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CONTRIBUTION OF THE ARAB PRIVATE SECTOR TO THE DEVELOPMENT OF SUB-SAHARAN AFRICAN COUNTRIES

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Abstract

Purpose: The main objective of this study is to highlight the importance and contribution of Arab investments in Africa.

Design/methodology/approach: Emphasis will be directed to the share of private Arab investments in African countries and the potential that these investments will have on future development in both Arab and African countries.

Findings: This study discusses the benefits that African countries obtain from Foreign Direct Investment (FDI) and various other trade relations among these countries.

Originality/value: This study will contribute to the literature on the relationship between the private sector in Arab countries and initiatives to promote development in Africa.

Keywords: *Arab investments, Arab Free Trade Zone, Foreign Direct Investments (FDI), Development, Trade*

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INTRODUCTION

Africa is endowed with a huge wealth of productive land and other natural resources, including renewable and non-renewable resources. If these resources are to be invested in productive activities, Africa will be in a better economic position to improve human development and increase economic potential. However, Africa is the poorest among the world's regions.

Despite the importance of Arab investments in general, and investors in the countries of the African continent, there are several joint Arab-African programmes in the sectors of industry, agriculture, and communications that are a key part in the Arab Cooperation Programme: African placed pillars at the Arab Summit (Cairo – March 1977). But the results of this programme were feasible and fully integrated, and did not achieve the aspirations of the African peoples by the Arab investments, which had not satisfied the concerns of the African countries since the Arab Summit. Therefore, Arab private sector participation in various investments within the economic and social sectors, and infrastructure and service to the African countries, is necessary to people in dire need for these investments to be used in development programmes of sub-Saharan African countries.

THE SUB-SAHARAN AFRICAN COUNTRIES: AN OVERVIEW

A study published by the World Bank (2004) examined the important role that trade plays in development. Trade is an engine of growth that helps in job generation and wealth creation. Foreign Direct Investments (FDI) plays an important role in increasing productivity through trade, creating more jobs in the Middle East and North Africa (MENA), which helps attract a large number of Arab investors to increase their investment contributions along with those of FDI (Ajayi, 2006).

Another study by the World Bank (Nii, 2008) focuses on the existence of restrictions by governments of African countries on investment activities in general. It was based on the fact that one of the most important problems that weakens these activities is the abundance of natural resources, compared with the absence of good development policies, as well as weak institutions and organizational structures.

On the other hand, the African Development Bank (AFDB, 2010) published a study aimed at an attempt to answer the question, "How do we encourage investment and growth in African countries?" The AFDB argues that these countries have mixed organizational structures, with the hope of achieving the best use of their natural resources. Elbadawi and Ndulu (AFDB, 2009) also prepared a study aimed at improving the strategy of reform and vision of development in sub-Saharan African countries and restoring economic growth for sustainability with a strong impact on attacking poverty. Kumar and Mlambo (AFDB, 2008), verify in their study the process of approving private investment, which requires analysis of the factors encouraging such investments located within the influence of governments, to maintain political and economic stability.

THE ECONOMIC REALITY OF SUB-SAHARAN AFRICAN COUNTRIES

A) Financial resources in sub-Saharan African countries:

The World Bank classifies African countries into two main groups according to their income levels.

The Middle-Income countries include just five countries (Angola, Botswana, Mauritius, Namibia, and South Africa) with the advantage of being rich in natural resources such as oil, gas, minerals, and the sheer size of their Gross National Product figures.

The second category includes low-income countries, including the rest of the sub-Saharan African countries, i.e., nineteen countries with limited natural resources (details in Table 1).

Similar classifications have been adopted by the International Monetary Fund (IMF - 2008) which are not different from those of the World Bank. They classify these countries as rich resource countries and rich countries with no resources.

Data concerning balances of payments of most African countries (see Table 1) show that 75% of these countries experienced deficits in their balances of payments. This fact represents an unexpected feature for rich countries by minerals (such as Botswana, Mozambique, Namibia, and Tanzania), or by oil resources (such as Cameroon).

#	sub-Sahara African Countries	Real GDP $Million	Per Capita GDP/$	External Debt $Million	Human Development Index (HDI)	Population	Population below 2$ a Day(%)
1	Angola	107,300	8,200	18,562	0.508	15,941,000	70.2
2	Benin	13,990	1,500	1,221	0.436	8,439,000	75.3
3	Botswana	28,490	14,000	1,709	0.634	1,839,833	49.4
4	Burkina Faso	19,990	1,200	---	0.343	13,228,000	72.6
5	Burundi	3,397	300	537	0.355	7,548,000	93.5
6	Cameroon	44,330	2,300	2,964	0.495	17,795,000	30.4
7	Chad	17,360	1,600	1,733	0.340	10,146,000	83.3
8	Ethiopia	86,120	1,000	7,147	0.396	85,237,338	77.6
9	Gambia	3,494	1,900	470	0.439	1,517,000	55.9
10	Kenya	66,030	1,600	8,400	0.519	34,707,817	67.2
11	Lesotho	3,303	1,700	726	0.461	1,795,000	62.3
12	Madagascar	19,410	900	2,295	0.483	18,606,000	92.6
13	Malawi	12,980	800	922	0.418	12,884,000	90.5
14	Mali	16,770	1,200	2,326	0.344	13,518,000	78.7
15	Mauritania	6,655	2,100	2,461	0.467	3,069,000	47.7
16	Mauritius	18,060	14,000	1,076	0.737	1,219,220	---
17	Mozambique	21,810	1,000	4,124	0.327	20,366,795	81.8
18	Namibia	14,600	6,900	---	0.608	2,031,000	51.1
19	Nigeria	377,900	2,500	7,883	0.471	154,729,000	84.5
20	South Africa	524,000	10,700	45,165	0.629	47,432,000	31.3
21	Tanzania	58,440	1,400	8,664	0.476	37,849,133	87.9
22	Uganda	42,150	1,300	2,994	0.456	27,616,000	---
23	Zambia	20,040	1,500	3,689	0.448	14,668,000	82.6
24	Zimbabwe	5,457	500	5,016	0.397	13,010,000	----
---	TOTAL	1,691,400	2094	205,992	0.475	852,500,000	-----------

Sources: (1) AFDB, Dec. 2012; (2) IMF, Oct. 2012; and World Bank, 2012; (3) World Development Indicator, 2012; Human Development Indicator, 2013.

Table 1. The Economic variables of sub-Saharan African countries (2012)

In terms of per capita income in these countries, the AFDB divided them into three groups:

(a) Middle-Income countries, whose per capita income exceeds \$3,500. These include five countries: Angola, Botswana, Mauritius, Namibia and South Africa.
(b) Eleven Poor countries, whose per capita income falls between \$1 000 - \$2 000, including Benin, Burkina Faso, Cameroon, Chad, Kenya, Lesotho, Mali, Mauritania, Nigeria, Tanzania, and Zambia .
(c) A group of eight Very Poor countries, recording a level of per capita income of less than \$1,000 per year, except Burundi, with the lowest per capita income (\$230).

Consequently, the number of people in sub-Saharan African countries who live on less than one dollar a day has decreased from 47% in 1990 to about 41% in 2005, compared with average per capita income rates in Western European countries (\$19,256), the United States (\$27,948), and Japan (\$20,683) (AFDB, 2010).

Alpha

B) Demographical growth in the sub-Saharan African countries:

The total population of the sub-Saharan African countries recorded 565.2 million in 2011, compared to 365.8 million in 1990; and is expected to increase to 680 million in 2015. Their average growth rate accounted for 2.6% per year, versus 0.32% in the European countries, and 0.54% in Japan (AFDB, 2012).

An increase in population, however, can be used to foster economic growth and sustain development. In other words, countries can take advantage of the large size of their labour force, although they have a high proportion that are working in the agricultural sector, a low percentage of the workforce is involved in industry.

In the meantime, while the majority of these countries recorded a very low per capita GDP, the poverty index of the population below \$2 a day as a percentage of their total population, i.e. 13 out of 24 countries, records about 70%. Similarly, the Human Development Index (HDI) records an average of 0.475, which is below the world average.

In terms of their external debt, we notice that 20 out the 24 countries have experienced foreign debt of more than $ 1000 million (details in Table 1).

C) Natural resources in the sub-Saharan African countries:

Africa is rich in natural resources, with a substantial amount of oil, gas, diamonds, gold, nickel, platinum, aluminium and non-metallic ores such as phosphate, manganese, potash and sulphur. Unfortunately, most of these resources are exploited and exported in a crude form, compared to the limited manufacturing (for the public and private sectors) adopted as feedstock in the industrial sector in each of the sub-Saharan African countries (Al Roomy, 1994).

Meanwhile, despite the fact that crude oil and natural gas as special natural resources will inevitably be exhausted in the long run, each are sold and currently priced as nominal, based on different and noble uses, but some valuable metals (such as gold, diamonds and platinum) are sold at roughly the real value (Al Roomy, 2000).

D) Physical infrastructure and services:

It is necessary that a developing country provide infrastructure and services, such as transportation, capacities of different networks, advanced electric power, water and sanitation, and educational and training institutions. Without this important infrastructure, Africa would not be able to attract foreign investments to support various development operations.

In fact, the World Bank Indicators (2008) confirm that African countries are considered to be lagging behind the rest of the developing countries in most infrastructure services. Thus, the high cost and inadequate quality of transportation, energy, water and sanitation, and information and communication technology has negatively affected the rates of economic growth in most African countries.

The World Bank (2008) expects that these countries will possibly achieve the development goal for treating the problem of poverty by 2015 by achieving ratios of economic growth and social levels of 7%, which will necessarily require investment activities of the various infrastructure events at an annual rate of up to about $20 billion dollars. A proportion of this amount should be allocated to the road sector (40%), and 20% each to the energy sector and the water sector.

ARAB INVESTMENTS IN AFRICA

A) Investment benefits to the host countries:

Investors, in spite of their nationalities, before making a decision to implement any investment, should realize the differentiation between the proposed goal and similar projects, in order to achieve the biggest and best feasible economic rate. Hence, it is economically known that foreign investment fluctuates depending on several variables, mainly economic, social and political factors. With regard to economic variables, we rely on the availability of the most important element that enters into production, which is capital. Foreign investments are classified as follows (Al Roomy, 2007; and Abbas, 2005):

(1) Common investment: which appears as foreign capital partnership with a local partner(s).

(2) Full investment: where foreign companies have their entire investment assets, while there is no local partner, where they are hosted by the host country and provide them with important needs.

(3) Indirect investment: where the foreign investor does not have a project in whole or in part, but that the local party is the real owner (as a leader) of the project, or by mutual organization.

Implementing any investment will result in the following benefits for the developing country:

(a) The flow of foreign capital;

(b) The transfer of the types of science and technology sectors of the host country;

(c) Filling the needs of the community and the local market;

(d) Creating opportunities for work and training;

(e) Achieving higher rates of self-sufficiency for many products;

(f) Increasing the pace of exports; which will:

(g) Result in reducing the import of such products.

We can argue that since development programmes in these countries have prevailed during the nineties “through the philosophy of structural adjustment policies and the pressures and expectations of democratization, . . . they look first to the track management development itself, no need discover its history, on the grounds that the development programme currently prevailing in these countries be approved by the foreign parties and ideologies. Though this programme preferably a market economy and to support the international financial institutions (IFIs), with adoption of liberal principle" (Maclean, 2005).

B) Facts of the Foreign Direct Investments (FDI) in African countries:

Despite radical reforms introduced by most African countries in recent years, they were not able to attract a significant proportion of global FDI. As Table 2 illustrates, Africa has not been able to attract FDI over the past two decades. This is largely related to the high degree of political and economic instability in these countries.

In other words, a surprising and unexpectedly low level of FDI has flown into Africa within the last few years (2005–2011). The average FDI flows over these years was only $43 billion—representing 3% of the global FDI flow, which is much lower than the level of FDI in Latin America and the Caribbean (10.7%) and Asia (23.4%).

Meanwhile, the UNCTAD predicts that the FDI that flows in Africa by 2014 will be double the level of 2011 as well as doubling the average of 2009–2011.

C) Arab foreign investments

It was clear that one of the main results of the October War of 1973 was OPEC's takeover of the pricing and production policies of its members' crude oil, as well as the unexpected price increase from $2.50 per barrel to more than $100.00 per barrel in 2000, and $138.00 a barrel in August 2008.

Although there were some financial surpluses in many crude oil producing countries, most of them have faced a deficit in the balance of payments for years, due to the required expenses of their economic development plans. Oil producing countries are classified into two groups:

The first are the surplus countries: Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, and Libya. They are marked with a small

Table 2.
Econometric results of medium-term baseline scenarios of FDI flows by region ($Billions)

	Average	Average				Projections	Projections	Projections
Host regions	2005-2007	2009-2011	2009	2010	2011	2012	2013	2014
Developed countries	972	658	606	619	748	735-825	810-940	840-1020
European Union	646	365	357	318	421	410-450	430-510	440-550
North America	253	218	165	221	268	255-285	280-310	290-340
Developing countries	443	607	519	617	684	670-760	720-855	755-930
Africa	**40**	**46**	**53**	**43**	**43**	**55-65**	**70-85**	**75-100**
Latin America and the Caribbean	116	185	149	187	217	195-225	215-265	200-250
Asia	286	374	315	384	423	420-470	440-520	460-570
Transition economies	59	79	72	74	92	90-110	100-130	110-150
Global FDI flows	**1,473**	**1,344**	**1,198**	**1,309**	**1,524**	**1,495-1,695**	**1,630-1,925**	**1,700-2,110**

Source. UNCTAD (2012), World Investment Report, 2012, p.19

population size compared with their huge financial returns, but with no extensive and ambitious development plans, in order to accommodate the large amount of financial returns. This led to the emergence of significant surpluses, which are used as investment in foreign countries.

And the second group, which diameters deficit and consists of two members: Iraq and Algeria. Both of which, however, are characterized by a high population density (unlike other Arab oil exporting countries), with the availability of vast potential domestic investments through their ambitious economic development plans, which accommodate all oil revenues (Al Roomy, 2000).

The five Arab oil exporting countries in the first group have invested their revenues in different sectors of the Western countries. Thus we may sum up the main reasons that have helped and continue to help the migration of Arab investments in foreign countries, in the following points (Khryosh and Ali, 2000):

(1) Technological progress that is characteristic of all economic and social sectors of Western countries together with foreign organizations, banks, and multinational corporations.

(2) Tools and areas of investments provided by governments and the above-mentioned institutions.

(3) The availability of skilled labour in Western market disciplines and advanced technology.

(4) Providing basic services to be connected with transport networks, ports, airports, electricity, water and sewage, gas, telephone, types of energy, information services and communication technology.

(5) Tax and customs incentives, including tax exemptions, to establish projects and companies' productivity and services, the exploitation of land for long periods, and all accessories of tools and equipment, machinery and spare parts with transportation necessary for the activities of investors.

(6) General control on exchange operations, mainly foreign exchange by the Central Bank (CB).

(7) Certain actions in determining exchange rates by the CB, in order to privatise money that enters from investors and is bundled in the wake of the success of their investments.

THE CONTRIBUTION OF THE ARAB PRIVATE SECTOR IN INVESTMENTS IN AFRICA:

The Gulf Conference of African Investments 2010 was organized by the Council of Saudi Chambers of Commerce and the Gulf Research Center on 4th December 2010 in Riyadh. Within its five sessions, views and studies were discussed by Arab and African officials, where they put forth the following recommendations:

(1) Obstacles to the continuation of Gulf Investment in African countries: Mr Ahmed Ghannam, Director General of the Saudi Export Programme, focused on efforts to strengthen Gulf-Africa relations in the field of joint investment projects when they collide with number of obstacles, including:

Lack of attractive investment laws, especially those relating to the allocation of land; counting the presence of adequate protection for the rights of investors; length of customs procedures and complexity of business; and weak governance systems and infrastructure in many African countries.

(2) To address these obstacles, Mr Ghannam has proposed:

Work should be done in developing systems and investment laws; increasing cooperation between Gulf and African countries through the implementation of joint projects and investments; preceding cooperation in developing human resources; signing joint agreements in promoting regional integration economically and commercially; continuing trade liberalization and the removal of all obstacles; continuing optimum utilization of natural resources and competitive advantages for African countries; strengthening the role of the banking sector to provide facilities and guarantees to finance the development of economic projects and investments in Africa; and, embassies should also play a distinguished role to provide information and remove obstacles facing investors and facilitate trade delegations.

(3) For his part, Senegalese President Abdoulaye Wade urged activation of the Gulf–African Cooperation, mainly by issuing special passports for businessmen from both sides and facilitating visas for this category in both the African and Gulf Cooperation Countries (GCC); and establishing an agency for development in both African and Arab countries, relying on using the available capacity of researchers, technicians, and professionals in order to establish joint projects between the two parties. These projects will rely on themselves to manage and operate the joint investment projects. (Al-Jazeera Website, on 5/1/2011; and Google Website, on 7/1/2011).

On 15 December 2010, the Arab Transport Ministers held a conference in Alexandria, where they focused on the need for more Arab investments to develop the system of transport and logistics in Africa to support African trade interfaces, by considering the following important issues (Al-Jazeera Website, on 5/1/2011; and Google Website, on 7/1/2011):

(1) While Arab investors did not implement distinguished investments in Africa, Turkish investors could cooperate for more successful investments.

(2) The Arab private sector should put pressure on their governments to remove obstacles to African trade and investments mainly in regard to transport and logistic problems.

(3) Problems of transport with travelling between Arab and African countries represent one of the main obstacles that prevent access to these countries' economic partnership.

(4) The Arab Bank for Development in Africa (BADEA) was established in 1975 by a decision of the Sixth Arab Summit held in Algiers, with capital of $450 million, raised to $2,800 million in 2009, and is owned by eighteen Arab countries. It aims to: Develop Arab–African cooperation within the economic and financial fields; provide the necessary technical support for development in Africa; embody solidarity between the two regions by funding social and economic development in Africa; and encourage the capital participation of both the Arab public and private sectors for investment in Africa.

To achieve these goals, BADEA invested about $4 billion between 1975 and 2009 in more than 1,000 technical support and process development projects servicing an Arab-African friendship. These funds have been awarded in the form of loans that may have benefited more than 40 countries, along with 60 loans for balance of payments supporting 32 countries. In other words, funds of BADEA had covered the activities of basic infrastructure of the volume of financial liabilities (51%); agricultural projects and rural development (23%); energy (2.6%); industry (5.1%); social sector (5.5%); and education, health, and private sector (7.2 %) together with technical support activities (9.2%). Note that the bank had put a five-year plan in place for the period 2010–2014, by an increase of $100 million, compared to the previous plan period 2005–2009, and this is the simplest proof which has not affected activities of the bank from the global financial crisis that broke out in 2008 (BADEA Website, on 19/10/2010).

ARAB PRIVATE SECTOR'S PARTICIPATION IN SUB-SAHARAN AFRICAN COUNTRIES' DEVELOPMENT

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A) Development contribution of Arab private sector investments in these countries:

Attracting more foreign investments to the sub-Saharan African countries, along with encouraging more local private sector investments, is among the most important vital rules to bring about economic and social development and regularly contribute to the development activities of global free trade under World Trade Organization (WTO) regulations. The most effective investments of Arab countries (Arabs make up a third of the African countries' population), head to the economic and social sectors in these countries, before talking about those limited foreign investment (IBRD, 2004).

It is worth mentioning that the classification of enterprises by size adopted by the World Bank (2008) accepted as standard, depending on the number employed, is as follows:

(1) A very small firm: employing 1–9 workers;

(2) A small size firm: employing 10–49 workers; and,

(3) A medium-sized enterprise: employing 50–249 workers.

Given the lack or scarcity of the national capital prepared for activities and investment projects in sub-Saharan African countries, the external source must play a pivotal role in moving the wheel of economic and social development. Consequently, the development of the private sector's contribution to Arab investment activities within sub-Saharan African countries comes from focusing on the establishment of a variety of manufacturing industries that rely primarily on the natural resources available in these countries. After governments implemented structural reform programmes in coordination with the World Bank's policy on the grounds that the sponsor has specified, a new position has emerged, called the "neutrality of the state". Thus, the adoption of any government of this principle would be allowed to give privileges to all sectors without exception, while supposedly providing subsidies to preferential industries, which abound where extractive and manufacturing industries aggregate, so seriously contributions achieve leaps in developmental distinction (Al Roomy, 2007).

The World Bank points out that the investment climate for the private sector in sub-Saharan African countries should be addressed as an important issue to stimulate local and foreign investors, which needs better government policies, good infrastructure, and skilled human resources in various technical and technological disciplines. To implement investment plans, the bank's experts toured these countries and identified policies of uncertainty as a major administrative impediment to the success of the investment activities of the private sector within the various sectors. Thus, the private sector investment in these countries has shown that it costs between 20% and 40% more than in the rest of the developing countries; while 80% of investment operations in these countries are from local sources.

Therefore, these costs represent a major problem facing investors, selected by causes (World Bank, 2008):

(a) Burdens of administrative regulations in governmental institutions, which look after the basic concerns of investors; (b) Difficulty of securing property rights; (c) Ineffectiveness of the local courts;

(d) A low level of infrastructure facilities; and, (e) Non-competitive services.

As for the African Development Bank, we can conclude from its practical experience, which did not raise the sectored employment issues within their natural resources that abound in African states in general, and the accompanying generated interest about the role very privileged to the manufacturing sector, which mainly depends on these resources. But special attention should be placed in a large proportion of its programmes to encourage both the local and foreign private sector.

Thus, the AFDB (2007) classifies its financing strategy for this sector in five major aspects:

(1) Strengthen financial systems, (2) Support private enterprises,

(3) Buildcompetitiveinfrastructure, (4) Improve the investment climate,

(5) Promote regional integration and trade.

B) Partnership productive investment as the best entrance for investments of the Arab private sector in sub-Saharan African countries:

Initially, we need to answer this important question:

<u>When did joint cooperation relations start between the Arab countries and their neighbours in Africa?</u>

We try to activate these relationships, which are "not the result of political and economic conditions or emergency created by the oil crisis, or an organization of African unity, but relations are in civilized humanity rooted in history from before the advent of Islam and the spread of Arab culture around the world. Remaining relations between the two sides and connected and solid views of colonialism on the African continent, and they seized all the material resources and human and converted to the marginal serve his economic, political and provide European industry with the necessary raw materials and agricultural products produced by a cheap labor wage" (Al Boory, 1982).

However, Arab investments (public and private) in sub-Saharan African countries could play an important role in removing all obstacles, which is confirmed by the following points:

(1) Motives of Arab investments in Africa, in general, and particularly in these countries.

(2) Requirements of Arab investments in these countries, in terms of: Providing the appropriate environment for these investments; unifying the rules of these investments; simplifying the procedures for dealing with Arab investors; the initiative need of the Organization of Arab Petroleum Exporting Countries (OAPEC) to capitalize by encouraging its citizens and private sector companies to invest in these countries; and, creating institutions that promote investment activities in these countries (Samurai, 2004; and Taha and Ali, 1999).

C) Role of financial legislation in attracting investment to sub-Saharan African countries:

It is well known that African and Arab countries have more than half of the world's reserves of oil and a large proportion of metals and precious gems such as uranium, cobalt, chromium, nickel, gold, copper, and diamonds that fuel Western industry. However, most of these countries suffer from the forces of underdevelopment and poverty of all kinds and still lack the most important engine for economic development and a social capital (AFDB, 2009).

African countries recorded a decline in the proportion of national income for capital equipment, and this so-called economic term, productive capital. Consequently, "the outcome of the gross national product of these countries, the emergence of a large deficit in the volume of industrial goods that is lacking a result of inadequate capital producing these goods, compared with limiting their economic activities in the production of natural resources differ, as well as agricultural products sold at cheap prices and consistently as raw materials and preliminary to advanced industrialized countries" (Al Roomy, 2001).

In order to encourage Arab investments, African governments should introduce various incentives, concessions, guarantees, and facilities, along with exemptions from duties and taxes, by issuing a set of laws and investment legislation, to form a key element to attract local, Arab, and foreign investors. At the same time, we realize that what enhances the effectiveness of the effects caused by these elements in order to create an investment climate that is effective and feasible, is the need to stabilize the laws and regulations involved in investment activities, apart from the possibility of fluctuations in economic and social, environmental and even those political upheavals. But it should be noted that the instability of these laws and regulations in general must result in increased doubt from investors and distrust of government procedures of the receiving state investments, which does not generate continued investing activities, both of local investors and the Arabs or those aliens (Shabibi, 2000).

D) Role of free zones in attracting investments to sub-Saharan African countries:

(a) The aim of establishing free zones:

(1) Accelerating the process of economic growth in the host country; (2) Using as a means to help integration of the national economy in the global economy; (3) Reducing deficit in the balance of payments of the host country, by increasing income from fees for services, navigation, traffic, and insurance; (4) Strengthening the front links and the national economy, namely through the establishment of export industries by using production requirements of raw materials and primary infrastructure and services which are available in any host country; (5) Assisting in the transfer of advanced technology and raising the technical skills of local labour; (6) Increasing receipts of foreign currencies by the host country; (7) Assisting in preparing new jobs, to encourage reduction of the unemployment size in the host country; (8) Contributing to the provision of strategic stocks of essential commodities, such as food, in times of peace but not to confront the deficit in these goods in times of war or in emergency circumstances, (9) Sharing in the economic and social development in some remote regions inhabited by a limited number of people, which does not encourage investors to invest in it; and, (10) Using the available natural resources in the territory of any host country (Harazi, 2007).

(b) Distribution of free zones on a global level:

As reported by the International Labor Organization (ILO - Geneva, 2005), 5,174 free zones for export were scattered in different parts of the world until the end of 2003. Within this record, the largest share of them are in the countries of Central America and Mexico (63%), characterized by a large population density and large markets represented in these areas one of the means to reach, while the countries of the Indian Ocean contains the least number of these areas, which is only (3) areas.

In fact, many countries have been able to cross free zones to attract large numbers of foreign investments, totaling 514,539 investment projects, which prepared 42,009,058 employment opportunities, (please see Table 3).

(c) The free zones' share of sub-Saharan African countries:

Referring to the ILO's report, the free zones' share of sub-Saharan African countries, total 64 free zones, the ratio of 1.2% of the global total for these areas. Despite the small stake, these areas have stimulated a large number of projects to work in a total of 521 investment projects, and provided 431,348 jobs until the beginning of 2004. The countries that belong to these investment projects (521) are: the USA, France, Japan, Germany, Britain, Italy, Australia, and South Africa, in addition to only two Arab countries, Lebanon and the UAE, (please see Table 3).

(d) The role of the Arab free trade zone in stimulating Arab investments towards these countries:

An agreement for establishing the Arab Free Trade Zone was taken within the Arab Summit (Cairo- June 1997) and has targeted an executive programme covering (Juaczykh and Al-Qahtani, 2004):

(1) Treatment of Arab goods according to the rules of original treatment of Arab national commodities;

(2) Liberation of all goods exchanged between the Arab Zone's parties from customs duties in accordance with the principle of gradual liberalization that applies in equal annual rates during a ten-year period (from 1/1/1998 until 31/12/2007) and can conform States parties during the implementation of the development of any goods under the immediate liberation; as may any two countries party to the executive programme exchange exemptions prior to the schedule;

(3) The exchanged Arab goods are within the programme framework, but not for any non-tariff restrictions;

Table 3. The worldwide free zones, investment projects for export and employment opportunities until 2004

Geographic areas	No. of free zones	Work opportunities	Number of investment projects	Countries that own the investment projects
Asia	749	36,824,231	475,859	The United States, Britain, France, China, Korea, Japan, South Korea, Germany, Australia, and other countries.
Central America and Mexico	3,300	2,241,821	6,320	The United States, Italy, Mexico, China, Canada, South Korea, Japan, Germany, Denmark, Singapore, and Guatemala.
North America	713	330,000	2,310	The United States, the European Union, China, Mexico, Japan, and Canada.
South America	39	311,143	5,778	The United States, Spain, France, China, Japan, South Korea, Germany, Australia, Switzerland, Norway, and Luxembourg.
Middle East	37	691,397	7,429	The United States, the Netherlands, France, China, Japan, South Korea, Germany, the UAE, India, Pakistan, Egypt, Syria, and Iran.
North Africa	23	515,440	3,409	The United States, Britain, France, Sweden, Libya, Japan, and Spain.
sub-Saharan Africa	**64**	**431,348**	**521**	**The United States, Malaysia, France, China, Japan, Lebanon, Germany, Britain, Italy, the UAE, Australia, and South Africa.**
Transformed Economies' Countries	90	245,619	5,622	The United States, Greece, France, China, Germany, Japan, Italy, South Korea, Sweden, Australia, Denmark, Switzerland, Macedonia, Singapore, and Turkey.
Caribbean Countries	87	226,130	1,010	The United States, Spain, Trinidad and Tobago, Panama, Jamaica, South Korea, Canada, Mexico, Argentina, Haiti, Italy, and Denmark.
Indian Ocean Countries	3	127,509	693	India, Singapore, France, China, Japan, Malaysia, Mauritius, and Sri Lanka.
Europe	55	50,830	5,363	The European Union, the United States, Japan, China, Turkey, and Australia.
Pacific Countries	14	13,590	96	The United States, Australia, Fiji, Canada, and Britain
Total	5,174	42,009,058	514,539	-------------------------------------

Source: International Labor Organization (2005), The Annual Statistics, Geneva.

(4) The provisions and international rules of the GATT agreement should be implemented in prevention procedures and dumping and subsidy payment imbalances resulting from the application programme;
(5) Preferential granting for the least developed countries, and the countries concerned with determining the nature of the required transaction and the time period, to be presented to the Arab Economic and Social Council for approval;
(6) Determining the method of follow-up implementation, and resolving disputes through specialized committees."

RECOMMENDATIONS

African countries in general, and sub-Saharan African countries in particular, have a great opportunity to raise the productivity of their economies through mutual cooperation with Arab countries for managing their natural and human resources, which are exploited in a limited fashion. This would require securing the capital needs from the Gulf countries to Africa. The capital movement, however, will not happen unless African countries maintain the following requirements:

(1) An institutional stability; (2) A political stability; (3) Freedom of capital movement; (4) A free movement of agricultural requirements and products; (5) Encouraging the establishment of more free zones in African countries, and linking them with free zones in Arab and worldwide countries; and, (6) The transparency of laws and regulations in the GCC and African countries to meet these basic requirements, in order to promote growth to the maximum extent, and (7) good governance.

FOR THE ARAB PUBLIC INVESTORS, WE CAN RECOMMEND THE FOLLOWING:

Firstly, encourage governments of the Arab oil producing countries to guide individual and joint investments by using their oil revenues in various activities of sub-Saharan African countries.

Secondly, involve the League of Arab States, through its Economic Council, to launch a joint Arab initiative aimed at drawing Arab investments, including those limited funds employed in foreign countries, including our African countries, and especially the approved competitive Davos' standard.

Thirdly, coordinate the efforts of the Arab League with the governments of sub-Saharan African countries to exploit sites of the Arab Free Trade Zone as a starting point to activate Arab investments in the manufacturing operations of those rich countries;

And fourthly, motivate governments of Arab countries to urge companies to enter Arab productive investment programmes in sub-Saharan African countries.

ON THE OTHER HAND, FOR THE ARAB PRIVATE INVESTORS:

Firstly, Chambers of Commerce and Industry in Arab countries should encourage businessmen, industrialists, and traders to direct their investments toward strategic sectors of sub-Saharan African countries instead of focusing on the European and American markets. And encourage them in particular to organize continuous field visits to these countries, especially countries with competitive indicators according to Davos' index, in order to connect the link and discover feasible investment opportunities.

Secondly, coordinate efforts between the Arab public and private sectors, in the light of programmes adopted by Arab governments in this area, outside the Arab region in general, and particularly in sub-Saharan African countries.

Thirdly, coordinate efforts between the Arab private sector and the private sector in sub-Saharan African countries, in order to adopt joint projects in the fields of economic, social, and services fields to these countries.

FOR THE AFRICAN COUNTRIES HOSTING THE ARAB INVESTMENTS:

Firstly, a significant burden falls on the governments of African countries to motivate investors and Arab businessmen, governments, individuals, and companies, to invest in various sectors, especially in the areas of productivity. The highlighted truth, especially as 41% of the population of these countries depends on a daily income of less than one dollar.

Secondly, these governments should make greater efforts to reduce some of these obstacles and limitations in terms of administrative, economic and social, regulatory and service.

Thirdly, with the recent financial crises, it is necessary for African countries to work exclusively on the support of Arab investments in all sectors to achieve a good percentage of self-sufficiency for a variety of products deemed necessary for a majority of the population.

And fourthly, as the economies of sub-Saharan African Countries are small and non-diverse and face different problems, it is necessary to make collective efforts to encourage any economic cooperation and regional integration, and the pursuit of overcoming barriers to the activities of trade between these countries, and between them and all countries around the world.

FINALLY, FOR THE ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA(BADEA):

Firstly, as one of the goals of this bank is to encourage Arab public and private capital investments in Africa, it is necessary to redouble its efforts through further policy incentive to attract Arab private companies and not only Arab governmental institutions, especially in rich countries, as they have contributed a large increase in BADEA's capital, toward the concentration of these companies for their investment activities in African countries, particularly in sub-Saharan African countries.

Secondly, stimulating the private sector's investment and expansion within the BADEA's organizational structure, to provide sufficient funding to experts and technicians in the affairs of each of the development research and investment operations, management of African water resources, with a programme of African women in business, along with the Bank's role in transferring Arab investments through the Arab Chambers of Commerce and Industry.

Thirdly, another activity inside BADEA's structure would be important for tasks of coordination with development finance institutions in the region within sub-Saharan African countries, along with coordination in facilitating the preparation of infrastructure projects, focusing on quality of the private activities based on investment activities, focusing on the particular activity, promoting good governance and capacity building, and focusing on another activity in the Bank's portfolio in various sub-sectors.

And finally, as far as globalization is concerned, it has changed and is still changing the dynamic of development in a fundamental measure; the initiative "Mobilizing Aid for Trade," in favour of African countries, for whom BADEA has organized a regional conference in Dar as Salaam (October 2007), is considered a catalyst for the Bank in the capital of one of the Gulf Arab countries, to get the government support of these countries and investors within its private sector in order to adopt a similar initiative for the benefit of sub-Saharan African countries; which is similar to what the Chinese, Indians, and Europeans used to do within their overwhelming investments around the world.

CONCLUSION

We now realize that despite the large size of the reserves of oil and gas and various minerals in Africa, most African countries suffer from poor and backward conditions. This is due to lack of financial capital and skills, which in fact represent a key driver to the wheel of economic development. Also, economic activities were limited to the production of raw natural resources with a variety of agricultural products exported at low prices and do not reflect their true value to industrially advanced countries.

As it is well known, African countries are living in extreme poverty levels, which do not meet the most basic needs of normal life. With the continued need for these countries to attract investment activities, though the existing risk of the security situation caused a lot of reluctance among foreign and Arab investors, they faced a low percentage of these investors, which does not exceed 20%, having proved to them that local investments cover the remaining ratio (80%) in practice. Therefore, African governments should provide various incentives, privileges, and exemptions, regional efforts of individual processes, mutual efforts within the Arab League or through the African Union, to attract more local, Arab and foreign investments.

The contribution of the Arab Private sector to development in Africa is based on the need to create a variety of manufacturing industries, which depend heavily upon the abundant natural wealth.

In addition, as long as Arab–African cooperation in economic and trade fields is still at a very difficult stage, it requires that African governments have to make extraordinary efforts in order to create the appropriate environment for these areas. Therefore, development funds to offer assistance to these Arab countries, especially the Arab Bank for Economic Development in Africa (BADEA), must work to improve the said environment by pushing to stimulate Arab investments toward sub-Saharan African countries.

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