International Journal of Recent Development in Engineering and Technology
Website: www.ijrdet.com (ISSN 2347-6435(Online), Volume 2, Special Issue 4, June 2014)

International Research Conference on Engineering, Science and Management 2014 (IRCESM 2014)

The Implications Of The Arab Spring At The Level Of Foreign Private Inflows.

تداعيات الربيع العربي على مستوى التدفقات الأجنبية الخاصة.

BOUDKHIL Mohammed Elamine[1], ZIRMI Naima[2]

[1,2]*Economic Dept., University of Bechar, Bechar, Algeria*

***Abstract* - The economic and financial performance of the main emerging economies in the world, systematically seeking new markets and access to natural resources, is a growing variable that needs to be taken into account, but in a context of minimum stability, both political and legal, because Capital flows and international trade flows, are considered as the main pillars of economic growth and sustainability, for this, many countries, whatever their stage of growth, have developed integrated strategies to attract capital foreign as foreign investment in its various forms, and encouraged exports and support local products to reach more foreign markets.**

***Keywords*- Financial flows, foreign investment, work flows and capital**.

I. Introduction

Political instability is today a task of paramount importance for the international investor. specialy with the quick pace of globalization its nature and sources have considerably changed, raising the interest of scholars belonging to different fields, from international economics to international relations, from empirical political science to psychology and decision theory.

However, the current situation, which passes through some of the Arab countries can be considered as a blocked factor Repellent of growth and capital flows; These Arab countries must Working to improve the general climate of the state and work to ensure greater political stability, which is in favor of improving the economic situation and to attract more foreign capital.

II. International Private Flows

A. Foreign Investment Flows

— *Foreign direct investment* :

accordance with the standard developed by the International Monetary Fund, the international investment is directly when has the foreign investor have 10% or more of the shares of the capital of one of the businesses and the number of votes which, This quota is sufficient to give the investor an opinion in the management of institutions. [1]

— *Forms of foreign direct investment :*

- joint investment ,
- investment in the establishment of a branch of the international company ;
- distribution agents ;
- franchise ;
- investment in the process of handing over the key ;
- management contracts ;
- projects or assembly operations . [2]

—*Portfolio investments* :

Concerning the operations of buying or selling foreign real assets (Shares) , rights (bonds) , not to control the company, but simply in order to employ the funds . It should be noted that in the case of purchase of shares should not exceed the percent of 10% of the company's capital , Because exceeded this percent can be regarded as foreign direct investment. [3]

International Journal of Recent Development in Engineering and Technology
Website: www.ijrdet.com (ISSN 2347-6435(Online), Volume 2, Special Issue 4, June 2014)

International Research Conference on Engineering, Science and Management 2014 (IRCESM 2014)

—*Tools investment portfolio:*

- Stocks
- investment funds.

B. Foreign investment Risks :

Should the investor has to be fully aware of the risks that would be offset.

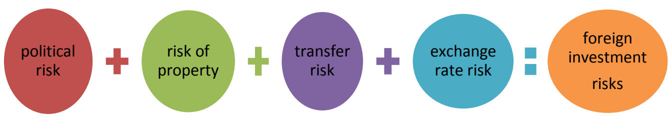


Fig 1 : Risks of foreign investment

Source : *by authors*

C. Lending operations :

—*concept :*The concept differs from person to another , each according to his specialty .

In European languages origin of the word loan "Credit" comes from the Latin word "Creditum" derived from the Latin verb "Credere" which is believed to mean "Believe". [4]

—*Types of loans*

- *Facilities suppliers :* so-called export credits , is a loan secured by borrower governments are granted by the producer and exporter company to importers in another state ; This loan is used to purchase goods and services for the donor of the loan business , and The loan is used to encourage export of a period between 90 days to 10 years. [5]
- *Banking facilities* : are short-term loans granted by commercial banks to borrowers in another country in order to finance the deficit seasonal or temporary ; the maturity ranges between 6 months and one year and interest is calculated on the basis of (libor). [6]

D. Movements of labor and capital

The definition of monetary and financial transactions in the general sense seems simple: is a part of the income of migrants to their countries of origin, most often to the family. In fact, this definition should be clarified because many elements are ambiguous. Where there is no single definition of monetary and financial transactions.

Is recorded remittances by migrants in the three items of the balance of payments:

- labor income: (2310 account of the current account) is an income and wages of production factors to workers working less than 12 months abroad, they are temporary and seasonal and as well as across the border.
- workers remittances (account 2391 current account) is the value of remittances from migrants living abroad for over a year.
- migrant transfers (account 2431 Capital H) transfers related to the movement of goods and financial assets arising from migration. [7]

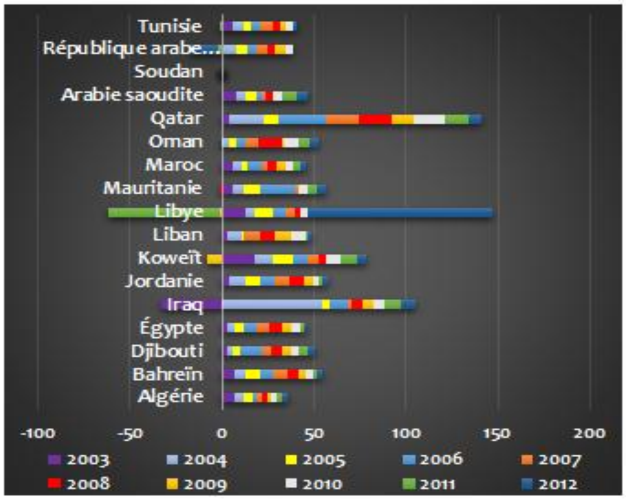
III. ARAB ECONOMIES

A. Overview of the Arab economies

The Middle East and North Africa Sign a strong growth of oil exporters in 2012 to about 5.75%, due mainly to the process of the restoration of oil production in Libya, which is nearing completion and strong growth in countries

This continuous increase in public spending supports growth of total non-oil GDP, which is expected to 4.25% this year. In general, the high expected growth in the countries of the region exporting oil to about 3.75% in 2014, on the impact of the increase in total non-oil GDP growth and the resumption of oil GDP. [8]

Capital flows have also been affected by the impact of recent political developments and before the global financial crisis. [9]



Source : by authors ; from UNTCAD

Fig 2 : Arab GDPgrowth 1970-2011 (M $)

International Journal of Recent Development in Engineering and Technology
Website: www.ijrdet.com (ISSN 2347-6435(Online), Volume 2, Special Issue 4, June 2014)
International Research Conference on Engineering, Science and Management 2014 (IRCESM 2014)

At the level of the geographical distribution during the year 2012 for the first time ever managed to developing countries to attract share larger investments from developed countries amounted to 52 % of the total global flows versus approximately 42% for developed countries , which confirms the developmental role of junk that can be played direct foreign investments . [10]

FDI inflows to Arab countries from 2006 till 2010 were fluctuating from one year to the other. The GCC countries are the highest receiver of FDI in the Arab World during the last five years; itincreased from 54% to 60% in 2006 till 2010. This showed the economic stability anddevelopment of economic situation in the GCC region to confirm that. The FDI and stocks isconcentrated in few countries for instance about 80% of the FDI in 2010 is concentrated in sixcountries: Saudi Arabia 42%, Egypt 10%, Qatar 8%, Lebanon 7%, United Arab Emirates 6% andLibyan Arab Jamahiriya 6%. The More Diversified Economics “MDEs” (Algeria, Egypt, LibyanArab Jamahiriya, Morocco, Tunisia, Iraq, Jordan, Lebanon, Palestinian Territory, and the SyrianArab Republic) were 39% during 2006 and decreased by 6% in 2008 and it recover back thisdecline in 2010 to become 38% in comparing to GCC and Least Developed Countries“LDCs” (Mauritania, Comoros, Djibouti, Somalia, Sudan, and Yemen). The reason of declined inMDEs comparing to LDCs and GCC region in the Arab world it was because of theattractiveness of FDI inflows to the GCC region. [11]

during 2012 the Arab countries attracted about $ 47.6 billion , compared with $ 42.2 billion in 2011 .

B. Overview Of The Situation Of The Arab Spring Countries

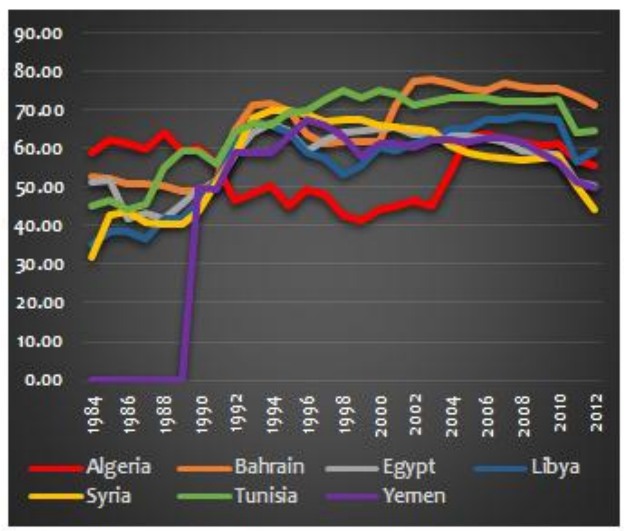
Events that swept a number of Arab countries since the end of 2010 and the resulting political uncertainty and economic conditions in these countries, as well as neighboring countries, as well as continue to reveal the consequences of the economic crisis World in 2008, imposed the need to remodel the main actors in the Arab markets in various spheres of economic activity, particularly in the areas of trade, finance and business Arab and international banks operating in the region .

As is still, the Arab countries during the transition in 2013 (Egypt, Jordan , Libya, Morocco , Tunisia and Yemen) , is faced with a difficult internal changes.

There are still international reserves continue to decline due to weak global economic conditions and the limited flexibility of exchange rates , while financial reserves decreased prevention strongly due to the huge increase in wages and public sector grants the face of social pressures.

This underlines the urgent need to preserve macroeconomic stability. The continuing political uncertainty also disrupts growth, while economic recovery is expected to moderate in these countries in 2013 is not enough to create the jobs needed to solve the problem of unemployment in the high region.

These problems will be exacerbated severity mainly because of the tragic ongoing conflict in Syria, which deteriorates until it becomes a serious humanitarian crisis , including economic and social consequences accompanying increasingly on neighboring countries. [12]



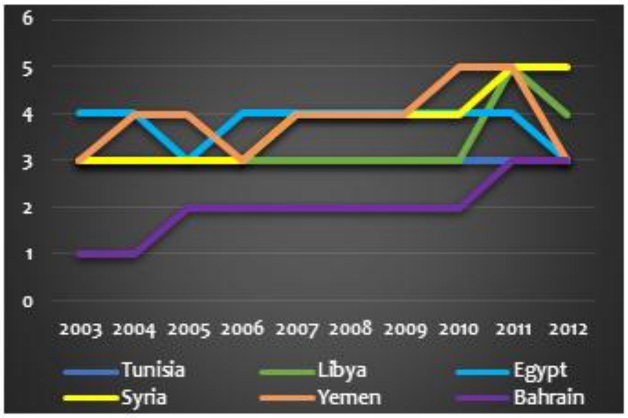
source : *by author (prs data bases)*

Fig 3 : Icrg political risk some arab country (1984-2012)

Fighting in the Syrian Arab Republic has led to serious economic damage, including the Destruction of property, commercial and residential infrastructure and production facilities. over the negative impact of economic sanctions on the Syrian economy. The oil embargo has caused a loss of export of nearly four billion revenue, which . Leads to a decrease in revenue of about 25 percent in 2012.

Jordan and Lebanon are affected , especially in the wake of economic activities of the recession border with Syria.

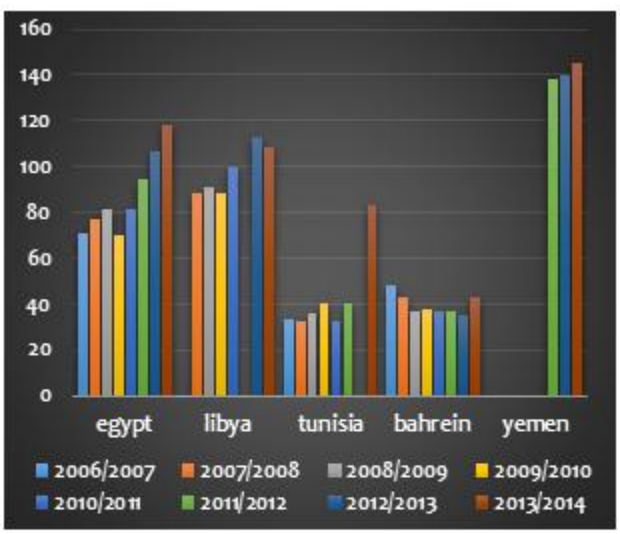
International Journal of Recent Development in Engineering and Technology
Website: www.ijrdet.com (ISSN 2347-6435(Online), Volume 2, Special Issue 4, June 2014)
International Research Conference on Engineering, Science and Management 2014 (IRCESM 2014)



source : *by author (pts data bases)*

Fig 4 : Amnesty political violence and terror (2003-2012)

Also ;Reduction of capital flows and tourism as a result of the crisis, these factors were soon promotes economic growth in these countries. After the devaluation of the Syrian pound in January 2012, and increased demand for foreign exchange in many neighboring countries. And forced the Central Bank of Jordan to raise interest rates and sell foreign exchange reserves to maintain the Jordanian dinar , also decreased the value of the Iraqi dinar against the U.S. dollar. [13]



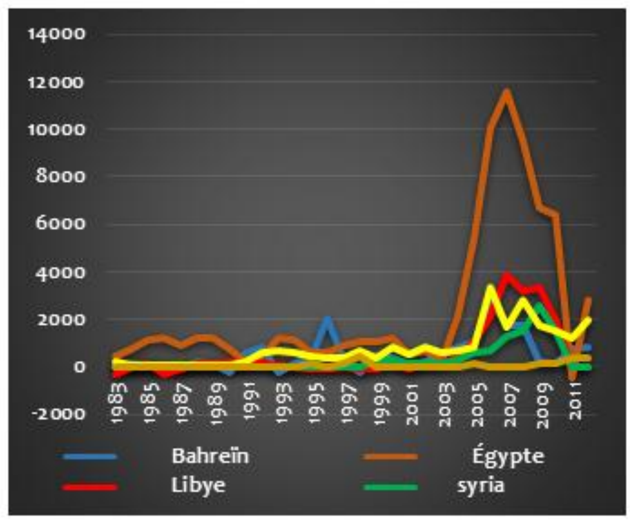
source : *by author (wef data bases)*

Fig 5: Arab spring coutry Global Competitiveness Index (2006-2013)

IV. The Impact Of The Arab Revolutions On Capital Inflows Of Arab Economies.

A. Foreign direct investment :

The political turmoil of 2011 led to some dramatic changes in the volume of FDI in the countries most affected by the Arab Spring uprisings. The number of FDI projects in Libya and Yemen declined by 80%, in Egypt by 29%, in Syria by 26% and in Tunisia the number of FDI projects fell by 14%. Despite the political upheaval in north Africa, Africa as a whole was the growth hotspot in 2011, with a 24% increase in FDI projects recorded.



Source *: by authors ; databases of UNTCAD*

Fig 6 : FDI M$ (Arab Spring Countries (1983-2012)

The Middle East and Africa (MEA) attracted a total of 1530 projects, according to a report released by fDi Intelligence. Capital investment was down slightly by 1% and job creation up by 3%. The top 10 countries for FDI attracted 64% of projects and capital investment, and 54% of jobs created. [14]

Perhaps Tunisia is the only one which recorded an influx of foreign investment recorded a estimated 432,666,011.6 $ and 1,554,269,129 $ in each of the years 2010 and 2011 , respectively, As for Egypt, Yemen experienced negative flow in 2010, estimated at -482.7 m $ and -712,813,328.9$

International Journal of Recent Development in Engineering and Technology
Website: www.ijrdet.com (ISSN 2347-6435(Online), Volume 2, Special Issue 4, June 2014)

International Research Conference on Engineering, Science and Management 2014 (IRCESM 2014)

B. Investment Portfolio:

Tunisia and Egypt are considered the only countries that attract other investments, especially those directly related to the actions, but the value of these investments turned negative from 2010 to Egypt, where amounted to 711,300,000 $ and 983,400,000 $ in 2011 and 2012 respectively, the same as in Tunisia, which recorded negative flows since 2008, bringing the year 2010 25,918,681 $ and – 43,756,733 $, -15,365,982 $ in the years 2011 and 2012.

Source : by authors ; databases of world bank

Fig 7 : Investment Portfolio M$ (Arab Spring Countries (1983-2012)

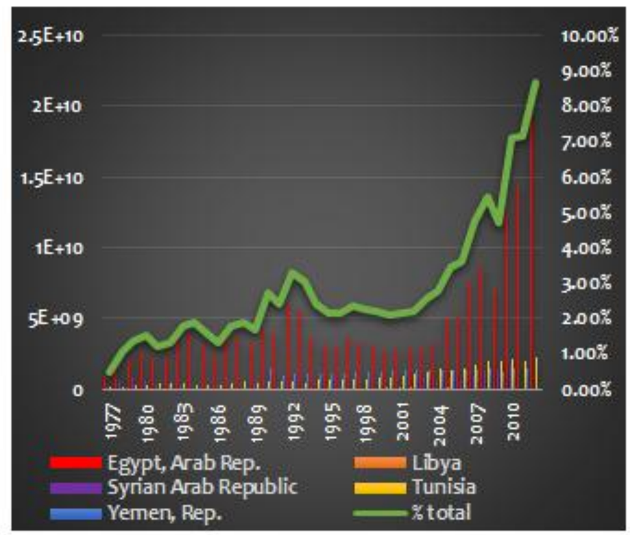
C. The flow of emigrants:

Note that the flow of migrants recorded the highest in the last 30 years rates.

The growth of migrant remittances was higher in 2011 than in 2010 for all regions except the Middle East and Northern Africa, where flows were moderated by the Arab Spring.

Contrary to the regional trend, remittances to Egypt have surged since 2010, due to a to a variety of factors including the return of migrants from Libya and Syria and falling housing prices that likely spurred home purchases in Egypt by Egyptians residing abroad and Perhaps this is due to the relative political stability of these countries ; With over at 19,236,400,000 $ and 2,265,714,118.02 million $, in 2010 and 2011. Egypt is the largest recipient of migrant remittances in the Arab region and sixth largest in the world.

Lebanon is among the world’s top 10 recipients of migrant remittances as a share of GDP, 18 per cent in 2011. [15]



***Source** : by authors ; databases of world bank*

Fig 8 : The flow of emigrants $ (Arab Spring Countries 1983-2012)

V. CONCLUSION

Recently there is a direct effect of international instability on international financial flows , making it the change of destination as to make an opportunity for developing countries to attract more of these flows with a view to reviving the economies of the new , and also the case for the Arab countries .

However, some known blowing breeze of the Arab Spring, which does not know its future developments on the political front, but what is certain economically, it is not an economically spring, becuase the economic performance over the last three years show the recent collapse of some economies like the Syrian economy and a wave of recession for the rest of all by the power of the wind.

Social and political crisis of the Arab Spring has had a impact on the economic situation, which resulted in a lower level of international capital flows to these countries, particularly foreign investment, but it is likely that investors transferred their investments to countries in political stability country.

International Journal of Recent Development in Engineering and Technology
Website: www.ijrdet.com (ISSN 2347-6435(Online), Volume 2, Special Issue 4, June 2014)

International Research Conference on Engineering, Science and Management 2014 (IRCESM 2014)

In order that, should these countries:

- It is likely that the countries reforming their economies and legal frameworks through inclusive policies
- It may be important to actively undertake investment-promotion policies - Economic reform - to fill in information gaps or correct perception gaps that may hinder foreign direct and indirect investments inflows.
- Work to improve the banking system to facilitate all international transactions ;
- Work on developing facilities allow the introduction of immigrants to transfer their money in a legal way away from unofficial channels ;
- Financial sector reform and financial liberalization to attract portfolio investment ;
- To create an facilitate administrative procedures that hinder economic activity and provide investment services for the prospective investors".

REFERENCES

[1] أميرة حسب الله ، محددات الاستثمار الأجنبي المباشر و غير مباشر في البيئة الاقتصادية العربية ، الدار الجامعية ، الإسكندرية ، 2004 م 2005 -م ، ص13 .

[2] عبد السلام أبو قحف: الأشكال والسياسات المختلفة للاستثمارات الأجنبية، مؤسسة شباب الجامعة، الإسكندرية ، 2003، ص24 .

[3] David Hénaux : Les mouvements internationaux de capitaux (Comprendre les crises financières), educagri, 2009, p23.

[4] شاكر القزويني، محاضرات في إقتصاد البنوك، ديوان المطبوعات الجامعية، الجزائر، 2000 ، ص 90.

[5] David Lawson: Le Club de Paris- Sortir de l'engrenage de la dette- , l'harmattan, 2004 , P 74.

[6] http://forum.univbiskra.net/index.php?topic=21938.0;wap2

[7] Marie Coiffard: Les déterminants et impacts macroéconomiques des transferts de fonds des migrants : une analyse du cas des pays fortement dépendants, thèse doctorat , UNIVERSITÉ DE GRENOBLE, Le 02 décembre 2011,p 21.

[8] The prospects for the global economy, the hopes and the reality and risks, the International Monetary Fund, April 2013. ISBN 978-1-61635-547-0 (Arabic) ،P60

[9] ضمان الاستثمار : نشرية فصلية تصدر عن المؤسسة العربية لضمان الاستثمار و ائتمان الصادرات السنة الحادية والثلاثون - العدد الفصلي الأول (يناير – مارس2013) ، ص 8.

[10] http://elasrag.wordpress.com

[11] full paperUnder Supervisor Prof Marco Zamarian UNIVERSITY OF TRENTO FACULTY OF ECONOMICS AND MANAGEMENTMASTER IN INTERNATIONAL MANAGEMENT, an Analysis of Flows and an Evaluation of Country Specific Business Environment (http://www.academia.edu).

[12] Annual Report 2013: for a global economy more stable, secure, IMF ،ISBN 978-1-48436-420-8 (Arabic), p 20.

[13] html.index/wesp/policy/desa/development/en/org.un.www/:http

[14] http://www.fdiintelligence.com (Middle East and Africa FDI growth affected by Arab Spring)

[15] Barry Mirkin: Arab Spring: Demographics in a region in transition, Arab Human Development Report, United Nations Development Programme, 2013, p20.