

Preface

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In recent years, the delicate political climate in the Middle East has often overshadowed critical discussions related to economic and social development in the Arab world. The region's economic fragility has been compounded over the past year by the economic backlash following the September 11 attacks. In this context, this *Report* focuses on the challenges facing the Arab world in improving its competitiveness at a particularly critical time.

Recent economic trends demonstrate the extent to which these challenges should not be understated. Income per capita has been steadily declining in several countries for the past two decades. In the Arab world as a whole, growth in real per capita income grew by only 0.5 percent per year between 1975 and 1998, compared to the global average of more than 1.3 percent. In fact, the only region that has had slower growth over the same period is sub-Saharan Africa. A number of the root causes of this economic stagnation are well known. The United Nations Development Program's recent *Arab Human Development Report* (2002), has identified a number of key challenges, including the "freedom deficit," the "women's empowerment deficit," and the "human capabilities/knowledge deficit." All of these deficiencies must be tackled head-on if competitiveness is to be restored to the region.

The twenty-two Arab economies of the Middle East and North Africa region possess two-thirds of the world's oil reserves, and this has been a clear strength in past years. However, Arab countries will find it challenging to create enough jobs to absorb new entrants to the labor force, which is expanding at more than 3 percent per year. This is increasingly critical, given that the changing demographics of the region are intensifying the need for job creation and educational systems that cater to the needs of the market and to the rapidly evolving global economy. Further, how will Arab countries have the resources to upgrade their economic infrastructure, or meet the health, housing, and other needs of their growing populations?

The responses to the present challenges have been quite diverse. It is encouraging to see that a number of countries in the region have made considerable headway in stabilizing, reforming, and opening up their economies. This sets the benchmark for other countries throughout the region in creating environments conducive to growth and development. Growth can be further harnessed by putting into place the fundamentals required to move from resource-based economies to knowledge-based economies. One important step in this direction is greater integration into the world economy. The Internet and new technologies also offer enormous opportunities for the region. In this respect, United Arab Emirates and Jordan serve as valuable examples of successful public-private partnerships to harness these new tools. The great potential of information and communications technologies as enablers for growth and development is specifically explored in this *Report*.

The World Economic Forum is very proud to present the first edition of the *Arab World Competitiveness Report*. As a supplement to our *Global Competitiveness Report 2001–2002*, this *Report* puts the economic challenges facing countries in the Arab World in an international context. This *Report* highlights the prospects for growth among countries in the Arab world and, more important, reveals the obstacles to competitiveness. Through in-depth analyses of regional trends and detailed country profiles for a number of countries in the region, it is our goal that the *Report* serve as a guide to policymakers and business executives alike. The results of the Executive Opinion Survey lend depth to the analysis by providing a snapshot of how leaders of the business communities in the countries perceive present competitiveness and future prospects.

We extend our gratitude to all the committed business leaders who responded to our Survey. My appreciation goes to Peter K. Cornelius, who has been charged with heading the Global Competitiveness Programme under which this *Report* is published, and to his team, Jennifer Blanke and Fiona Paua. I would also like to thank Alexandre Theocharides, associate director for the Middle East, and his team, Daniel Camara and Fouad Ghanma. Together with the *Global Competitiveness Report* and special reports on other regions, the *Arab World Competitiveness Report* is part of a family of research studies that truly mirror the increased integration of the world economy. Finally, we extend a very special thanks to the partners of the *Report* for their support in this worthwhile venture. This *Report* will serve as the intellectual foundation for the first Arab World Competitiveness Meeting. We also hope that it will have a wide distribution and long-standing positive impact in the Arab world.