

**Middle East and North Africa
Economic Developments and Prospects 2005**

Oil booms and revenue management

Middle East and North Africa Region
Office of the Chief Economist

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MENA ECONOMIC DEVELOPMENTS AND PROSPECTS 2005

The Middle East and North Africa (MENA) region remains in the spotlight of international attention. Rising oil prices, war and reconstruction in Iraq, the Israeli-Palestinian conflict, and the global economic aftermath of September 11 are only a few of the developments to heighten world interest in the region and to the economic and social issues it faces. Keeping abreast of regional developments and challenges is important not only to the region, but to the rest of the world.

The MENA region, despite many economic and social features that bind its economies, is remarkably diverse, and economic developments and outcomes differ significantly among its countries. Over the 1990s, for example, economic growth rates ranged from less than 2 percent a year on average in Algeria to more than 10 percent a year in Lebanon. In part, the diversity of economic outcomes in MENA is a reflection of natural resource endowments, with a few economies in the region subject to enormous swings in growth resulting from commodity price shocks. In part, it reflects the particular challenges of conflict and stability, which exert a tremendous impact on economic performance. In part, these differing economic trends reflect the very divergent paths countries in the region have taken regarding economic liberalization and integration.

The first in a series of annual reports, the 2005 MENA Economic Developments and Prospects report sheds light on the recent key economic developments in the region and the forces underlying the region's diverse economic outcomes. It analyzes the region's short-term growth prospects given global forecasts and current structural features of the economies, as well as the region's prospects for longer-term growth based upon progress in implementing comprehensive structural reforms. With economic headlines increasingly devoted to the rise in oil prices and what this implies for the MENA region, this first issue devotes particular attention to this theme, analyzing the impact of the oil price shock on the MENA region in terms of its relative size, its transmission channels throughout the broader region, and the manner in which windfall revenues have been managed.

With subsequent issues, the MENA Economic Developments and Prospects report aims to provide a venue for regularly monitoring major economic trends in the region, providing a snapshot of progress on key structural reforms needed for longer-term growth and highlighting specific issues affecting regional development. It is hoped that with each year, the report can deepen the understanding of the region's development progress, prospects, and challenges.

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ABBREVIATIONS AND ACRONYMS

Bbl	Barrels
Bn	Billion
CIDCM	Center for International Development and Conflict Management
COMTRADE	Commodity Trade Statistics database (United Nations)
CPIA	Country Policy and Institutional Assessment
DECPG	Development Prospects Group (World Bank)
EAP	East Asia and the Pacific
ECA	Europe and Central Asia
EEC	European Economic Community (European Union)
EU	European Union
FDI	Foreign direct investment
FRH	Freedom House
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GNFS	Goods and non-factor services
GNI	Gross national income
IFPI	Inward FDI Performance Index
ILO	International Labor Office
IMF	International Monetary Fund
ISIC	International standard industrial classification
LAC	Latin America and the Caribbean
LMIC	Lower middle income economies
MENA	Middle East and North Africa
MFA	Multifibre Agreement
Mn	Million
MNA	Middle East and North Africa region (World Bank department)
MUV	Manufacturer unit value
NTB	Non-tariff barriers
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PAFTA	Pan-Arab Free Trade Area
PSPE	Public Sector Pay and Employment database (OECD)
QIZ	Qualifying industrial zone
RPLA	Resource poor and labor abundant
RRLA	Resource rich and labor abundant
RRLI	Resource rich and labor importing
SAS	South Asia
SITC	Standard Industry Trade Classification
SOE	State-owned enterprise
SSA	Sub-Saharan Africa

TRAINS	Trade Analysis and Information System
UAE	United Arab Emirates
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WDI	<i>World Development Indicators</i>
WITS	World Integrated Trade Solution Database
WTI	West Texas intermediate
WTO	World Trade Organization