 24/7 electronic banking services via MedPhone, MedMobile
- Attractive interest rate on saving account
- In-principle approval within 2 working days on housing loan

**Byblos Bank**

Services provided by Byblos Bank S.A.L. – Abu Dhabi Representative Office:

**Consumer Banking**
- Expatriate housing loan
- Auto loan
- Cards
- Online banking

**Commercial Banking**

**Correspondent Banking**

**Countries Served**
- United Arab Emirates
- Qatar
- Bahrain
- Oman
- Yemen

Services provided by Byblos Bank Representative Office Nigeria Ltd.:

**Consumer Banking**
- Expatriate housing loan
- Auto loan
- Cards
- Online banking

**Commercial banking**

**Correspondent banking**

**Countries served**
- Nigeria
- Ghana
- Ivory Coast
- Senegal
- Other West African Countries
  Services provided by Byblos Bank RDC S.A.R.L. – Congo
  Mainly commercial lending, transfers and payments, letters of credit, letters of
  guarantee, and documentary collection services.

**Credit Libanais**
- Fixed Term Deposit Account
- Expatriates housing loan
- Visa Card in Euro
- Bancassurance products
  - Motor insurance
  - Travel insurance
  - Personal accident
  - Retirement
  - Children's education

**Fenicia Bank**
- Full range banking accounts available in major currencies
- International cards
- Investment and commercial loans with advice from specialist advisers
- Housing loans

**Bank of Beirut**
Non-Resident Lebanese Expatriate Financial Package – Dubai
- Non-Resident Lebanese Expatriate Account
- Non-Resident Lebanese Expatriate money transfers
Non-Resident Lebanese Expatriate Financial Package – Qatar
- Managing finances
- Consumer loans
- Transferring money
- Housing Loan for Lebanese Expatriates in LBP and USD
- Bancassurance Products
  - Educational saving schemes
  - Retirement saving schemes
- Credit card
- Personal credit facilities

**Lebanon and Gulf Bank**
- LBP Home Loan
- UAE Dirham Card
4.2.2 Financial products and services offered by Lebanese financial institutions to Lebanese migrants

The Lebanese financial institutions which work under full regulation and supervision of the Central Bank of Lebanon have developed many schemes and financial products for the benefit of the Lebanese migrant body all of which are offered by commercial banks and dedicated to Lebanese expatriates.

The Central Bank of Lebanon (BDL), and in its capacity as the chaperone for the Lebanese banking sector and all Lebanese financial institutions have identified all the financial products and services offered by Lebanese financial institutions to emigrants by resorting to the complete list of banks posted on BDL website which includes all the 71 banks operating in Lebanon (Lebanese commercial banks, branches of foreign banks, specialized banks and Islamic banks).

The research results (shown in the below table), show that out of the 71 banks; it was revealed that 17 banks have specific expatriate services or products offered to Lebanese Expatriates. Whereas the rest do not explicitly mention any products designated to expatriates. In spite of the comprehensive feedback, the research revealed that further research and analysis should be conducted in order to understand the relationship between expatriates and financial institutions and mainly banks. Some of these issues include the following:

a. Services provided by Lebanese banks to expatriates through their network of branches outside Lebanon.

b. Services consumed by expatriates regardless of whether the service/product is especially designed to expatriates.

c. Services provided by investment banks to non-residents including expatriates regarding all forms of wealth management and special funds.

d. Services used by expatriates to repatriate money to Lebanon whether through bank transfers, online banking, or wire transfers either through banks or Money Business Services.

e. Statistics regarding the historical development of expatriates programs and all other services consumed by them (volume and value) in order to assess the efficiency and analyze trends.
4.3 Governmental related investment initiatives for migrants and expatriates

The Lebanese government did not do much in terms of providing the expatriates with investment initiatives or opportunities compared to other Arab neighbouring countries. Nevertheless, the most relevant legislation which relates to investment initiatives for residents as well as emigrants would be “Investment Law No.360” which was enacted in 2001 and has reinforced the Investment Development Authority of Lebanon\(^\text{223}\) (IDAL)’s mission, providing a framework for regulating investment activities in Lebanon, and providing local and foreign investors alike with a range of incentives and business support services. Law No.360 identified a set of priority sectors that showed the most promising opportunities in terms of their investment potential and impact on socio-economic growth. The identified priority sectors include industry, agriculture, agroindustry, tourism, information technology, technology, telecom and media. Foreign and local companies investing in Lebanon can benefit from a set of financial and non-financial incentives depending on the sector in which they operate in.

The previously discussed Investment Development Authority of Lebanon (IDAL), Lebanon’s national investment promotion agency, provides companies operating in 8 economic sectors with a set of financial and non-financial incentives. Other governmental and non-governmental institutions also provide a set on incentives that create benefit.

4.3.1 Investment initiatives offered by IDAL

A. Objectives and activities of IDAL:

As explained in the previous chapter, IDAL is main national agency responsible for promoting investment in Lebanon, and as a part of its mandates, offers the following services which play a major role in attracting investment to Lebanon in general including Lebanese migrants’ investments.

\(^{223}\) IDAL is the national investment promotion agency that was established in 1994 with the aim of promoting Lebanon as a key investment destination, and attracting, facilitating and retaining investments in the country. In addition to its role as investment promotion agency, IDAL is entrusted with the active promotion and marketing of Lebanese exports including but not limited to agricultural and agro-industrial products.

a. Providing economic, commercial, legal, industrial and other information relevant for investment decisions.

b. Identifying and promoting investment opportunities in various growth promising sectors.

c. Mediating contacts between investors and entrepreneurs to identify potential joint-venture opportunities.

d. Providing information on economic sectors with investment potential.

e. Granting various types of fiscal exemptions and fees reduction to investment projects as stipulated in Investment Law No. 360.

f. Participating in the capital of joint-stock companies in specific fields.

g. Facilitating issuance of permits and licenses required for starting and operating a business through coordinating with corresponding public institutions.

h. Providing advice on issues affecting the investment climate in Lebanon.

i. Arranging for business meetings with officials from private and public sectors.

j. Providing after-care service for investment projects.

B. Specialized Incentive Schemes:
4.4 Governmental Non-financial related initiatives / incentives to increase the bonds and linkages between Lebanese migrants and their homeland

4.4.1 Role of MoFA and GDE:

The General Directorate of Emigrants (GDE) is the main directorate in the Ministry of Foreign Affairs (MoFA) which deals with issues related to emigration, Diaspora and remittances. The GDE has been setting the platform to develop a structure for the National Strategic Plan for Migrants in Lebanon. In addition the MoFA, through all of its directorates and mainly the GDE, undertakes many initiatives and programs to increase the bond and linkage between migrants and their homeland Lebanon.

Several initiatives were undertaken by the MoFA and the GDE beginning with the foundation or support of several emigrant clubs, associations and institutions in many countries so migrants can communicate while abroad to develop social and economic relationships and discuss and support their home country Lebanon. Media institutions and educational schools are also considered amongst the prime means to secure the links between the Lebanese Diaspora.

The newly developed website of the GDE is marked with an interactive nature. The nature of the website allows proper management and follow up of personal affairs of the Lebanese communities in various deployment states. It deals with different activities (social, cultural, scientific, literary and economic) and provides the General Directorate of Emigrants feedback and news of these activities to be displayed on the website to enrich and benefit the migrant community while browsing for information.

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A. The main Lebanese transactions abroad facilitated by the authority are:

- To renew a passport while abroad.
- To obtain a new passport while abroad.
- To obtain a passport for a minor under seven years of age.
- To obtain a passport for a minor 7 years and did not exceed 18 years.
- To obtain a passport to the adopted child,
- To obtain a passport for illegitimate born children.
- To replace regular passports and passports which contained errors.
- To report the loss of passport.
- To request annexation passports.
- To request the codification of the profession on the passport.
- To request the ratification of photocopies of passport pages.
- To allow the possession of more than one passport.
- To request Special Passport Numbers.

Additional services are also facilitating immigrants business through:

- Legislation of University certificates issued from North American countries (USA & Canada) and from UK or other countries.
- Application for the registration of divorce documents.
- Marriage registration.
- New born baby registration.
- Legislation of the personal status documents received from outside Lebanon
- Approval of a public agency or a private incoming from outside Lebanon

Any transaction undertaken outside Lebanon should be legalized by the local authorities in the country and then released from the Ministry of Foreign Affairs and the Lebanese embassy or consulate accredited in that country and then returns to Lebanon for legislation at the Ministry of Foreign Affairs and Emigrants.

The restoration of Lebanese nationality law is the latest and most important law if implemented correctly to attract migrants and expatriates to return to Lebanon or to
send more remittances and engage in more investments of developmental nature. This may also be enhanced by Lebanese migrants participation in parliamentary elections in order to increase relations between them and Lebanon through involving them in the decision making of their country.

4.5 Financial and economic incentives offered to Lebanese expatriates (tax concessions, financial benefits, exemptions and investment privileges)

The Lebanese government, mainly through the Ministry of Finance offers some incentives to Lebanese expatriates (tax concessions and investment privileges). The table in Arabic represents a comprehensive set of information which reflects the investment incentives and exemptions in Lebanon (since it has not been translated, it may be treated as an annex)\textsuperscript{226}.

4.6 Initiatives, projects and programs undertaken by Non-Governmental Organisations (NGOs) and Civil Society Organisations (CSOs) in the field of the Lebanese migration on direct and indirect fronts:

4.6.1 Role of NGOs and CSOs in supporting migrants and sustaining development:

In general NGOs have not traditionally had a role in providing social and welfare services; they have functioned instead as mediators of interests between citizens and the state or other interest groups, and have supported leisure or recreational activities for and through the population. However, more NGOs are trying to work in many vibrant fields including integration, migration and development. For the past decade, the Lebanese government has faced difficult times, and the public sector revealed insufficient support for Lebanese migrants and the Diaspora in general, due to many reasons.

In addition, the commercially driven private sector is understandably selective when choosing who or what to support and when to act in the field of migration. As a result, a real need for the role of NGOs has appeared, this has pushed many elements of the civil society to act for the benefit of the Lebanese emigrants and get involved in migration strategies, Diaspora support and remittances programs.

\textsuperscript{226} This report was presented by the Ministry of Finance to ESCWA’s National Committee for Remittances.
4.6.2 NGOs and CSOs involved directly or indirectly in Lebanese migration related initiatives (in Alphabetical Order):

The performed research revealed a rather surprisingly large number of civil organisations working on the local, regional and international levels of which operations relate directly or indirectly to Lebanese migration. The following section represents a list of NGOs (listed by alphabetical order) working in the field of migration and development, along with the nature of the project which they are involved in. In addition, there are many NGOs which work partially on migration matters, since they are also engaged in other numerous other initiatives and programs related to Lebanese migration, mostly on bilateral bases (between Lebanon and the host country).

A. Aspen Global Leadership Network (AGLN):227

Its main mandate is to connect NGOs to the Lebanese Diaspora. Through creating a website to connect Lebanese expats with Lebanese NGOs, AGLN facilitates the transfer of information and funds between small and medium sized local NGOs and individual donors, focused on connecting Lebanese in the Diaspora with NGOs on the ground. There are many excellent NGOs in Lebanon who have a wealth of experience in the region but have limited access to funding and tend to be too small to benefit from bilateral and multilateral aid.

As a result, this NGO addresses this matter and helps in the financing process.

B. Africa & Middle-East Development Council (AMEDC):228

AMEDC is a part of the community of Arab and African young leaders who are shaping the global agenda and implementing a better cooperation between Arab and African Countries in the framework of the new South-South Cooperation. Lebanese cluster maintains a big role in the volume of AMEDC’s operations.


C. Australian Lebanese Christian Federation (ALCF):\textsuperscript{229}

The Australian Lebanese Christian Federation was founded in 1986 by prominent members of the Australian community from Lebanese background. ALCF mission was to assist Lebanese and Arabic speaking individuals to settle harmoniously in the Australian community. Currently ALCF is helping the new Australians who originate from Arabic speaking countries to integrate fully and actively through a smooth and well oriented interaction within the broader Australian community. ALCF is also monitoring how the new Australians (including the senior citizens) are having an equitable and non-discriminatory access to mainstream services.

D. African Continental Council (ACC):\textsuperscript{230}

ACC is affiliated to the World Lebanese Cultural University and has mandates related to the integration of Lebanese in their African host countries.

E. Arab-American Museum in Michigan (AAMM):\textsuperscript{231}

The Arab American National Museum (AANM) is the first and only museum in the United States devoted to Arab American history and culture. Arab Americans, including Lebanese have enriched the economic, political and cultural landscape of American life. Since opening in 2005, the Museum has shed light on the shared experiences of immigrants and ethnic groups, paying tribute to the nation’s diversity.

The AANM is accredited by the American Alliance of Museums and an Affiliate of the Smithsonian Institution; In addition it is a founding member of the Immigration and Civil Rights Network of the International Coalition of Sites of Conscience.


F. Baladiyat:232
The Baladiyat program recognizes the cultural and economic importance of the approximately 12.5 million persons which represent the Lebanese Diaspora throughout the world. Lebanese Diaspora remittances account for an estimated 20 percent of Lebanon’s overall GDP. However, only a small percentage goes into job-creating investment in the retail and services sectors.

G. Lebanese Diaspora Homeland Investment Database:
Relief International has partnered with the Lebanese Emigration Research Centre (LERC) in order to identify likely Diaspora investors and link them with local investment opportunities. Through extensive surveying and research on the Diaspora, LERC began the development of a global database that can potentially connect the Lebanese Diaspora investors with economic opportunities tailored to their individual interests and home villages.

H. Youth Camp
In line with its commitment to youth empowerment, Baladiyat hosted a Youth Camp that brought together the Diaspora with the Lebanese youth and trained them to become informed / proactive citizens who have the skills to partner with local authorities in order to enhance economic and social development. The goal of the Camp was not only to empower youth, but to build positive, long-lasting connections between the Lebanese Diaspora and their homeland on many levels.

I. Back to Roots:233
Back to Roots is a group of North Americans of Lebanese origins that is based all over the United States of America and Canada. They connect alumni with volunteer and internship opportunities, both in Lebanon and in the US and Canada, to their continuous robust engagement with Lebanon. Participants have the opportunity to learn about Lebanon’s socioeconomic and political dynamics.


J. Brown Bag Talks (BBT):234
The BBT that were held in 2011 were respectively entitled "There are no friends here", and "Exploring Diaspora Diplomacy through the Case of the U.S. Public Diplomacy in Lebanon". This initiative has organized in the past many events235 that were valuable for enhancing Diaspora contribution in development.

K. Centre for Lebanese Studies (CLS)
CLS is a long term program of interest in Lebanese Emigration and brain drain issues which was launched in a three-day conference. The program was developed to include several publications and the Transfer of Know-how through Expatriate Nationals (TOKTEN) project in collaboration with UNESCO and UNDP. The conference brought together an international group of scholars to discuss the history of Lebanese emigration as well as the present circumstances of the Lebanese. Members of the group had done academic studies in the field of Lebanese emigration from Australia, Canada, Europe, Latin America, Lebanon and the United States.

L. Chamber of Commerce and Industry of Lebanon in Cote d'Ivoire:
Today it is the official body that represents Lebanese economic interests and defends them in the face of the many challenges. It enjoys recognition of the Ivorian state and is part of the constituents of the Economic and Social council. Its president is a special economic advisor to the head of state.

M. I am Lebanese:
This is an initiative launched by Lebanese expats living in the United States of America that aims to encourage Lebanese-Americans to activate their Lebanese citizenship in order to deepen their ties to their mother country. This initiative is important in connecting the Diaspora with communities in Lebanon and providing them with citizenship rights by which they can preserve their roots.

N. Development Association for Nurturing Arab Leadership & Innovation (DANALI):\textsuperscript{236}

DANALI is a regional independent non-governmental entity and one of the growing regional civil society organisations operating in the Arab world. DANALI aims at enhancing the wellbeing of Arab communities, primarily the youth, through nurturing leadership skills and innovation initiatives on various social, intellectual and academic levels. DANALI also works with individuals and groups in local communities to improve national policies and practices through providing the tools and mechanisms to fulfil the required change.

O. Institute for Migration Studies (IMS):\textsuperscript{237}

The IMS is currently working to introduce a Master’s program in Migration Studies. The program will seek to provide an inter-disciplinary approach to understanding contemporary and future migration in Lebanon, the Arab region and the rest of the world.

P. Little Push NGO:\textsuperscript{238}

Little Push is a nongovernmental organisation which offers creative modern tools of communication creating projects and initiatives that would fill the voids to achieve a specific social cause. Lebanese Migration and Diaspora connection is among such social ceases which fall under the interest of Little Push. Little Push has created in August 2014 the website (HelpForLeb.com) as the first project representing the first Lebanese crowd-funding website for sharing social awareness, offering volunteering services, funding social, environmental and humanitarian Lebanese causes, and for donating to Lebanese NGO’s. The vision of HelpForLeb.com is to gather and connect the Lebanese Diaspora, Lebanese locals, Lebanese NGO’s and Lebanese companies under one cause

\textsuperscript{236} The author of this thesis (PhD candidate) is the Founder – President of DANALI / www.danali.org


Q. Lebanese Diaspora Energy (LDE):\textsuperscript{239}
LDE seeks to showcase the success stories of selected Lebanese residents and expatriates, and motivate them to stay connected, while celebrating the Lebanese heritage and promoting the positive image of Lebanon around the world. LDE represents a one-of-a-kind occasion for Lebanese emigrants to return to their roots and develop a valuable cultural and social connection with their homeland.

R. Lebanese Expatriate Association (LEA):
LEA is a specialized NGO for expatriates of which objectives include the following:
1. Develop Lebanese expatriates’ affairs of cultural, social and economic aspects.
2. Seek communication and intellectual, cultural and social exchange.
3. Draw children of Lebanese expatriate communities worldwide, closer to Lebanon.
4. Encourage cultural and social activities, tourism and economic exchanges and mutually beneficial cooperation between Lebanon and the host countries, and between the Lebanese and the descendants of Lebanese descent.
5. Establish cultural clubs and public libraries and centres of intellectual and educational studies in all countries where there are Lebanese communities and hold regular meetings and seminars.
6. Issue periodic educational, scientific and cultural materials which serve the objectives of the association.
7. Cooperate with local and international institutions and with Lebanon's friends abroad for the success of efforts.

S. Lebanese Expatriate Series (Lebanese in the world), and its related website:  

This provides comprehensive and detailed information about the Lebanese communities in the world, their economic, trade and industrial activities. It includes a database for the names and activities of companies and secures communication channels required to identify the activities in various sectors, which allows for the exchange of ideas and creates integrative investment opportunities for individuals and businesses.

T. The Lebanese Expatriate Project - “Live Lebanon”:  

The contribution of the Live Lebanon project to the overall development of Lebanon and to the eradication of regional disparities is based on the following strategy:

1. Engage the private sector in development and strengthen the link between Lebanese abroad on one hand and the Lebanese government and local communities in the poorest areas on the other hand.

2. Set up a mechanism for channelling financial support from expatriates to local development and community projects and hereby support the elimination of regional disparities.

3. Strengthen the local capacities and decision-making structures through the engagement of local UNDP working groups in the project development and management.

U. The Lebanese Emigration Research Centre (LERC):  

LERC is an academic initiative of Notre Dame University (NDU). Established in April 2003, it is the first centre in Lebanon dedicated specifically to the study of migration.

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V. Lebanon Connect: 243
An initiative of an electronic platform for expatriates, which aims primarily to link them to the Lebanese residents and each other.

W. Lebanese-Australian Chamber of Commerce (LACC): 244
LACC has several activities including the facilitation of housing loans for expatriates. Their website explains more about their services and programs.

X. Lebanese-Dutch Businessmen Association (LDBA): 245
LDBA’s program aims at strengthening the national economy through cooperation to bring investments to Lebanon, opening the way for the employment of Lebanese investors and investment in the Netherlands.

Y. Lebanese-Canadian Businessmen Association (LCBA): 246
LCBA was created over three decades ago; this association consists of about 350 members and is working in coordination with the Canadian Embassy in Lebanon and commercial business bodies in order to enhance trade and economy between the two countries.

Z. Lebanese Immigration Museum at the Notre Dame University: 247
Notre Dame University took a decision to allocate a plot of land within the university campus to build a museum that will be at the same time an educational monument open for schools and universities, and a space for the public and migrants to visit and explore.

243 See Lebanese around the Globe. (n.d.). Retrieved from Lebanese Connect - Facebook: https://www.facebook.com/LebanonConnect


Amongst the NGOs present worldwide are the bilateral business councils. These entities play an important role in doing business between the Lebanese expatriates and their host communities, as well as the development of business/economic relationship between Lebanon and many countries. Although such entities are not exclusively involved in migration matters, it is evident that their mandates address issues such as developing the relationships of emigrants, enhancing developmental projects in Lebanon and enhancing remittances. The below list enumerates some of the Lebanese – foreign business councils worldwide:\(^{248}\):

a. Lebanese Cuban Business Council  
b. Lebanese Businessmen Council Czech  
c. Lebanese Egyptian Business Association  
d. Lebanese Iranian Business Council  
e. Lebanese Businessmen Council of Iraq  
f. Lebanese Friendship Association Kurdistan - Iraq  
g. Lebanese Moroccan Businessmen Council  
h. Lebanese - Russian Commission for commercial cooperation  
i. Lebanese Italian Businessmen Council.  
j. The Lebanese - Saudi businessmen  
k. Lebanese Sudan businessmen Council  
l. The Lebanese - Syrian businessmen  
m. Lebanese- Tunisian businessmen Council  
n. The Lebanese business Council - United Arab Emirates  
o. Lebanese Algerian Businessmen Council  
p. Qatari - Lebanese businessmen Council

\(^{248}\) This is a non-exclusive list since other business councils in many countries exist, however the main ones are listed.
q. Maronite Foundation in the World

The Maronite Academy is an initiative undertaken by the Maronite Foundation, aimed at introducing young Lebanese immigrants around the world to their country of origin, Lebanon. Selected candidates undergo online sessions (e-learning sessions) to build their knowledge about Lebanon and the Maronite Heritage. After successfully completing their online courses, the selected candidates will benefit from an organized two-week trip to Lebanon covered by the Maronite Foundation.

r. Maison du Liban in Paris

This NGO is specialized in holding cultural events to gather Lebanese in France.

s. World Lebanese Cultural Union (WLCU)

WLCU is an International Non-governmental Organisation (INGO) associated with the UNDPI (department of public information) and accredited with the ECOSOC (economic and social council) of the United Nations. The WLCU’s goal is to unite descendants of Lebanese origin and friends of Lebanon into one worldwide organisation and to promote and preserve Lebanese culture and heritage.

t. World Lebanese Cultural Union (WLCU) – (1)

This is one of the three WLCUs; it has similar mandates but different management.

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u. World Lebanese Cultural Union (WLCU) – (2) 253

Is an international, secular, non-denominational, non-profit organisation sponsored by the Government of Lebanon but working independently in cooperation with Lebanese emigrants abroad, representing the Lebanese Diaspora in the world. WLCU/ULCM has offices in many major centres of Lebanese presence worldwide.

It strives to unite descendants of Lebanese origin and friends of Lebanon into one worldwide organisation or union with the aim to promote and preserve Lebanese culture and heritage and to ensure its spirit for generations to come.

The Lebanese Civil War, deep political and at times confessional differences and Lebanese official government interventions have resulted in resentment and formation of rival groups, although the official historical organisation claims it is the only one abiding by WLCU bylaws as amended in 1985 and duly recorded at the Interior Ministry in Beirut.

v. World House of Lebanon/ House of Lebanon in the World 254:

The World House of Lebanon (WHoL) is a non-profit, non-partisan, non-governmental Foundation based in Lebanon. It was founded in 2009 by Betty Hindi. It aims to promote the spirit of cooperation and unity among resident and non-resident Lebanese citizens, including emigrants of Lebanese descent.

On one hand, WHoL endeavours to encourage non-resident Lebanese citizens to take part in Lebanon’s political, economic, social, and cultural life; on the other hand, it encourages them to defend the Lebanese cause in their country of residence.


w. **Youth and Culture Centre**:\(^{255}\)

YCC is a municipal centre that acts as an incubator for interaction and development, whereby the vision and mission evolve around the following actions:

- Create a space for dialogue, which seeks to increase communication among all segments of society.
- Promote a sense of participatory democracy and citizenship through meetings and exchanges.
- Familiarize the public with new technologies by providing training and access to the Internet, social media and regular and open source software.
- Promote culture and art as catalysts for universal communication.
- Provide a space for reading and support active involvement in the learning process by encouraging the formation of research groups eager for knowledge and learning.
- Empower and promote young artists and talents by building their capacity and offering them a venue to produce themselves and interact with the public.
- Offer a free space of dialogue for civil society organisations.

x. **Youssef Bek Karam Foundation**:\(^{256}\)

This NGO is a private, charitable and non-profit foundation which holds different congresses, seminars, conferences, projects, publications, expositions. In addition it undertakes educational, cultural and patrimonial activities and competitions related to the historical path of Youssef Bek Karam in Lebanon and abroad. These events facilitate the achievement of all the foundation’s goals.

One of its main missions is to communicate with the Lebanese Diaspora and try to incorporate emigrants in the national, economic cultural Lebanese life.

\(^{255}\) See *Youth and Culture Center*. (n.d.). Retrieved from ycczouk.wordpress.com: https://ycczouk.wordpress.com/

Section (5): General and Policy Recommendations

According to the Joint ICMPD-IOM Project “Linking Emigrant Communities for More Development – Inventory of Institutional Capacities and Practices”, the Ministry of Foreign Affairs and Emigrants constitutes the leading national institution responsible for questions relating to Lebanese citizens residing abroad. With the presence of multiple national institutions involved in matters relating to migration and/or Lebanese emigrant communities, one obstacle faced in this view is, however, the absence of an institutional body or mechanism enacted with the responsibility to ensure inter-institutional coordination for migration affairs.

Due to a deep lack of policies and regulations, Policy Recommendations are unquantifiable; however, it is crucial to list the main ones and keep in mind that this abundance of recommendations makes them even more challenging to implement:

1. Introduce a "Lebanese Migration Law" and exert pressure for amendments of all related domestic laws by incorporating clauses that encourage investment and secure initiatives by Lebanese migrants.

2. Create a specialized authority to coordinate among all national stakeholders and strengthen the bridge with the Lebanese migration power, in addition to becoming one of the main partners in the process of policy-making as well as of regulating improvements.

3. Draft a "National Strategic Plan for Migration".

4. Create a "National Investment Authority" and an "Investment Security Institution".

5. Lebanese financial authorities must join efforts to form a National Committee to organize the inflows of remittances which shall be responsible to implement legal, financial and economic agendas related to the administration of the remittances’. 
6. Address measures related to tax exemptions and applied to migrant investment initiatives.

7. The Central Bank and other national institutions such as ministries responsible for data collection need to improve coordination in this area, with enhanced systematic data information exchange, better communication, and more effective division of labour to avoid duplication of efforts.

8. Launch a campaign on migrant financial literacy in the countries with Lebanese presence, pointing toward amplifying the remittances to Lebanon, since the migrants of the second and third generations tend to lose direct connections with Lebanon, hence lack sufficient information about Lebanese banking and financial policies and products.

9. Grant expats voting rights and encourage civil participation, thereby creating a stronger feeling of belonging and driving the Diaspora to truly believe that they are a part of the political process that directly influences the allocation of mechanism of remittances.

10. Support activities such as monitoring cross-border remittance flows data at higher frequencies as well as revise data compilation methods.

11. Formulate appropriate national policies and initiatives to address the high cost of remittance transfers and rebate policies that promote competition in the remittances market allowing for a reduction of transfer costs and an improved service quality.

12. Banks must start offering increased financial products specifically tailored for expats, in addition to other investment products by stressing on the allocation of remittances.

13. Create an Emigration Council to introduce a uniform policy for modern migration: This will aim to actively engage the majority of the country ministries and departments along the lines of what is happening in countries like Lebanon, including living conditions.

14. Create a National Payment System which supervises all inflows.
15. Issue Diaspora Bonds which are designed to circumvent the country’s financial weaknesses and investment obstacles. The government would set the overall vision and create incentives for the private sector to lead this initiative.\textsuperscript{257}


17. Establish a unit to coordinate among non-governmental bodies competent in migration affairs.\textsuperscript{259}

**PART 4.C: Conclusion**

The main aim of chapter four is to provide comprehensive information supported with facts and figures on the state of remittance inflows to Lebanon to help understand how the matter of remittances is handled on different governmental and private levels, namely by addressing the regulatory and legislative aspects. The key element was also to propose policies and programs in the form of policy recommendations, in order to enhance the impact of migration and remittances on financing sustainable economic development in the country which would be applicable to other Arab countries. Therefore, this would also be utilised to formulate a successful study case which may be duplicated in the rest of the Arab countries in terms of providing robust tools for the road to establish an Arab Economic Union from the positive, yet sensitive, topic which is the migration and remittances and their developmental impact on the national and regional economies.

\textsuperscript{257} According to (Sassine, 2013), the success or failure of diaspora bonds can is based on three key drivers. First: Profile of the country’s diaspora network, its size and wealth, how well organized it is and how easily it can be tapped into. Second: Relationship between the diaspora and its home government. Third: Patriotism - emotional tie to homeland and national identity. See Sassine, G. P. (2013). How Lebanon could raise $1 billion per year. Executive Magazine.

\textsuperscript{258} See IMF. (2009). International Transactions in Remittances: Guide for Compilers and Users. INTERNATIONAL MONETARY FUND.
Throughout thematic analysis, it was noticed that there is an ultimate need for a national strategy based on an economic and regulatory plan to create a proper framework for migration. This would be represented in the first place in the formulation of a National Strategy for Migration and Remittances for Development, in order to secure sound allocation of such fiscal resources in sustainable economic sectors, while spurring the economic cycle and leading to economic growth on the national levels. This would eventually materialize on the regional level and actively play a main role in the progression of the Arab Economic Union.

Part (2) of this chapter which represented the factual report about remittances and its stakeholders in Lebanon, was based on the conviction which applies to all Arab countries (but in our case Lebanon) that recipient countries suffered from the lack proper infrastructure for migration, including the remittances factor of course. It has uncovered the lack of a unified national strategic plan for migration in Lebanon, and the lack of economic and regulatory structures to cater for migrants and their remittances. Unfortunately, the absence of the sound migration strategies applies to most Arab states with few exceptions.

As a result, Part (2) introduces the National Factual Report for Lebanon which elaborates the current situation by revealing what currently exists on ground in addition to what needs enhancement and what is profoundly lacking. This was orchestrated by compiling several thematic institution-specific factual reports, to come up with a national factual report that would help draw the roadmap for relevant action, towards constructing the National Strategy for Migration and Development, in support of dealing with the flow of remittances and its proper channelling, as a main pillar in the construction of an Arab Economic Union.

Due to the fact that this chapter is of a factual nature since it provides a comprehensive outlook on the regulatory, organisational, economic, administrative and social status of Lebanese migration with a window on the remittances sector, the need for an analytical conclusion does not rise. Nevertheless, it is important to point out that the research conducted and conveyed in this chapter, and in spite of being inclusive of most involved sectors and entities, a necessity arises to obtain further opinions and positions and explore the activities of additional entities involved in other Arab countries in the migration field.
CHAPTER (5): CREATING AN ARAB FINANCIAL / MONETARY UNION - THE NEW ARAB MODEL for a NEW ARAB WORLD

Section (1): Arab readiness for the creation of trading blocs (all stages):

1.1 Historical attempts and reasons for failure:

1.1.1. Historical attempts:

The idea of trade integration in the Arab world is an old story and has become closer to a myth. While it all started with the creation of the Arab League of States in 1945, several attempts occurred to promote regional political and economic integration. While there were several less significant attempts, the main ones can be summarised by the following:

i. The 1950 Treaty for Joint Defence and Economic Cooperation;
ii. The 1953 Convention for Facilitating and Regulating Transit Trade;
iii. The 1957 Arab Economic Unity Agreement;
iv. The 1964 Arab Common Market;
v. The 1981 Gulf Cooperation Council
vii. The 1989 Arab Maghreb Union;

Nevertheless, such agreements and initiatives have either partially seen the light or were never implemented in the first place. As a result of such lack of perseverance and implementation, and with the exception of the GCC and some bilateral minor trade agreements, trade barriers have remained high within the Arab region.

Things took a twist in the 1990s, whereby most Arab countries took the step to actually implement an acceptable level of the trade liberalization process, by becoming signatories to the **GAFTA**[^260] which was signed in February 1997 and

[^260]: The League decided to create an Arab Free Trade Area, also known as the GREATER ARAB FREE TRADE AREA or the PAN-ARAB FREE TRADE AREA, by 2008. See Bilaterals. (2012, May). **GAFTA**. Retrieved from bilaterals.org: [http://www.bilaterals.org/?-GAFTA-](http://www.bilaterals.org/?-GAFTA-)
came into force in January 1998, whereas the Agadir Agreement was signed between Morocco, Egypt, Jordan and Tunisia in 2004. Eighteen of the 22 Arab League countries signed on to the GAFTA, 14 of which are effective members of the free-trade area, complying with total or partial procedures of adhesion\textsuperscript{261}. These are Kingdom of Bahrain, Arab Republic of Egypt, Republic of Iraq, Hashemite Kingdom of Jordan, State of Kuwait, Republic of Lebanon, the Libyan Arab Jamahiriya (at the time) now known as Republic of Libya, Kingdom of Morocco, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia, Syrian Arab Republic, Republic of Tunisia and the United Arab Emirates.

The importance and impact of the GAFTA lays not only in its coverage to all countries in the Arab region, but also due to its reliance on political institutions, such as the Gulf Cooperation Council and the League of Arab States. Moreover, the contents of the agreement are also far reaching, firstly since it did not cater for the standard hierarchy in reaching common monetary policy through mere removal of tariffs, but crossed that standard towards catering for monetary, administrative and quantitative NTBs quotas (Non-Tariff Barriers to trade). It also provided for the trade liberalization in agriculture (despite a transition period) as well as a precise set out of rules of origins.\textsuperscript{262} There is no doubt that there are a number of anticipated long term benefits for GAFTA signatory states, since several gains could be derived from the trade agreement.

First and foremost, the GAFTA may very well facilitate a smooth and gradual integration into a liberalized global trading system, namely since the economic cooperation among GAFTA states also creates a collective approach to negotiations with the World Trade Organisation (WTO)\textsuperscript{263} and other regional blocs.


\textsuperscript{263} World Trade Organisation Director-General Mr. Mike Moore and Arab Monetary Fund Director-General Dr. Jassim Al-Mannai today (3 May 2002) signed a memorandum of understanding to establish cooperation between the two
In addition and upon proper implementation, GAFTA could increase the volume of intra-Arab trade and promote industrial development, especially in those industries that are likely to face challenges abroad under other the WTO Agreements. GAFTA also generates confidence among domestic and foreign investors and should attract Foreign Direct Investment (FDI) and the transfer of technology. The process of economic integration is a long one and very time consuming and requires caution and prudence; it is divided in five stages or taxonomies which include; Free Trade Area/Zone, Custom Union, Common Market, Economic Union and Political Union.

As explained in Chapter (1), the Free Trade Zone is the first stage of economic integration;

This first stage allows unhindered trade and free movement of goods and services among member states by removing trade barriers like taxes and levies.

The second stage, which is the Custom Union, allows free trade among members and maintains a common external tariff and other trade measures with non-member states outside the union.

The third stage, which is the Common Market, require all member states to allow ease of movement of capital and human resource inflows as well as other inputs, while each member country retains power over their monetary and fiscal policies.

The fourth stage, which is the Economic Union, entails embedment of a common monetary policy, single currency, budgetary and fiscal policies as well as socio-cultural policies required for smooth integration process.

The fifth stage, which is the Political Union, which demands total unification of member nations’ political institutions, governmental organs and apparatuses under a common central body, providing direction to all member nations on all matters.

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1.1.2. Barriers impeding Arab economic integration and reasons of failure:²⁶⁴

In their paper “Economic and Financial Integration of Arab Countries: Presence and Perspective” published by the European Journal of Business and Social Sciences in April 2014, Prof. Harbi Arikat of Petra University – Jordan, and Dr. Adbul Aziz Saymeh of the Middle East University – Jordan, clearly state and elaborate the barriers that stand in the path of developing Arab economic integration. They explain that evidence on financial and economic growth of Arab states suggests that growth tends to be below the efficiency level and globalization is low, all of which is due to several reasons, amongst which are the following:

a. Political motives:
There are tens of examples over the past 70 years, whereby political principles and reasons have decreased the volume of trade and the shrunk size of bilateral trade due to sanctions or trade embargos. The latest example is within the GCC itself, well known as the Qatar crisis, in addition to the trade embargos on Syria due to the political position of some Arab countries against the Syrian government and regime.

b. Doing of business cost disparities between Arab countries:
The cost of doing business differs from one Arab country to another whereby the disparities are quite large in numbers in terms of timing and cost. For instance, the GCC countries have a lower cost of doing business than the other Arab countries, especially Arab countries which are considered underdeveloped. This creates an additional barrier since the matter of cost of doing business in addition to the availability of a much more developed logistics structure have a direct impact on the trade competitiveness amongst Arab countries. In other words, the cheaper the cost of doing business and the better the logistics and the easier the establishment of new entities and the existence of the rule of law which breaks down corruption, will lead to the creation of a solid ground for investment within the countries which are blessed with such criteria, compared to a much less fertile ground in other countries which suffer from inadequate and inefficient infrastructure and services, well as corruption.

c. **The volume and size of Arab countries:**

Compared to many other countries, the Arab countries are smaller in size comprising quasi-primitive markets which lack the diversification commodity that is usually desired on a global level; especially since their portfolio is quite limited and non-diversified as it consists of natural raw materials and primitive production factors.

d. **The remaining impact of Economic Colonialism in Arab countries**\(^{265}\):

Long periods of colonisation have played a remarkable role in impeding Arab financial and economic growth. The colonization powers, primarily the Ottomans which ruled for almost half a century and secondarily the French, British and Italian colonization which ruled for over 50 years, have all left deep marks in the public Arab governmental structures, and caused vivid weaknesses in the Arab development on the social, economical, and financial sectors, and impeded unity initiatives.

e. **Expansion of Arab Governments and Nationalization Policies:**

Nationalization is a phenomenon that occurred in many Arab countries following the independence of these countries. Governments usually claim, aka nationalize, the resources and all means of production as belongings to the public. The majority of Arab countries have resorted to reach economic development through nonmarket strategies based on principles of socialism. In other words, the process of swapping commodities of one country with commodities or services of other countries (both of which adopt the socialist system), could impede economic development and progress.

f. **The negative tradition of old Arab states to guard their trade policies, which has been implemented by their outdated regimes for a long while:**

The conventional Arab regimes have favoured interior-oriented policies during the third quarter of 20\(^{th}\) century, which drove them in a different direction from free trade policies. Even on the GCC level, there were sustaining efforts of the regulated and deregulated policies, which raised voices calling for free trade policies during the past two decades.

\(^{265}\) *See RITLI, E. (2011, February). Colonialism, Lebanon and the Middle East. Melbourne, Melbourne, Australia*
g. Small volume of the Arab economies:

The small volume of Arab economies, compared to economies worldwide, has impeded product diversification / proliferation through confining economies of scale.

h. The blessing / curse effect of natural resources:

Arab countries’ blessings are their curse when it comes to natural resources. The prime existence of oil, gas and minerals has made the Arab Region a target for western domination through military colonization followed by economic domination resulting from the former military colonisation effects, even post independence.

The dual blessing – curse effect of natural resources has landed on the Arab countries, namely the oil dependant ones. While such countries, and due to the international high demand for natural resources such as oil and gas, have enjoyed higher GDP and Per Capita resulting in the formation of rich nations, these countries have regretfully solely relied on this natural wealth based on raw oil and petrochemical industries and have failed to originate a robust economic plan to secure economic development based on market diversification in production. In addition, they neglected the sound development of the adequate economic or financial reforms which are necessary to support the economy and protect it from recession.

One of the main fallbacks was the inability of most of such countries to harmonise the pricing and standards of public services which include but not limited to water transportation, telecommunication and other infrastructure projects. This has created a habitual anomaly represented in the dependency of citizens of countries, rich in natural resources, on income generated from exploitation of their natural resources.

As previously elaborated, this has caused the loss of incentives to seek the real economic diversification, and has resulted in a high degree of concentration in the structure of production and exports, all of which are vulnerable to fluctuations in accordance to the price fluctuations in energy prices.

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N. Saidi\textsuperscript{267} has elaborated in his report on Arab Economic Progress in 2004, that some Gulf countries with low petroleum resources, namely the Kingdom of Bahrain and the Emirate of Dubai in the United Arab Emirates, in addition to a non producing oil country namely the Republic of Yemen have risen as pioneers in formulating innovative economic strategies based on economic diversification which include the multi-division service industry and the diversified non-oil sectors.

The liberal policies adopted by some capital exporting countries have created large labour migration waves in Arab countries, as well explained in Chapter (4)\textsuperscript{268}, these include Egypt and Lebanon towards the GCC countries which are rich in the natural resources but they lack the national man power.

These migration waves from one end and income production on the other end have caused the labour exporting countries to become income importing countries, since a large portion of their GDP have become reliant on their workers' remittances.

On the other hand, and as stated by (Saidi, Nasser. 2004) “the Arab labour-exporting countries have become hostages to Arab oil-producing countries as they rely on their exported work force remittances, and thus have not taken the adequate measures to conduct the reforms necessary to meet the changing economic conditions that require a change in the economic policies and strategies”. (End of quote).

\textsuperscript{267} Dr. Nasser Saidi who has a wide range of research in Arab economic integration attempts, is Founder and President of Nasser Saidi & Associates and Former Chief Economist and Head of External Relations at the DIFC Authority and Executive Director of Hawkamah, The Institute for Corporate Governance and Mudara Institute of Directors. As founder and Executive Director of Hawkamah Institute for Corporate Governance, he developed the regional. Dr. Saidi is a member of the IMF’s Regional Advisory Group for MENA and Co-Chair of the (OECD) MENA Corporate Governance Working Group. In 2013, he was named among the 50 most Influential Arabs in the World by The Middle East magazine, for the fourth consecutive year and named among the 500 Most Powerful Arabs in the world by Arabian Business for the 2\textsuperscript{nd} consecutive year. Dr. Saidi was Minister of Economy & Trade and Minister of Industry of Lebanon between 1998 and 2000. He was first Vice-Governor of the Central Bank of Lebanon for two successive mandates, 1993-1998 & 1998-2003. See Nasser Saidi. (2012). About Nasser Saidi. Retrieved from nassersaidi.com/: http://nassersaidi.com/who-we-are/

\textsuperscript{268} See Yaseen, H. S. (n.d.). Institutional and Regulatory Framework Analysis. In Role of Arab Workers’ Remittances to enhance the Development of an Arab Economic Union “A Lesson from Lebanon (pp. 173-175).
i. *Arab Uprising:* 269

A series of protests and uprisings in the Middle East which began with unrest in Tunisia in late 2010 and continued in Arab Republic of Egypt, Republic of Libya, Syrian Arab Republic, Kingdom of Bahrain, and Republic of Yemen and has brought down regimes in some Arab countries and sparked mass violence in others.

1.2 **Challenges facing the Arab economic unity attempts under current security situations:**

Numerous challenges face the attempts for economic integration in general, and specifically Arab economic unity, many of which were summarised in the previous sub-section which discussed and addressed main barriers to regional Arab economic integration.

The global changes and developments will undoubtedly bring further negative impacts on individual economies of Arab countries since these economies are confronting mega economic blocs, including but not limited to the E.U, the NAFTA, the APEC270 and many more. These self reliance blocs have maintained several positive impacts in terms of decision making in various fields on local, regional and international levels.

Having said the above, it appears that complex conditions and developments are most likely to bring immense repercussions on Arab individual economies when competing with these giant blocs. Economic integration and self dependence among Arab Countries would decrease the gap between the predetermined Arab Economic Union and the rest of the global economic blocs, which will result in the Arabs increased ability to confront the negative influences of globalization and other challenges.271

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269 The Arab Spring has been explained in details in previous chapters. See Tristam, P. (2017, May 23). *What is the middle east*. Retrieved from thoughtco.com: https://www.thoughtco.com/what-is-the-middle-east-2353342

270 Asia Pacific Economic Cooperation: APEC has 21 members. The word 'economies' is used to describe APEC members because the APEC cooperative process is predominantly concerned with trade and economic issues, with members engaging with one another as economic entities. See APEC. (2017). *Member Economies*. Retrieved from Asia-Pacific Economic Cooperation: https://www.apec.org/About-Us/About-APEC/Member-Economies

Also in the same paper previously mentioned “Economic and Financial Integration of Arab Countries: Presence and Perspective” published by the European Journal of Business and Social Sciences in April 2014, by Prof. Harbi Arikat of Petra University in Jordan, and Dr. Adbul Aziz Saymeh of the Middle East University – Jordan, the authors introduced the topic by stating that “The emergence of regional economic and financial groupings in various countries of the world began in the first half of the 20th century and named the era of economic and financial blocs, where these Communities formed 80% of the world's population and controlled 90% of the global trade and arrived in GDP for three big gathering (EU, NAFTA and ASEAN) to 81% of global output, indicating that 19% of the economic process are outside those communities that are increasingly important having central role in the economy”.\textsuperscript{272}

The integration between the Arab countries, if ever achieved will eventually lead to the reduction of the gap with international economic blocs and would assist Arab countries in facing the negative effects of the phenomenon of globalization and other challenges. There is no doubt that the establishment of an Arab Economic Union, if achieved will have many short and long term benefits that will be accrued by the Arab countries in the future.

The terrorist attacks\textsuperscript{273} which occurred and shook the world on September 11th 2001, followed by the war on Afghanistan and the continuing war on Iraq which was followed by the Arab Uprisings, pose serious challenges and difficulties for the Arab Region for years to come, if the Arabs remained hesitant to consider their integration.

The declared ‘war on terror’ has led in many occasions to clear discrimination against Arab and Islamic countries which created greater impediments and barriers to business and to the free flow of factors of production; capital, labour and people.


\textsuperscript{273} NEW YORK (CNN) -- In an apparently coordinated terrorist attack against the United States, four commercial passenger jets crashed on Tuesday, three of them into significant landmarks.

However, it is believed by many, and as previously elaborated, that such challenges and discrimination provide a historical opportunity for Arab economic integration, whereby the times of commotion and external challenges are frequently considered as opportunities for internal unification, which is elaborated what Chapter (1) earlier.

One prime example would be the war between the Islamic Republic of Iran and the Republic of Iraq war, which encouraged the GCC to take the initial steps towards unification. In the 1950s and early 1960s, the post-colonial confrontations led to the abandoning of unification attempts between Egypt other of Arab countries.

There is no doubt that the establishment of the League of Arab States in 1945 was also an attempt to develop a common “voice” for the Arab world, with plans to develop the LAS into an Arab Common Market with hope to eventually lead to economic integration.

More recently, the emergence of large trading blocs and regional trade and integration agreements have encouraged the Arab countries to move towards a Greater Arab Free Trade Area (GATCA), which was explained in details in previous sections.

While it sounds promising, none of these initiatives has resulted in greater integration, and up to the date of the submission of this research, no serious attempts have materialised, especially during the continued turbulent times.

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274 Chapter one of the current thesis discussed the golden opportunity of Arab economic unity at the times of commotion and turbulence, whereby such challenging times open the gate for drastic and real change.


The Iran-Iraq War permanently altered the course of Iraqi history. It strained Iraqi political and social life, and led to severe economic dislocations. Viewed from a historical perspective, the outbreak of hostilities in 1980 was, in part, just another phase of the ancient Persian-Arab conflict that had been fuelled by twentieth-century border disputes. Many observers, however, believe that Saddam Hussein's decision to invade Iran was a personal miscalculation based on ambition and a sense of vulnerability. Saddam Hussein, despite having made significant strides in forging an Iraqi nation-state, feared that Iran's new revolutionary leadership would threaten Iraq's delicate Sunni-Shiite balance and would exploit Iraq's geostrategic vulnerabilities--Iraq's minimal access to the Persian Gulf, for example.

Section (2): Emphasis on monetary integration towards a single currency

2.1 Effect of monetary integration on Arab countries in light of different volumes of economies for Arab states:

The economic development in the League of Arab States revealed a clear diversity between Arab countries rich in oil with strong economies, on one hand, and other Arab states rich in non-oil natural resources with weak economies, on the other hand; this of course has lead to the existence of a significant difference between these two categories of countries. To elaborate this in numbers, the richest Arab country in the League has a GDP per capita\textsuperscript{276} seventy three (73) times higher than that of the poorest Arab country. Such gap is considered widely significant.

Arab organisations and institutions seem to have strong names, but the question remains to what extent are they achieving their objectives. In general, and regardless of the efforts mentioned, the degree of Arab markets integration remains low and limited. It is important to note that efficiently implementing the goals of the current institutions would be a favoured way towards integrated Arab financial markets. Serious and firm actions and steps must be taken by the Arab leaders, starting with supervising these organisations and watching their performance closely before setting up any new ones. Greater financial and monetary integration will enhance the trade integration in the region and will be an additive to financial institutions and achieve markets developments and increase competition.

However, there remains significant heterogeneity across countries in the Arab world, especially between the oil-exporting Gulf Cooperation Council (GCC) countries, the developing oil exporters, and the emerging non-oil exporting economies. In addition, financial developments in many Arab countries remain at an early stage. According to Bernard Hoekman\textsuperscript{277} and Khaled Sekkat\textsuperscript{278} in their


\textsuperscript{277} Bernard Hoekman is with the Robert Schuman Centre for Advanced Studies; European University Institute
paper “Arab Economic Integration: Missing Links”\textsuperscript{279}, they state that Integration in between Arab countries has been explored for decades. Efforts of Arab regional integrations have started by late 1950s, earlier than most of any developing country in the region\textsuperscript{280}. All Arab states have at some point signed several agreements to reduce trade barriers and tariffs on a preferential basis. Most of the analysis on the causes of intra-Arab integration failures focused on the level of intra-regional trade in goods.

The same paper “Arab Economic Integration: Missing Links”, explains that the economic debate on intra-Arab integration is divided into two perspectives: The first relates to its concentration on the products market only, while he second related to the political conditions that have a role in both driving and constraining regional integration.

As a result and in order to measure the impact of economic or financial integration, generally, every country needs a general equilibrium formula to assess the effect of the integration process. To test whether Arab economic integration which leads to the desired Arab Economic Union is beneficial; and notwithstanding the suggested institutional structure of the Arab Economic Union introduced in Chapter (2) of this research, the relevant changes to be introduced by the integration must be examined to determine the expected impact for any individual, country and for the Arab Region as a whole.


\textsuperscript{278} Khaled Sekkat is a Professor at the Université Libre de Bruxelles (ULB)


\textsuperscript{279} This paper surveys the recent literature on Arab economic integration, discusses the goals and progress that has been made to date and some of the key policy, regulatory and political factors that underpin the segmentation of Arab markets. It argues that there has been an excessive focus by both analysts and policymakers on trade in goods and that the prospects for and returns to efforts to deepen integration of other markets (services, labor and capital) are likely to be higher.


Nonetheless, and to date, a real assessment and evaluation of the impact of integration on all Arab countries is not available. Reorganizing the service sector influences all forms of economy, not just the external sector, it includes the removal of high obstacles of entrance for all the domestic and abroad firms; and also it removes all policies that cause extra costs transactions. This differs from merchandize trade liberalization, which gives rise to efficiency gains only. Trade liberalization equalises between domestic and international prices, it is also the reason to reducing the cost of reconciliation adjustment.

To sum up, the Arab Economic Union has a positive economic and financial impact. Profits can be much higher with the AEU actions as it increases the service sector efficiency and it removes all trade barriers.

2.2 The road towards the Euro-like single currency / the “Arab single currency” in light of different values of Arab currencies:

The incorporation of financial integration on the international and local levels began prior to the establishment of economic and monetary unions. At the European level efforts were exerted to integrate the European Community on January 1st of the year 1999, whereby the European states which gained memberships in the Euro Zone began to implement a common monetary policy, and the Euro was introduced as the legal currency unit for all European Union member states. International currency union countries were having higher trade volumes, lower exchange rate risks, and more synchronized business cycles than countries of own currencies.

Since the 1950s, the Arabs failed to achieve the desired economic progress due to inactive economic cooperation, thus leading to accumulation of many ineffective decisions and recommendations, which were later placed on the shelves and cabinets of the Arabic League’s offices. Lately, the Arab League, however, decided to study the possibility of setting up an Arab single currency, based on a proposal submitted by the Arab Importers and Exporters Union. This never saw the light, at least not yet.
The Arab joint action, including the economic sphere, was characterized by the dominance of emotional aspects far away from reality. As a result of such a sentimental attitude, the decisions were put aside and forgotten, simply because they appeared to be inapplicable as they lack the availability of conditions necessary for their implementation. As for the common Arab market, which is less complex than the single currency, the Arabs have yet to implement a single term of its agreement which was approved over 50 years ago (1964).

Several preparatory measures and procedures are necessary to be discussed and implemented before the single currency can be set up by any economic group. First, these preparations include implementation of common agreements, such as the free trade area, customs union, common market and unification of regulations and financial legislation. Second, the single currency requires a convergence of fiscal and monetary conditions, particularly the strength of government budgets as well as deficit and public debt ratios, and convergence of exchange rates for national currencies, credit policies, interest rates and inflation rates.

An Optimum Currency Area (OCA)\textsuperscript{281} is a geographical region where a single currency between the countries within that region would maximize economic efficiency. The theory of optimum currency area provides criteria and facilitates assessment of an area that would be considered a successful currency area, as well as an analysis of the costs and benefits of such a currency area.

Studies on whether the Arab world forms an OCA are infrequent and tend to mostly focus on specific regions of the Arab world, such as the Middle East and North Africa (MENA) and the Arab Gulf Cooperation Council countries.

There are two main elements that are influential in the formation of a currency union:

\textsuperscript{281} In economics, the theory of Optimum Currency Area (OCA), also known as an Optimal Currency Region (OCR), is a geographical region in which it would maximize economic efficiency to have the entire region share a single currency. ... The theory of the optimal currency area was pioneered by economist Robert Mundell. See Ricci, L. A. (1997, June). A Model of an Optimum Currency Area . Retrieved from Imf.org: http://www.imf.org/external/pubs/ft/wp/wp9776.pdf
2.2.1 Political factors:
The most critical factor in forming a currency union is the political one. Politicians do not always pay attention to economists, and political considerations usually supersede economic ones. Therefore it is necessary to examine the current political situation in the Arab world.

2.2.2 The openness and size of the economy:
In his article for the Gulf News Analysis, titled “How to form an Arab Single Currency”\textsuperscript{282}, Mohamed Al Asoomi explains that it is crucial here to refer to the hefty gaps between Arab countries’ GDP per capita, especially that the highest in the GCC, with the average per capita surpassing $40,000, while it is only $2,000 in Yemen, and less than $1000 in Somalia, in addition to numerous other inequalities.

Over and above, Al Asoomi believes that while the budgets of Gulf countries reach large surpluses, most of the remaining budgets of Arab countries are increasingly suffering from chronic deficits, which causes them to rely on workers’ remittances and foreign subsidies.

The Author adds that the GCC experience is the best example of collective cooperation in the region, nevertheless the formation of a single currency still requires additional intensified efforts. However, one cannot deny the progress reached in the economic sphere, namely upon the foundation of a free trade area and the Unified Customs Union and Common Market currently in place in the GCC but still needs to be rolled out through the rest of the Arab world.

In this context, and although the GCC countries appear to in remarkable harmony, with the exception of the most recent Qatar crisis, the setting up of the GCC

single currency is progressing on “turtle-like” steps in spite of the fact that the Gulf Cooperation Council was found over three decades ago.

Upon comparing Arab countries with a normal sized country, namely the Netherlands in this case, in terms of GDP, it is noticed that the largest Arab economy, the Kingdom of Saudi Arabia, does not exceed in volume 50% of the Netherlands economy. Over and above, numbers show that the combined GDP of the Arab countries is only twice that of the Netherlands.

There are huge structural differences in countries like Syria and Sudan, where the agricultural sector varies in size to large extents, or in countries such as Jordan and Lebanon where services industry exceeds 70% of the economy. Nonetheless, these differences are limited to a few countries and expected to decrease in case a single currency was adopted in a monetary union. Hence, the goods market integration criterion is considered to be satisfactory.

The Arab countries satisfy most of the relevant OCA criteria. However, the most important criteria, namely the political factors, remains unanswered and the creation of an Arab currency union effectively hinges on it fulfilment. Hence, while the economic factors mostly indicate a currency union would be optimal, it is unlikely to be achieved unless democracy prevails in the Arab world and the will of the people is fulfilled.

In principle, the same article suggests there are prospects for Arab economic cooperation, which may only be based on objective and scientific grounds which give full considerations for the surrounding circumstances, inequalities and economic abilities of Arab countries. It further explains that this type of cooperation must commence with the formulation of a free trade area under which local products shall be exempted from customs duties, prior to shifting into a more advanced stage.
Section (3): Reviewing some main applicable articles from Maastricht treaty\textsuperscript{283} (100 – 115), to the Arab economic unification initiative

3.1 Introduction:

The Maastricht Treaty is officially known as "the Treaty of the European Union" which created the EU for the first time and led it to be the largest economic bloc in existence. The Treaty was signed in Maastricht, Netherlands on February 7, 1992, by the leaders of 12 member nations which are, (1) Belgium, (2) Denmark, (3) France, (4) Germany, (5) Greece, (6) Ireland, (7) Italy, (8) Luxembourg, (9) Netherlands, (10) Portugal, (11) Spain and (12) the United Kingdom, and it reflected the serious intentions of all countries to create a common economic and monetary union.

It represented a new stage in European integration since it was considered the last step before full political integration and a very fertile soil for such unification. The Treaty’s task was the organisation, in a manner demonstrating consistency and solidarity of relations between the member states and their citizens, while creating an ever closer unified culture among the citizens of Europe.

The main objectives of the Maastricht Treaty may be summarised with the following:

a. An economic and social progress which is balanced and sustainable by means of an area without internal frontiers, a social cohesion and a monetary union.

b. A union identity on international scene with common foreign and security policies.

c. A citizenship of the union with full rights protection policy.

d. A cooperation mechanism on the issues of justice and home affairs.

The Treaty was based on three pillars\textsuperscript{284}, the community pillar, with a supranational character and the second and third pillars, which are of intergovernmental character.

3.1.1 First Pillar (Community Pillar):

The First Pillar was based on the creation of the European Community that had the capacity to interfere in Europe’s fundamental factors of production (freedoms)

\textsuperscript{283} The Maastricht Treaty (formally the Treaty on European Union or TEU) undertaken to integrate Europe was signed on 7 February 1992 by the members of the European Community in Maastricht, Netherlands. On 9–10 December 1991, the same city hosted the European Council which drafted the treaty. See European Communities Council. (1992). Treaty on European Union. Retrieved from europa.eu:

\textsuperscript{284} See European Union. (1992, February 7). The three pillars of the European Union. Retrieved from cvce.eu:
It also included the creation of other communities that interfere in common policies which include agriculture, transport, trade, competition, economic and monetary policy, social policy, employment, culture, public health, consumer protection, trans-European networks, industry, economic and social cohesion, research and development, environment, cooperation and other factors.

3.1.2 Second and Third Pillars:

The Second and Third Pillars define intergovernmental cooperation methods on subjects such as common foreign security policy, common defence policy, and other matters of common interest such as immigration, crossing of external borders, fraud and international crime, judicial cooperation in civil and criminal matters, customs and police cooperation (Europol), and other related fields.

3.1.3 EU Evolution Timeline\textsuperscript{285}:

3.2 The Maastricht Treaty as a dynamo of economic integration

According to (BBC, 2001), the Maastricht was the blueprint for what was to be Europe's biggest project for the next decade which is “economic and monetary union”. The article elaborates that the Maastricht defined the three stages of EMU which eventually led to the single currency, and set out the convergence criteria or economic tests that member states have to pass. The Treaty of Maastricht marks a crucial milestone in the process of European development and integration most importantly because it established the European Monetary Union (EMU) and the Treaty on European Union (TEU) which led to the construction of the main pillars of the European Union and the introduction of the single currency.

The Maastricht treaty defined the three major phases of economic integration and offered an outline for EMU. It also discussed the convergence criteria that every country must undertake in order to achieve monetary unification and proposed the establishment of a European Central Bank. In accordance to Andre Rogobete, in his article “Why is the Maastricht Treaty considered to be so significant?” Published in February 2011, he describes that the three main phases of the Maastricht Treaty in broad terms can be summed up as follows:

▪ First Phase includes free movement of capital between member states, closer coordination of economic policies and cooperation amongst the national central banks.
▪ Second Phase ensures the convergence of monetary and economic policies.
▪ Third Phase introduces the single currency and establishes the European Central Bank.

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The article adds that any given state wishing to join the EMU is required in the first place to pass the requirements of the ‘convergence criteria’ that specified the conditions for the member to qualify for participation in the common currency. To this extent, countries had to maintain an annual budget deficit less than three percent (3%) of the (GDP), in addition to maintaining a public debt which is sixty percent (60%) of GDP, and inflation rates within the range of one and a half percent (1.5%) of the three lowest inflation rates in the EU, in addition to required exchange-rate stability. These criteria were referred to in previous chapters as being a “fit to follow” example in the establishment of an Arab monetary bloc. However, numbers and percentages may vary depending on economic facts. Under this process, the qualifying members may decide whether to proceed to the final stage represented in the adoption of a single currency. Such major decision required the establishment of permanent exchange rates followed by replacing the national currencies with the common currency, known as the EURO.

The Maastricht Treaty may be considered as a dynamo for economic integration since it created an entirely new interstate economy, opened up new opportunities for economic development and therefore represented a major step forward for the European integration. Moreover, it created the premises for introducing the singular currency with all its benefits it brings for the union and for the countries.

3.3 Importing main articles of Maastricht Treaty applicable to Arab States towards AEU

Here under the Maastricht Treaty articles that might be applicable on the Arab states in their attempt to establish the Arab Economic Union:

Article 102a:

*Member States shall conduct their economic policies with a view to contributing to the achievement of the objectives of the community. The Member States and the Community shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources. “Member States shall regard their economic policies as a matter of common concern and shall coordinate them within the A Union Council”.*

289 The Articles have been incorporated in their original form as extracted from the Maastricht Agreement.
Article 103a:
“Where a Member State is in difficulties or is seriously threatened with severe difficulties caused by exceptional occurrences beyond its control, the Union Council may; acting unanimously on a proposal from the Commission, grant, under certain conditions, Community financial assistance to the Member State concerned. Where the severe difficulties are caused by natural disasters, the Council shall act by qualified majority. The president of the Council shall inform the European Parliament of the decision taken”

Article 104c:
Commonly known as the "excessive deficit reduction provision," this article sets controls and provides the Union Council with power to issue recommendations and sanctions to Member States who do not meet the criteria of the Treaty’s protocol:
- Member States shall avoid excessive government deficits.
- The Union Commission shall monitor the development of the budgetary situation and of the stock of government debt in the Member States with a view to identifying gross errors.

Article 105:
a. The Union Central Bank (UCB) task will be to maintain price stability. “Without prejudice to the objective of price stability, the Central bank shall support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community. The central bank shall act in accordance with the principle of an open market economy with free competition favouring an efficient allocation of resources and in compliance with the principles set by the commission”.
b. The Union Central Bank shall carry the following tasks:
- Define and implement the monetary policy of the Community
- Conduct foreign-exchange operations
- Hold and manage the official foreign reserves of the Member States
- Promote the smooth operation of payment systems.
c. Member states shall consult UCB on any matter related to its competencies’ field.
Article 106:

The Union system central bank shall be composed of the Union Central Bank and of the national central banks.

The Union Central Bank shall have legal personality.

The Union System Central Bank shall be governed by the decision-making bodies of the UCB which shall be the Governing Council and the Executive Board.

Article 107:

The member states shall respect the treaty principles and not seek to influence the members of the decision-making bodies of the ECB or of the national central banks in the performance of their tasks.

Article 108:

- Member states shall ensure at the latest at the date of the establishment of the Union System Central Bank, that its national legislation including the statutes of its national central bank is compatible with the treaty and the statutes of the Union System Central Bank.

- Member states shall respect all obligations and regulations set by the Union Central Bank, if not the UCB shall be entitled to impose fines or periodic penalty payments on undertakings for failure to comply with obligations under its regulations and decisions.

Article 109c:

A monetary committee with advisory status shall be set up in order to promote coordination of the policies of member states to the full extent needed for the functioning of the internal market, the committee should interfere along all stages of achieving economic and monetary union.

The committee tasks will be:

- Keep under review the monetary and financial situation of the Member States and of the Community and the general payments system of the Member States and to report regularly thereon to the Council and to the union commission;
- Deliver opinions at the request of the Council or of the Commission, or on its own initiative for submission to those institutions;
- Contribute to the preparation of the work of the Council referred
- Examine, at least once a year, the situation regarding the movement of capital and the freedom of payments, as they result from the application of this Treaty and of measures adopted by the Council; the examination shall cover all measures relating to capital movements and payments; The committee shall report to the Commission and to the Council on the outcome of this examination.

Article 109e:
A limit date should be set for the different stages of achieving the monetary union, before the start of each stage the states members should ensure that all appropriate measures to meet the union requirements were set, the union committee should issue reports on each member statue and progress.

Article 109j:
Establishing a Monetary institute to:
- Strengthen the cooperation between the national central banks;
- Strengthen the coordination of the monetary policies of the Member States, with the aim of ensuring price stability;
- Monitor the functioning of the European Monetary System;
- Hold consultations concerning issues falling within the competence of the national central banks and affecting the stability of financial institutions and markets;

Article 113:
Common Commercial Policy:
Creation of a common commercial policy that shall be bases on uniform principles; particularly in regard to changes in tariff rates, the conclusion of tariff and trade agreements, the achievement of uniformity in measures of liberalization, export policy and measures to protect trade such as those to be taken in the event of dumping or subsidies.
Section (4): Enhancement of domestic laws (to promote implementation):

4.1 Introduction:
In the 1950s and early 1960s, the post-colonial confrontations led to the abandoning of unification attempts between Egypt\(^{290}\), being an Arab pronounced leading country under Jamal Abdul Nasser and other of Arab countries, mainly Syria. There is no doubt that the establishment of the League of Arab States in 1945 was also an attempt to develop a common “voice” for the Arab world, with plans for an Arab Common Market. The emergence of trading blocs and regional trade and integration agreements worldwide encouraged the Arab countries to move towards a Greater Arab Free Trade Area (GAFTA).

In his paper titled “Arab Economic Integration: An Awakening to Remove Barriers to Prosperity”\(^ {291}\), the author Dr. Nasser Saidi explained that given the modest size of Arab economic, differences in legislation, legal systems, regulations, norms and standards lead to high costs of transactions that reduce intraregional trade, capital flows, and labour movements. As a result, Arab countries must launch the integration process by formulating a vivid unification strategy through drawing a clear integration road map; this would best be initiated with the legislative amendments and drafting, in order to cohere with the unification of laws and legislative requirements, similarly to the European Union scenario.

4.2 Readiness of current Arab legal systems for integration:
In the same paper “Arab Economic Integration: An Awakening to Remove Barriers to Prosperity”\(^ {292}\), Dr. Nasser Saidi explored a number of steps as suitable means and requirements to achieve regional integration on the Arab level. These include but are not necessarily limited to the following steps:


A. Arab governments are under the obligation to join efforts with, and provide support to, the private sector to play the partner’s role in terms of promotion of economic integration, causing them to be a main force for unification. Therefore, the idea of building on the existing vision to set up and execute an Arab economic integration treaty is deemed to be very reasonable to reach an Arab Economic Union.

B. In order to secure the success and efficiency of regional economic integration, compensation mechanisms to surmount resistance to economic openness and integration should be established.

C. Arab countries should exert efforts and work diligently towards creating social cohesion and structural funds, and secure institutional financing for regional investment and development as mechanisms during the period of transition.

C. Investment in physical infrastructure is required for integration in order to break down physical barriers and reduce costs for transport, communication and logistics.

D. Arab countries should avoid shallow integration, which is symbolised by free trade in goods (as represented by the Greater Arab Free Trade Area - GAFTA). Instead, they must adopt real core integration through creating harmonisation of legislations, institutions, laws, and regulations to facilitate comprehensive economic integration.

E. The process of Arab economic Integration should also be based on a Public-Private Partnership (PPP) program targeted to realise consensus. The private sector must be kept informed of the process for efficiency of the transition. Economic integration based on openness and will, dictate sizeable investments to commence structural change and transition towards solid and diversified market economies. Moreover, the provision of adequate information to the private sector regarding policies and strategies will reduce adjustment costs during transition and beyond into the future.

Based on historical trends, it is believed that in order to achieve the desired and strong successful integration, all Arab countries should set up their internal structures for the transformation and must be engaged to implement the developed regulations, and observe and realise the positive role in the development of international trade through integration.
There exists a huge volume of literature on the importance of trading blocs, and the current existing examples throughout the last 50 years from around the world have proven that economic blocs are catalysts for economic development and international trade and the guardian to prevent financial crisis. In his article “The Role and Importance of Trading Blocs”\(^{293}\), Dr. Bharat Kumar\(^{294}\), enumerates 8 elements to summarize the trading blocs role:

4.2.1 Economic integration:
Trading blocs are commonly followed by the unification of different independent economies in an aim to reach economic integration. While trading blocs tie nations together harmoniously, they establish a certain level of collaboration on the regional level and assist in the creation of economic cooperation among group members.

4.2.2 Free transfer of factors of production and resources:
Trading blocs have an important role in the removal of trade barriers in order to rotate resources within the trading bloc without any specific imitations. This enhances the comparative advantage\(^{295}\) which basically allows each country to produce what it produces best in terms of time, cost and quality and exchange it with commodities from another country which produced different commodities in same manner as well. E.g., Lebanon has an excellent quality of tobacco production and should export to Iraq, while Iraq, being a large date producer, should export dates to Lebanon in return. Such a trade represents the principles of comparative advantage practiced.


\(^{294}\) Dr. Bharatkumar Raut is a former Member of Parliament in the upper house of the Indian Parliament. He practiced journalism for over four decades. He worked in English and Marathi newspapers, Government and private television channels in India and abroad. He was the Editor of Maharashtra Times, consultant Times of India Group and the Editorial Director of Lokmat Media Group. See Bharatkumar Raut. (2017). Retrieved from revolvy.com: https://www.revolvy.com/main/index.php?s=Bharatkumar%20Raut

\(^{295}\) It can be argued that world output would increase when the principle of comparative advantage is applied by countries to determine what goods and services they should specialise in producing. Comparative advantage is a term associated with 19th Century English economist David Ricardo. Ricardo considered what goods and services countries should produce, and suggested that they should specialise by allocating their scarce resources to produce goods and services for which they have a comparative cost advantage. There are two types of cost advantage – absolute, and comparative. Absolute advantage means being more productive or cost-efficient than another country whereas comparative advantage relates to how much productive or cost efficient one country is than another. See Economics Online. (2017). *Comparative advantage*. Retrieved from economicsonline.co.uk: http://www.economicsonline.co.uk/Global_economics/Comparative_advantage.html
4.2.3 Cooperative spirit:
Trading blocs enhance the unification spirit based on cooperation and conviction of integration, especially that they have increased volume of trade on several occasions.

4.2.4 Increase in trade:
Increased productivity is usually correlated with free movement of resources of production between the member states in an economic bloc. By removing all tariffs, trade becomes easier and productivity increases. Over and above it is important to note that trading blocs have a key role in achieving sustainable economic growth.

4.2.5 Employment opportunities:
Employment opportunities tend to witness increase upon the expansion of production. This has a direct impact on the citizens’ income, and results into an increase in the level of income for citizens. This enhances living standards and boots the economy.

4.2.6 Consumer Benefits:
Trading blocs facilitate the knowhow and technology transfer, since it moves freely with no limitations under the bloc’s structure. This results in mutual capacity building for involved professionals, human resource development and enhanced production.

4.2.7 Competition:
Trading blocs increase competition amongst firms within the same bloc. Competition is the prime reason for creating Market Pluralism, which insures that firms compete to produce commodities with higher quality and lower prices. In addition, competition supports the survival and progress of Small and Medium Enterprises (SMEs) by preventing large firms including Multinational Enterprises (MNEs) also known as Multinational Corporations (MNCs) from digesting SMEs by replacing their business.

4.2.8 Regional Development:
Trade blocs contribute in regional industrialization and economic growth, through identifying efficient mechanisms to achieve economic sustainability and progress.

4.3 Necessity of legal and legislative amendment to adapt to integration:
Even if the twenty two Arab states have only one language, they still have different legal systems. Thus an integral pillar to achieve an Arab Economic Union through integration is the creation of a unified solid legal structure which can be implemented through the required legal texts’ unification by legal and legislative amendments.
4.4 The twenty two (22) Arab states and their old/new dream

The Arab Uprising, referred to as the Arab Spring, was considered by many as an unprecedented platform to drive the crucial reforms, with the collapse of much of the dictatorial regimes. Unfortunately, it went not only into another missed opportunity but also a violent scene of wars. Historically, and since the independence of most Arab countries during the 40s and 50s, attempts to achieve Arab regional economic integration were numerous and broadly unsuccessful. Below are the most historic distinct attempts:

4.4.1 The Multilateral Trade Agreement in 1953, under the umbrella of League of Arab States, was one of the first strives; it included exempting tariffs on agricultural goods and some industrials.\(^{14}\)

4.4.2 The 1956 Arab Economic Unity Agreement; a full economic merger between Egypt, Syria, Jordan, and Kuwait.

4.4.3 The Arab Common Market in 1964, between aforementioned countries, with a plan at the time to gradually remove tariff and non-tariff barriers over a period of ten (10) years. In addition, there were many others e.g. the Arab Maghreb Union (AMU), Arab Monetary Fund (AMF), Arab Trade Financial Program (ATFP), Gulf Cooperation Council (GCC).\(^{11}\)

Unfortunately, the Arab world, together with the Arab League, was misled by political and military cooperation and failed to recognize the importance of economic alliances in achieving political goals and in creating a balanced participation.

The Arab League also failed, in every single way, in providing any significant tangible contribution to the many crises facing the Arab world since its establishment. Quarrels, invasions, foreign occupation, economic crisis, refugees, foreign exploitation of resources, the ongoing political risk and more destructive factors;

LAS is considered by many experts as a dysfunctional organisation, reduced to a debate platform between disputing nations attending its meetings which usually wraps up with the
one and only mutual agreement to boycott Israel; one that is actually non-binding to all, with no derived outcome planning or policies. All of this questioned the relevance of this institution. Will it ever become a decision-making League?296

Most notably, the organisation could not come up with meaningful contributions towards many conflicts e.g. the 1948 Israeli occupation to Palestine, the 1975 Lebanese civil war, the 1990 Iraqi occupation of Kuwait, the 1900-1991 Gulf War, the 2003 US invasion to Iraq, the Arab Uprisings, the Syrian civil war, the Saudi led Arab coalition war on Yemen and many more conflicts going in the region for years.
The Arab League of States must position itself as an important and major player in the Arab world to deal with imposed risks continually exposing its limited solidarity.

It is worthy to mention that, only in 2004; the League recognized the importance of cooperation with civil society bodies and appointed a Commissioner General for Civil Society (CGCC). It also established for this purpose two departments; the Department of Human Rights conveyed the mission of forming an Arab Human Rights System (AHRS), and the Department of Civil Society Observation and Vocational Unions (CSOVU), building channels of communication and dialogue with Non-Governmental Organisations and Civil Society Organisations present and operating in the Arab World.

Another distinguishable event was the LAS appointing in 2011, for the first time in its history, a team of observers to control the implementation of its plan in regards to the Syrian conflict. These two measures, though late and way behind in time and considerably apart, could be considered as a first step in a thousand miles road.

Last but least, it is of vital importance for the LAS to abide by its Charter and preserve its biased nature. Similar to many international organisations, the League has fallen into the misdemeanour of partiality through taking a nepotistic approach in favour of certain Arab States against others.

Section (5): Proposing the "SHAMGATE Treaty" (SCHENGEN - like Agreement)

5.1 The Schengen Agreement as a main vehicle for economic integration

5.1.1 Introduction

As defined by the European Commission, “the free movement of persons is a fundamental right guaranteed by the EU to its citizens. It entitles every EU citizen to travel, work and live in any EU country without special formalities. Schengen cooperation enhances this freedom by enabling citizens to cross internal borders without being subjected to border checks. The border-free Schengen Area guarantees free movement to more than 400 million EU citizens, as well as many non-EU nationals, businessmen, tourists or other persons legally present on the EU territory.”

The Schengen Agreement has marked a major transformation in the history and pattern of regional economic integration. While any group of countries, such as Arab countries, must undertake several gradual steps prior to reaching full economic integration, the fact remains that a Schengen-like agreement could be the ideal “fit to follow” example. Some Arab countries have existed for a much longer period and hold larger historical and cultural reserves than other Arab countries; to be specific the Arab Levant region comprises the countries with over seven thousand years of rich history and culture in addition to being the incubator for the three religions; Judaism, Christianity and Islam. The Levant is referred to as the “Natural or Greater Syria” also known as “Bilad Al Sham” or Sham Land, and mainly consists of Lebanon, Syria, Jordan and Palestine.

One remarkable name-related coincidence appears when a suggested name for the Arab integration treaty could be the SHAM-GATE Treaty in a clear reference and indication to the Schengen Agreement, due to the visible name resemblance. The first syllabus of the word refers to the oldest and culturally and historically and politically the richest

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298 “[Syria] has distinct natural boundaries and extends from the Taurus range in the northwest and the Zagros mountains in the northeast to the Suez canal and the Red Sea in the south and includes the Sinai peninsula and the gulf of Aqaba, and from the Syrian sea in the west, including the island of Cyprus, to the arch of the Arabian desert and the Persian gulf in See Lewis, M. W. (2011, April 2). Greater Syria and the Challenge to Syrian Nationalism. Retrieved from geocurrents.info: http://www.geocurrents.info/geopolitics/greater-syria-and-the-challenge-to-syrian-nationalism#ixzz4tKhDls41
countries in the Arab World “SHAM”, whereby primarily these countries may be considered as the core of the unification process, which conforms with their role prior to the Sykes-Pico Accord, which dissected the Arab world and drew the map in accordance to their colonial benefits and interests. In addition, other Arab countries, namely Gulf States, have already taken major steps towards economic integration by creating a common market through the GCC, explained in details in previous chapters.

Prior to exploring the probability and opportunity to establish the suggested Schengen-like Treaty, referred to as the SHAMGATE Treaty, it is important to explore the necessary steps considered pre-requisites to establish a monetary union and substantial economic integration accompanied with monetary and fiscal harmony, similarly to EU.

According to Steven M. Suranovic in his article “International Trade Theory and Policy”299, he argues that nations should coordinate their economic policies, which will cause confirmed benefits. He adds that the removal of tariffs is one of the merits of cooperation; however benefits will include capital movements across borders, coordination of fiscal policies and proper allocation of resources (including agriculture) and coordination of monetary policies. As a result and prior to exploring the best formula of economic integration and unification on the Arab level, the hierarchy or gradual steps towards integration should be explored once again and from a slightly different angle than the one which was presented at the beginning of this thesis.

5.1.2 Different types of integration

Although reference has been made extensively throughout this thesis to the commonly known stages of integration, commencing with a Free Trade Area to eventually reach the final stage of political integration, according to Suranovic, there are many different degrees of integration, most of which intersect with the previously explained stages:

5.1.2.a. Preferential Trade Agreement (PTA)300


300 A preferential trade area (also preferential trade agreement, PTA) is a trading bloc that gives preferential access to certain products from the participating countries. This is done by reducing tariffs but not by abolishing them completely. A PTA can be established through a trade pact. See WTO. (2017). Preferential Trade Arrangements. Retrieved from ptadb.wto.org/: http://ptadb.wto.org/
It is the most primitive form of economic integration whereby tariff reductions are offered, to a group of partner countries, but only in some product categories. The World Trade Organisation does not allow PTAs since WTO members must grant Most Favoured Nation (MFN)\textsuperscript{301} status to all other WTO members, whereby such members may not discriminate against other WTO members.

5.1.2.b. Free Trade Area (FTA)
As previously elaborated in Chapter Two, a Free Trade Area occurs when a group of countries eliminate tariffs amongst themselves, but maintain their own external tariff on imports from the rest of the world. Several countries have signed a European Union Association Agreement (AA)\textsuperscript{302} with FTA provisions. These mainly include Mediterranean countries (Algeria in 2005, Egypt in 2004, Jordan in 2002, Lebanon in 2006, Morocco in 2000, Palestinian National Authority in 1997, and Tunisia in 1998), in addition to other countries from other parts of the world.

5.1.2.c. Custom Union
This takes place when a group of countries eliminates tariffs between themselves and set a common external tariff on imports from all other countries. The European Union established this type of arrangement during its progress and took it further.

5.1.2.d. Common Market
A common market establishes free trade in goods and services and sets common external tariffs among members and also allows for the free mobility of capital and labour across countries. On the Arab level, the Gulf Cooperation Council has gone far in the creation on a common market, and which may be the existing cornerstone to start building an economically integrated Arab world, on solid grounds this time.

\textsuperscript{301} Most-favoured-nation (MFN): treating other people equally. Under the WTO agreements, countries cannot normally discriminate between their trading partners. Grant someone a special favour (such as a lower customs duty rate for one of their products) and you have to do the same for all other WTO members.


\textsuperscript{302} An association agreement is a bilateral agreement between the EU and a third country. In the context of accession to the EU, it serves as the basis for implementation of the accession process. Turkey currently has an association agreement. Association agreements between the Western Balkan countries and the EU and its Member States are called 'stabilisation and association agreements'.

5.1.2.e. Economic Union
An economic union, being the main topic for this research, most importantly allows the free mobility of all factors of production which mainly include goods, services, capital and people among other factors, in addition to the qualities of a common market. The GCC has succeeded to a certain extent to establish what is the closest to an economic union, however the most recent Qatar crises has left unprecedented doubts and major question marks on the level of strength of the GCC. While the European Union's Common Agriculture Policy (CAP) is an example of a type of fiscal coordination, the League of Arab States has taken important steps towards similar agreements, however the implementation was inadequate and still at vague.

5.1.2.f. Monetary Union
The monetary union establishes the criteria of a common market and an economic union in addition to realization of a common currency among a group of countries, which is the exact case for the European Union. The creation of a common currency requires the establishment of a regional central bank, which is the European Central Bank (ECB) in the EU case. The Maastricht treaty, explained in details above, and which was executed by EU members in 1991 proposed the implementation of a single European currency (the Euro) by 1999. Physical coins and banknotes were introduced on 1 January 2002. As a result, this stage is considered the last one prior to reaching the pinnacle of progression through achieving full political integration.

For the purpose of this research, and in order to achieve the SHAMGATE Treaty or what resembles it, the Arab world should consider and respect the hierarchy of integration to reach the desired monetary and economic union, and ideally a political union (Arab Nation). The importance of respecting the hierarchy is to avoid a similar scenario of the United Arab Republic (1959 till 1961) and which had a blasting fall due to the fact that unification was approached from top to bottom rather from bottom to top. Back then, Egypt and Syria believed that they can count on the Arab Nasserism (followers of Egyptian President and Arab leader at the time Jamal Abdul Nasser) and socialist movement to establish a political union. Nevertheless, the attempt proved fragility and inadequacy since the legal and eco-social platforms were not appropriately set up.
5.2 The Proposal of ShamGate, as an Arab tailored agreement:

A rich literature is available on Arab economic integration, especially that the Arab region better referred to as the MENA region is a perfect candidate for unification since all Arab countries share the same language, similar culture and same religion (with the exception of small minorities), as previously mentioned. However all attempts have failed due to many internal and external factors, most of which are political by nature.

In order to succeed in presenting the ShamGate Treaty, on one hand, the League of Arab States may be the starting point since it consists of all the Arab countries and is the umbrella for all regional bodies. On the other hand, the mechanisms and functions adopted and used by the GCC could be used as the technical factor and a good example to import and adopt. Prior to the ShamGate, the five different regions in the Arab world\(^3\), with the exception of the GCC, should consider setting up their own custom union to get them prepared for a more integrated and developed bloc. The suggestion does not include the GCC because the Arab Gulf States have already established a common market and may easily blend into a larger union, if the political will allows it.

Following the set up and operation of five different trading blocs depending on the sub-region, and upon consensus of the 22 Arab countries (Algeria, Bahrain, Comoros Islands, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen), all of which consist of about 400 million citizens and cover the area of about 14 million square meters, the ShamGate may be introduced, to be negotiated and executed while considering the specificities and administrative factors and structural changes required by such formation, and which Chapter (3) has explored and explained in details. Once ready and finalised, it shall come into force as the official document for the AEU.

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1. 303 The Levant “Al - Mashriq” which includes the Republic of Lebanon, the State of Palestine, the Syrian Arab Republic, and the Hashemite Kingdom of Jordan.
2. The “Persian Gulf” which includes the oil rich states of the Kingdom of Saudi Arabia, the United Arab Emirates, State of Qatar, Sultanate of Oman, Kingdom of Bahrain and the State of Kuwait.
3. The “Maghreb” which includes the Kingdom of Morocco, the Republic of Algeria, the Republic of Tunisia, Republic of Libya and the Republic of Mauritania.
4. The Bab-el-Mandeb which includes the Republic of Yemen, Republic of Somalia and Djibouti, and the Indian Ocean that includes the Comoros.
5. The Nile Valley which includes the Fertile lands of the Arab Republic of Egypt, Republic of Sudan, and the Republic of Iraq.
5.2.1 **Objectives of the ShamGate Treaty:**

While the list of objectives is quite comprehensive, the general and bold objectives of the ShamGate Treaty towards establishing an Arab Economic Union may include but not limited to the following objectives:

a. Establishing coordination, integration and interconnection, among member states in all fields, in order to achieve the desired sound economic unity.

b. Strengthening relations, links and areas of cooperation, prevailing among Arab citizens in various fields.

c. Stimulating scientific and technological progress in the fields of industry, mining, agriculture, water and animal resources, to establish scientific research, in order to facilitate creating joint ventures and encouraging cooperation by the private sector through PPPs for the public benefit.

d. Formulating unified regulations in various fields including:
   - Legislative and regulatory texts and affairs;
   - Economic, Monetary, Fiscal and financial affairs;
   - Commercial (including e-commerce regulations) and corporate affairs;
   - Communications, Telecom, internet and other technological affairs;
   - Logistics and customs and all related affairs.
   - Education and culture affairs;
   - Sports and factors related to it;
   - Social and health affairs;
   - Information and tourism affairs;
   - General administration affairs;

5.2.2 **Arab Infrastructure Integration**

The Cooperation Council to be created following the execution of the ShamGate Treaty will aim to launch common economic projects to promote and facilitate the desired Arab Economic Union. The member states will actively cooperate in order to connect their power grids. Common infrastructure projects including irrigation, electricity, oil pipes, trains, highways and many more will be designed to enhance the links and stimulate the cooperation and deepen the integration on all levels.
Section (6): Residual Arab Political and Social Challenge

6.1 Fundamental Theme: Underlying the Arab economic, political and social challenges

Currently a large number of existing challenges and obstacles hinder the formation of the Arab Economic Union. While political conflicts remain the prime cause for failure, economic discrepancies comprise the roots of other social conflicts and financial deficits. Such anomalies currently causing digression of the Arab world represent core and serious challenges for Arab economic regeneration, and hindrance for apt economic integration.

First and foremost, and in spite of the existence of large reserves of natural resources in the Arab countries, millions of Arab citizens are living today under the line of poverty. In addition many countries are suffering from enormous foreign debts, budget deficits and monetary failures, driving them into a vicious cycle leading to their economic and financial dependence to the western globalizing powers which usually maintain agendas of their own, not necessarily serving the interests of the Arab countries. On the contrary, some western agendas and practices tend to play a destructive role towards the countries in need (borrowing countries) which includes imposing conditions that defy the principal of sovereignty in exchange for financial support in form of loans and grants.

On the other hand, a few Arab countries were blessed with the wealth of oil, but are not willing to share their resources with their less fortunate fellow Arabs. Surprisingly, Arab countries and specifically Arab Gulf countries are not allowing any Arab citizens escaping wars in their countries (Syria, Iraq and Yemen) to access the Gulf area as war migrants. This has created a huge gap and variation in living standards and led to severe imbalance in economic regulations and degrees of freedom of trade. Surprisingly, and contrary to the rich GCC Arab countries, Europe and many other countries around the world remain open to the war escaping migrants whom are provided with shelter and aid. This adds further oddness especially that 100 years ago Arab borders did not exist at all.

304 One vivid example on imposing conditions that defy the principal of sovereignty in exchange for financial support in form of loans and grants is the IMF’s conditionality. The IMF, and specifically in the 1980s, has adopted an extreme policy based on imposing a very exhaustive and long list of conditions on borrowing countries, most of which do not relate or have a direct impact on the economic or social wellbeing on the borrowing country. Instead, such conditions were more oriented towards preserving the political agendas of the dominating western powers aiming to achieve their interests through the IMF and its conditions.
As a result, and while it is well known to all countries that economic integration is beneficial on all levels, the existing structural, legal, social and economic imbalances are considered discouraging factors for resource rich capital exporting countries to engage in deeper regional integration, especially that states such as Morocco, Lebanon and Tunisia have been benefiting from regional trade agreements, while other rich countries such as Saudi Arabia, Qatar, Kuwait, and the United Arab Emirates still suffer from them.

To be more specific, the Gulf Cooperation Council (GCC) is prudent not to reiterate the European scenario experienced by the strong economic European countries integrating with less economically fortunate countries, thus ending up having to provide continuous financial support in form of bails, from their national private budgets in addition to the large portions that they pay to the EU to maintain their presence and power. They had to substitute cheaper and higher quality imports from the rest of the world and give preference to less efficient goods produced by other weak European countries in the EU. Over and above, the current security situation represented in ongoing wars and commotions have hindered the economic coordination among Arab countries and caused more difficult and challenging circumstances in the absence of competition and the non existence of market pluralism, mainly caused by the continuous emergence and growth of corruption on the highest governmental levels as well as the private sector. Hence, Arab cooperation is almost strictly demonstrated through regional trade blocs with similar resources and production capabilities which make it difficult to increase intra-trade flows.

To sum up the economic perspective, the Arab world still lacks a strong incentive to achieve Arab Integration represented in the formation of an economic union based on full economic, fiscal and monetary integration. Nevertheless, historical patterns have revealed that the best times for change and progress are the times of commotion, challenges and upheavals, which is exactly being currently witnessed and experienced in the Arab region.

On the political front, the Arab world demonstrates weakness and lack of administration, since many countries are committed to foreign concealed agendas, and the rule of law in its essence rarely exists with the wide spread of corruption. In addition, politics creates a barrier to achieve Arab economic integration driven by concerns and questions on which nations would benefit most, and the impact integration will bring on regional leadership.
On the Geographical front, and in spite of the prime geographical position of the Arab world from a strategic perspective, the border conflicts, internal upheavals and wars are peaking in some countries and still not fully resolved in others, in addition to military conflicts with non-Arab states, all of which pose serious challenges that require profound dialogue and discussion in order to address such challenges and reach a solution of mutual benefits and reciprocal advantages. In addition, the recent wave of uprising which took the Arab world by storm with wars still ongoing and people repelling more and more, are sourcing more troubles, thus requiring serious efforts to tackle alarming issues.

On the religious level, sectarian conflicts have been invading countries, with extremism and terrorism being the most malignant phenomena spreading in the Arab world. On the other hand, the ethnic minorities such as Armenians, Kurds, Aizidis and other religious minorities (mostly Christians, including Copts in specific) are increasingly being cautious with concerns and fears of their identity dilution under the current Arab upheavals, and which some fear could occur in case of random formation of the AEU.

For the mentioned reasons and others, there remain massive impediments to achieve the AEU, none of which are impossible to solve if the political will is present among Arab countries, paralleled with the support of influencing regional countries (e.g. Turkey and Iran) and non-Arab western powerful countries (e.g. Russia, US, UK, France) and global international organisations (e.g. IMF, WB, WTO, OECD). Moreover, and as explained in previous sections, building aligning policies and objectives is crucial for the success of Arab economic integration, which raises the challenge of social and cultural divergence.

In the same context, and to better elaborate, Professor Michel Nehme, in his article titled (Upheavals and Minority Fears in the Arab world), states that “The identity and behaviour of individuals with regard to social values are primarily and spontaneously a function of their identification with a group. Different habits, historical experiences and preferences in the Arab world have created a system of sectarian groups commonly known as a prescriptive system, characterized by the comprehensiveness and specificity of value commitments and consequently lack of flexibility”305 - (End of quote).

The fact remains that in many Arab countries, religion continues to interfere with social norms and cultural aspects, which unfortunately leads to form rigid and ineffectual communication. While it is explicable for the religious identity to shape society and culture to a certain extent, nevertheless once religious control overcomes and hinders the attempts of progress and evolution, it becomes highly questionable and real threat to the very core of existence and wellbeing of economic integration and its prerequisites.

Challenges may be well transformed into opportunities, and the Arab world has a real chance to implement the transformation at such turbulent times, mainly through kicking off the roadmap towards economic integration in order to expand their position and reserve a spot on the global financial arena and avoid being swept by overwhelming speed of developments and emergence of new economic blocs on the international level.

6.2 Functional Integration: Finding common grounds and building cooperation to come up with a regional solution based on “Existing Common Interest”, as a starting point:

In the midst of the current serious Arab internal conflicts, some of which have regretfully developed into noxious military conflicts, the only resort is to identify a common interest between all countries in order to achieve limited integration. This will develop slowly and convert into economic integration in an attempt to reach the ideal political Arab integration which will, upon its readiness, take the form of a political union. The GCC, as a common market, along with the LAS as the exclusive pan Arab regional body, may well be the pillar to kick off further economic integration leading to desired unification. Nonetheless, and due to many reasons specified above, such choice remains challenging.

One innovative idea to tackle such complex challenges would be obtaining the consensus and support of all Arab countries to design a comprehensive regional policy reform package. This package will aim to benefit all member countries and all sectors, and which should include very detailed and prudently structured appropriate steps, that would lead to achieving the needed policy reform, and the formation of the right action plan.

Following comprehensive literature review on that topic, and after due consideration, I have identified that most of such steps were elaborated by Dr. N. Saidi in his paper “Arab Economic Integration: An Awakening to Remove Barriers to Prosperity”) as follows:
6.2.1 **STEP (1):** Arab countries must start the process of renegotiating the General Arab Free Trade Agreement (GAFTA) in order to establish an Arab Regional Integration Agreement (ARIA)\(^{306}\) with a larger scope.

Dr. Saidi states that this would include conforming trade policies with the General Agreement on Tariffs and Trade (GATT)\(^ {307}\), as well as total liberation of the factors of production, namely (1) people, (2) services, (3) capital, (4) products, and other factors, all in favour of trade and investment facilitation. The first step towards this would be Arab countries signing the ShamGate Treaty as explained in the previous sections of this chapter. This would setup the platform for “deeper integration” based on harmonising legislations and regulations, while focusing on “Mutual Recognition Agreements” (MRAs).\(^ {308}\)

6.2.2 **STEP (2):** Arab countries must strive to secure financial support to enhance investment which will stimulate integration.

To be more specific, Arab countries must invest in trans-national regional infrastructure projects. This would be best achieved through undertaking mega investments in infrastructure in the form of Private Public Partnerships (PPP), due to necessity of the private sector’s participation. All this will lead to pan-Arab integrated network of telecom, energy, transport, healthcare and other sectors. This network will comprise a main pillar to provide “infrastructure”\(^ {309}\) which will facilitate the accession of Arab economies and societies into the digital age. Another suggestion is establishing a Trans-Arab Network, to be integrated in two strategic directions. The first heads towards the EU and the Trans European Network; while the second heads towards Asia to provide ASEAN, China, Japan and others with access to Arab region energy supplies.

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\(^{308}\) (MRAs) Promote trade in goods between the Economic Union and third countries. They facilitate market access and are bilateral agreements aiming to benefit industry by providing easier access to conformity assessment. See *European Commission / Growth / Single Market for Goods / Int’l aspects of Single Market / Mutual Recognition Agreements.* Web link: http://ec.europa.eu/growth/single-market/goods/international-aspects/mutual-recognition-agreements_en

\(^{309}\) “info-structure” is the technical infrastructure supporting an information system and the organisational structure used for the collection and distribution of information is the technical infrastructure supporting an information system.
6.2.3 **STEP (3): Arab countries must finance economic and social policies to support the junction and convergence of incomes:**

Furthermore, Saidi elaborates that integration of Arab countries and increased openness will require further adjustment and will probably initially lead to a greater income divergence levels between the partners, keeping in mind that less fortunate “poorer” countries in the Arab world are the less-open countries, and are in need of more policy reforms than others on many extensive levels.

6.2.4 **STEP (4): Arab countries must create the ‘Arab Target System’:**

Developing Arab capital markets should be a priority, since is considered a necessity for the Arab integration. This would entail the integration of the payment systems in the Arab countries in order to create an “Arab Target System” which would facilitate the establishment of a proper infrastructure and to set up the platform for the creation of the Arab Exchange Rate System.

6.2.5 **STEP (5): Arab countries must establish a set of Arab institutions to enhance and promote the desired Arab economic integration:**

The establishment of various main Arab institutions, starting with the “Arab Regional Investment & Development Bank”, would be one of the main bases of financial apparatus which supports the formation of the Arab Regional Integration Agreement (ARIA). It should also include developing structural adjustment funds and other institutions explained in Chapter (2) of this thesis.

6.2.6 **STEP (6): Arab countries must assist in financing the Arab entry into the digital age in order to create Knowledge-based economies.**

The digital gap is widening between most of the Arab countries and the industrialized economies in spite of many positive leaps on the governmental levels in a few Arab countries (such as the UAE). The hope remains that the coming few decades will not be similar to the preceding half century, which will hopefully lead to a well-built digital economic integration. Therefore, the developing an Arab “info-structure” and a consistent digital economy would be essential factors for the Arab region to catch up with the global digital progress which, if well set, will accomplish and safeguard economic stability.
FINAL CONCLUSION

Total Solution: “Arab Sufficient Consent” and “Economic Functionalism”
Set up the legal framework for regional economic integration, in parallel to exploring the extension and integration of current Arab blocs to a larger Arab Economic union through achieving “Arab Sufficient Consent” and “Economic Functionalism” based on “mutual common interest”, “regional political will” and “international support”.

The efforts exerted by Arab countries towards achieving integration commenced with the establishment of the Arab League of States (LAS); and while this was followed by various attempts and initiatives for economic and even political integration, failure has always been the outcome. The current Arab situation and circumstances pose an increasing need for Arab countries to be economically and financially integrated, in order to extend their powers and cope with the ever growing international economic and financial blocs.

In spite of the fact that over a hundred (100) years ago, prior to Sykes-Pico Accord in 1916, the Arabs were technically unified since physical boarders did not exist and the movement of the factors of production was free within the Arab world. Until our present day, no one has ever been able to achieve effective Arab unity, whether on the economic or political levels, whereby the GCC which includes the six rich oil-exporting states that created a common market is the closest existing bloc to economic integration. Over and above, the League of Arab States being the main Arab regional body, continues to fail in organising the Arab affairs even on the basic levels due to the continuing absence of political will, and is therefore still far from being the catalyst for Arab economic integration and progress.

The date of completion and submission of this thesis mid 2017 marks the 60th anniversary for the establishment of the United Arab Republic, a short-lived union between Egypt and Syria that represented the zenith of pan-Arab success and sham glory at the time. That era witnessing Arab political unification was perceived by Arabs as the pinnacle of Arab triumph over colonialism; the Arabs regarded this as a quantum leap towards overcoming decades of divisive, disempowering schemes in a declaration of freedom which sought socio-economic justice through universal education, employment guarantees, minimum wages, semi-socialist land reform policies, infrastructure projects and cultural progress.
While it will always be considered as the famous attempt of Arab unity, the UAR attempt’s outcome was a failure due to the lack of establishing a proper legal setup and preparation of a sound structure, as previously elaborated in the course of many parts of this research. Whilst intersection of aspects will probably provoke the arousing of Arab unification; external threats and discrimination may be a thrust force towards market creation and economic integration, as stated by Saidi\textsuperscript{310}, and while no ultimate final successful solution has been yet identified, one should explore the finest way to achieve economic integration.

As a result, the most logical and efficient solution would be for the involved Arab states, through their official bodies in charge, professionals and experts, to explore extending the current existing Arab trade blocs to form an advanced Arab Economic Union. This can be best established by identifying existing sufficient consent, based on finding common grounds of interest between Arab states. Although this would be much easier in theory than practice, nevertheless Arabs should not wait until they attain a scenario of perfect correlation amongst them, since such aspects may never exist. Instead, Arab states should exert all efforts to start identifying the points and elements of common interests and begin developing them, commencing in the areas of trade as a starting point. Such initiative will pave the way for the healthy and sufficient build up towards economic integration, especially in the presence of successful experiences of a custom union being the Gulf Cooperation Council, which may also be adopted as the seed for the construction of the structure of the Arab Economic Union along with the LAS, as previously suggested.

To be more precise, and to guarantee the proper initiation of the Arab economic unification process, there is no necessity for all Arab states to be in total harmony on all levels and mainly the political one. It would be adequate for the foundation of the economic union to concentrate on the basic factors of integration which should include in the first place the cessation of any military conflicts, security risks and external wars, paralleled with the focus on mutual intra-Arab trade, regional Arab infrastructure projects, Arab project financing, public-private partnerships and similar factors which lead to job creation and poverty reduction, in addition to other factors that achieve a sound monetary foundation and economic progress. Of course, this would only be realised through a proper legal setup.

Although it appears challenging, adopting this route will expedite the integration process.

The suggested SHAMGATE agreement and the existence of the LAS and the GAFTA and CAEU will pave the way into the achievement of the long-awaited dream as long as the political will exists. The vigorous commencement would take place through the exploration and organisation of a sufficient legal and regulatory framework for unification. Along with the legal factor, it remains important to cater for economic, fiscal, monetary and social perspectives in order to bring up a new generation of responsible mature Arab individuals who appreciate and comprehend the importance of the creation of Arab economic unity, to achieve economic wellbeing of Arab citizens and the evolution of the new Arab world.

If regional integration is neglected, it will result in the continuance of Arab countries to carry on with unstructured trade policies, without benefiting from the usual negotiating powers of an economic bloc. This will result in limited gains from trade creation and will cause loss from trade diversion, notably in relation to rapidly growing Asian economies.

Based on the preceding facts, literature and analysis; the most favoured route for Arab states to pursue their contemplated economic unity, would be one based on Sufficient Integration starting with developing, amending and integrating legal and regulatory factors.

The suggestion is for Arab countries to execute a unified set of Association Agreements among each other, with a minimum scope and content as those signed with the EU. These inter-Arab Association Agreements, which cover many fields including economic, diplomatic, social, cultural, environmental and political relations, could consider the large number of existing bilateral and regional agreements. Consequently, breaking down the factors of production barriers, namely trade, investment, movement of people and transfer of capital would gradually lead to an Arab awakening, which will, in principal, create a market with over four hundred (400) million consumers and producers; providing them with the benefits of economies of scale and scope, eventually realising desired progress.

This Arab awakening will surely be expected to lead to a renaissance of economic growth and employment creation, to an improvement in socio-economic conditions, and to reduction of poverty, allowing Arab countries to meet the Millennium Development Goals.
Such Arab awakening stemmed from mutual sufficient consent will lead to economic functionalism which is a pillar for economic integration.

In conclusion, and after due observation and analysis, the alternatives for Arab states have become quite limited. No doubt that a genuine need has aroused to utilize the current challenging times and build on them to convert them into opportunities, through launching the real Arab unification process which should be based on a solid legal and regulatory infrastructure as a starting point, paralleled with development of trade and enhancement of economic and fiscal policies. Otherwise, Arab states will continue to lapse and deteriorate, whereby incompetent governance will drive them closer to further destruction and chaos.

As elucidated, this can best be achieved through identifying “Mutual Arab Sufficient Consent” by the involved Arab countries, dependant on identifying the common interests which they share, in order to clamber the economic ladder and achieve economic growth and progress. This is expected to realise economic functionalism which sustains the AEU.

Once befittingly created, the Arab Economic Union (AEU) would reflect a state of unity between Arab countries, where all Arab resources and skills can be deployed in the most efficient ways to establish a self-sufficient region that promotes the Arab citizens’ wealth and transforms the Arab existing power and potential into major global force and blessing.

In light of this speculative research, the main hypothesis evolving around whether placing a legal framework to establish the Arab Economic Union based on regional common interest and economic functionalism, will support forming the AEU as an ultimate solution for Arab economic and socio-political development towards full integration; appears to be the right one.

\[^{311}\text{The United Nations Millennium Development Goals were 8 goals that all 189 UN Member States have agreed to try to achieve by the year 2015. The United Nations Millennium Declaration, signed in September 2000, committed world leaders to combat poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women. The MDGs were derived from this Declaration, and had specific targets and indicators. The MDGs have been superseded by the Sustainable Development Goals, a set of 17 integrated and indivisible goals that build on the achievements of the MDGs but are broader, deeper and far more ambitious in scope. Post – 2015 UN Development Agenda MDG 1: eradicate extreme poverty and hunger / MDG 3: promote gender equality and empower women / MDG 4: reduce child mortality / MDG 5: improve maternal health / MDG 6: combat HIV/AIDS, malaria and other diseases / MDG7: ensure environmental sustainability / MDG 8: develop a global partnership for development See United Nations. (2015). Millennium Development Goal 8: Taking Stock of the Global Partnership for Development. Retrieved from un.org: http://www.un.org/millenniumgoals/pdf/MDG_Gap_2015_E_web.pdf}\]
The previous experiences, findings and propositions presented in this research, support the assumption that the main factor for economic integration is mutual political consensus and true will, backed up by international support. This can be achieved through identifying common regional interests towards accomplishing economic functionalism, all of which require, in the first place, placing a sound legal framework and constitutional structure ready to be utilised when the platform is prepared.

This, by itself, is a test which has never been properly sat for, and an initiative which never left its infancy stage.

It remains to be seen whether the Arab citizen will witness the fortunate “Arab Awakening” which will follow the unfortunate current mismanaged “Arab Uprising”.

If this was destined to occur, the Arab region and respectively Arab states and citizens will live in harmony, peace, growth and progress for the first time in over one hundred (100) years, and since the beginning of the First World War and the Arab colonisation era.

This is one challenge worth taking and a sacrifice worth considering, and if triumphant will achieve the wellbeing of the Arab Nation as a whole.
It will be a dream coming true...

**UNITED WE STAND... DIVIDED WE FALL**
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