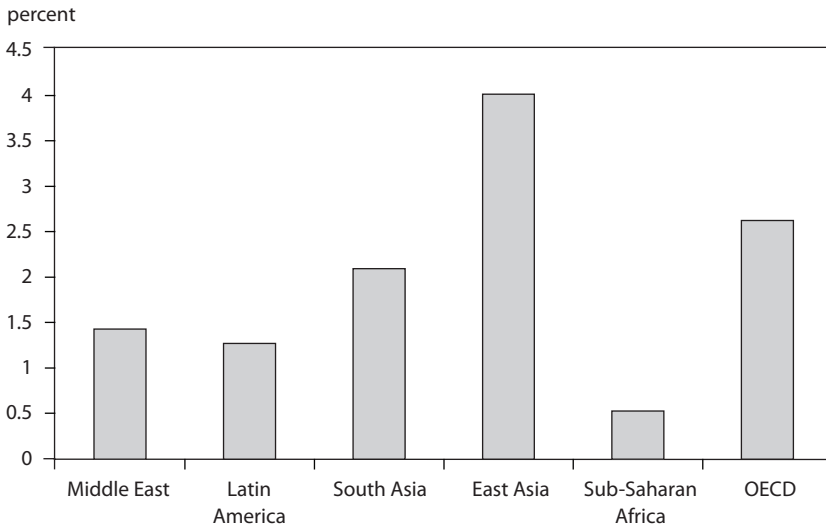

Introduction

The economic performance of the Arab countries of the Middle East has been middling over the past four decades. It has been worse than East Asia, better than sub-Saharan Africa—the other region most profoundly marked by arbitrary borders and weak states—and about the same as Latin America and South Asia: in a nutshell, not the worst, not the best, falling behind the West (see figures 1.1 and 1.2 and box 1.1). While the region has suffered no major crisis, it now faces a major imminent challenge, namely the demographic imperative to create jobs for the large cohort of young people reaching working age. The stakes are high: Rapid labor force growth in many Arab countries has contributed to despair among young men about their job prospects and consequent worries about political stability.

The fact that economic performance slipped over the past quarter century relative to a broad set of comparators heightens concern about this fundamental challenge. In part due to relatively high population growth rates, living standards in the Arab countries as a whole stagnated during the 1980s and 1990s, with per capita income in 2000 at roughly the same level as 20 years earlier. The average disguises considerable intragroup variation, however: Growth in countries such as Egypt and Tunisia has been sustained if modest, while income levels in major oil exporters such as Algeria, Kuwait, and Saudi Arabia have exhibited greater volatility, largely mirroring movements in the price of oil. With the real price of oil nearing record levels, these countries are currently riding high (figure 1.3 and box 1.2). This heterogeneity complicates the analysis: While investment bankers understandably focus on the Persian Gulf oil exporters that have earned more than \$1 trillion of petrodollars this decade, for those more concerned with generating employment, alleviating poverty, or at-

Figure 1.1 Rate of growth of GDP per capita in constant prices, 1960–2004



OECD = Organization for Economic Cooperation and Development

Notes: Figure shows simple regional averages for compound annual growth rates. Middle East includes Algeria, Bahrain (1982–2003), Egypt, Jordan (1975–2004), Kuwait (1962–2003), Lebanon (1988–2004), Libya, Morocco, Oman (1960–2003), Saudi Arabia (1968–2003), Syria, Tunisia (1961–2004), United Arab Emirates (1973–2002), and Yemen (1990–2004).

Source: World Bank, *World Development Indicators*, various years; *Taiwan Statistical Databook*, 2004.

tenuating political violence, the more populous lower-income countries such as Egypt or Morocco may be of greater salience. This division is not hermetic: Most of the 9/11 hijackers were Saudis, and the lower-income countries have plenty of business opportunities. In short, the region embodies considerable diversity and complexity, features that this book explicitly takes into account.

Internal pressure across the region stems primarily from demographic patterns. Mortality rates have fallen, life expectancy is rising, and fertility rates have begun to decline. During this transition, population growth has been surging, and children and young people outnumber adults by a very large margin. Eventually fertility will fall far enough so that population growth slows, but the interim period of transition is generating a large “demographic bulge” cohort that is slowly working its way through the population age profile. Between 1980 and 2000, life expectancy in the region increased by more than eight years, and infant mortality was cut in half. Fertility rates fell dramatically—by more than two births per woman—but not quickly enough to preclude the emergence of a sizable demographic bulge. The three most populous Arab countries—Egypt, Algeria, and Mo-

Figure 1.2 Map of the Arab economies



rocco—have median ages of 20, 20, and 21, respectively. Only in the United Arab Emirates, a small country on the Persian Gulf, is the median age 30 or more. According to the UN Development Program’s (UNDP) *Arab Human Development Report 2002*, the population of the Arab region, narrowly defined, is expected to increase by around 25 percent between 2000 and 2010 and by almost 50 percent by 2020—or by perhaps 150 million people, a figure equivalent to more than two additional Egypts. Even under the UNDP’s more conservative scenario, in 2020, Bahrain, Kuwait, Qatar, and the United Arab Emirates will be the only Arab countries with median ages projected to exceed 30.

These figures suggest that the region as a whole will experience labor force growth of more than 3 percent for roughly the next 15 years or so. According to the Arab League, unemployment in the region could rise from 15 million to 50 million over this period. Under these circumstances the imperative is to create jobs.

Besides the internal demographic pressures, the region faces an external challenge as well: The successful ongoing globalization of China, India, and smaller rivals is creating an ever more competitive global economic environment in which the Middle East has to operate. The global marketplace embodies increasingly stringent competitive pressures and less tolerance of substandard policies and practices than existed 20 or even 10 years ago.

Yet it is almost impossible to imagine sustained generation of needed employment opportunities without successful globalization and cross-border economic integration. While the benefits (and losses to some) of globalization have become clichés, it is critical to solve myriad problems.

Box 1.1 What is the Middle East?

There is no commonly accepted definition of the Middle East (see map in figure 1.2). This book focuses on the Arab countries from Morocco in the west to Iraq in the east. Due to data availability constraints we concentrate on eight countries: Algeria, Egypt, Jordan, Kuwait, Morocco, Saudi Arabia, Syria, and Tunisia, which together account for more than half of the region's population and economic output. We refer to the other economies of the region as circumstances permit.

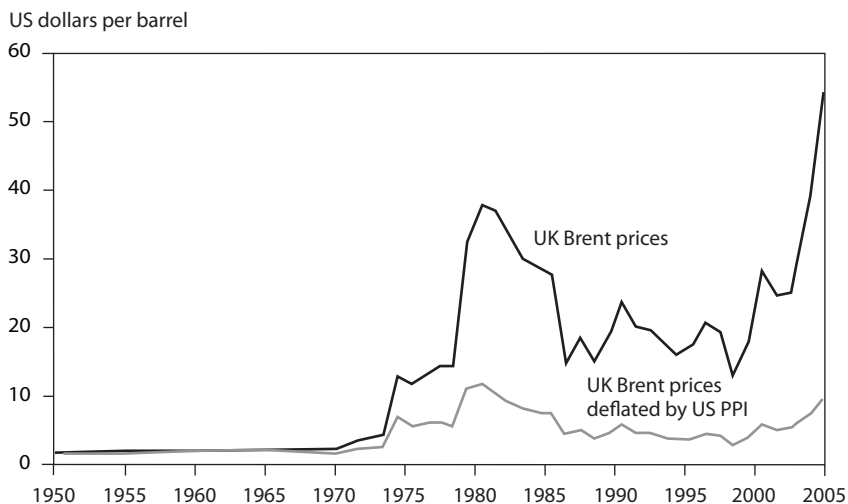
A number of countries on the periphery of this region (as we define it) are sometimes treated as part of the region, though we believe that the divergences outweigh the commonalities and are not of central interest to understanding the dynamics of the region. For example, Israel, geographically part of the region, is distinct both economically and politically. To the east, Iran shares certain common historical, religious, and economic characteristics of parts of the Middle East; in the classification scheme of the Bretton Woods institutions it is part of the Middle East North Africa (MENA) region, though it is not considered part of the Middle East by the United Nations system, whose individual agencies do not follow a common definition. Similarly, countries on the African periphery such as Djibouti, Mauritania, Somalia, and the Sudan are members of the Arab League and included in the *Arab Human Development Report* (despite not being classified as part of the Middle East by its sponsor the UN Development Program [UNDP]). Like Iran, Turkey shares many links to the region but is not classified as a Middle Eastern country and is a member of only the broader pan-Islamic organizations. Classifications and memberships according to the World Bank, International Monetary Fund, UNDP, UN Educational, Scientific and Cultural Organization, Arab League, Arab Bank for the Economic Development of Africa, the Islamic Development Bank, the Organization of the Islamic Conference, and the Organization of Petroleum Exporting Countries are reported in appendix table 1A.1.

Even though for reasons of data availability we often consider only a subset of all Arab countries in our analysis, occasionally for convenience they are referred to as Arab, Middle Eastern, or MENA countries with the understanding that we are referring specifically to the more limited core set, though we believe that their experiences are broadly representative of the region in its entirety.

Unlike public-sector employment programs, expansion of labor-intensive export activity can absorb many new labor force entrants on a commercially sustainable basis. Imports of new equipment and intermediate materials can improve productivity, which can both lower prices of domestic goods and enhance exports. Foreign direct investment (FDI) can add to domestic savings, thus increasing the national saving rate, and provide

4 THE ARAB ECONOMIES IN A CHANGING WORLD

Figure 1.3 Commodity price series for petroleum, spot



Source: IMF, *International Financial Statistics*, February 2006, June 2006.

technological knowledge and ready-made distribution networks, thereby reducing the need for the time-consuming and expensive process of developing such networks. However, the greater social openness required to realize these benefits will disrupt established practices and mores.

To date, the region's performance on numerous indicators of economic opening to the rest of the world has been unimpressive, and looking forward there is cause for concern as to the region's ability to successfully globalize and generate the necessary growth in employment. For example, in 2003, the Philippines had more manufactured exports than the entire Middle East and North Africa (MENA) region combined. Until the recent oil-fueled expansion of FDI, the region attracted less FDI than some small Scandinavian economies. The Middle East risks being left behind, precisely when it needs to accelerate growth to create jobs for its growing labor force.

Deep uncertainty about the future of many of the region's political regimes impedes successful globalization and sustained employment growth. While the region's contemporary economic performance may not be distinctive, on the whole, its political regimes are. According to Freedom House, the only Arab League member government classified as a democracy is the small Red Sea enclave of Djibouti. Enduring authoritarian regimes are instead the norm (figure 1.4). All received negative assessments on the Polity IV Project ratings that range from 10 (most democratic) to -10 (least democratic), based inter alia on the relative competitiveness of the head of government's recruitment, constraints on him or her, and competitiveness of political participation. The individual

Box 1.2 The price of oil

In 2006 oil prices reached an all-time high, approaching in real terms to Americans, at least, their 1980 peak (figure 1.3). Moreover, the recent increase appears to be a spike, not a gradual increase.

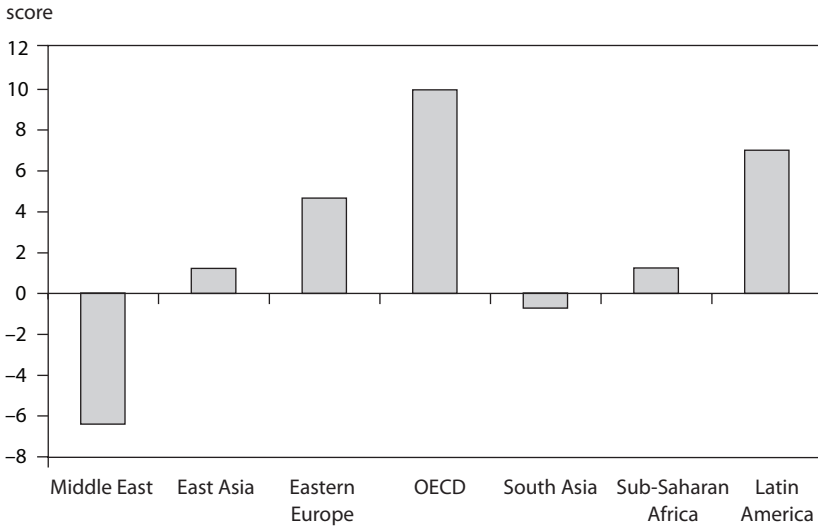
Since 1973, the price of oil has been volatile, responding to various real economic, technological, and political shocks. There are a wide range of views on the future trajectory of the price ranging from nominal prices in excess of \$100 per barrel, to rough stability at current levels, to reversion to a long-run equilibrium of \$35 per barrel or less.

We are not oil experts and will not offer our own forecast but rather treat the price of oil as an important variable operating in the background of the analysis, to be pulled to the forefront when it is particularly relevant.

country scores range from -2 in the cases of Jordan and Yemen to -10 , the absolute minimum, in the cases of Qatar and Saudi Arabia. Similar results are obtained with measures of repression such as the degree of extralegal political terror (de Soysa and Nordås 2006). Moreover, this authoritarianism is enduring: According to the Polity IV scoring, only the industrialized democracies of the Organization for Economic Cooperation and Development (OECD) experienced fewer regime changes on average for the period 1960–2000—no developing area was as unchanging as the Middle East (figure 1.5). In developed democracies, the absence of abrupt change is unsurprising, but in poorer countries it often signifies a closed political system in which elections are infrequent and more closely resemble staged acclamations than a genuine contest of power. There is modest evidence of democratization in the Middle East data: Five countries exhibit increases in democratization scores over the sample period, two exhibit declines, and the scores of the remainder are unchanged or exhibit fluctuations without any obvious trend. This combination of authoritarianism and stability is indeed unique.

This is not to say that the region's political regimes are alike: Some such as Morocco, Saudi Arabia, and Jordan are monarchies of varying historical duration and liberalism; others such as Algeria, Tunisia, and Yemen are authoritarian states with security services forming the core; and Syria, Egypt, Libya, and Iraq (under Saddam Hussein) combine both authoritarian and dynastic tendencies. Lebanon is *sui generis*, a fragmented democracy subject to Syrian influence that has varied over time. The Palestinian Authority might similarly be described as an unconsolidated democracy in a state of semiautonomy in relation to Israel. Needless to say, the political trajectory of post-Saddam Iraq is highly uncertain. Whatever their formal institutional characteristics, a number of these regimes are dominated

Figure 1.4 Average polity score, 2003



Note: Middle East includes Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, and Yemen.

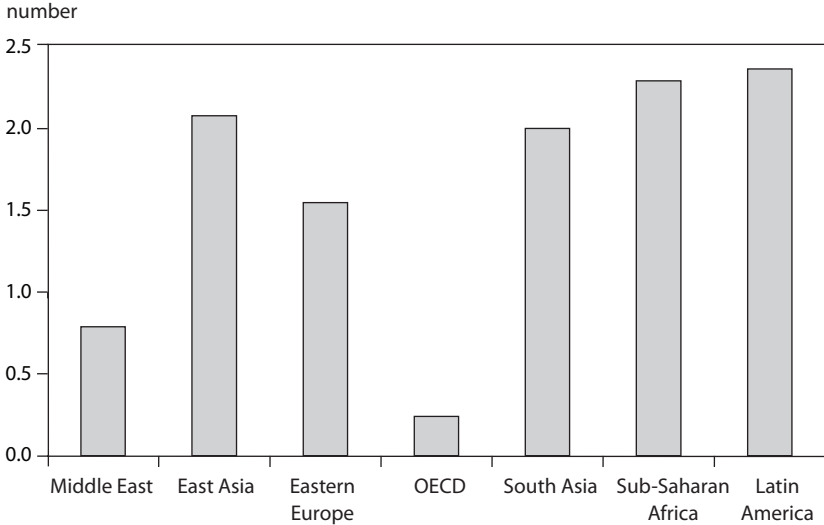
Source: Polity IV Project, www.cidcm.umd.edu/polity (accessed January 24, 2007).

by religious or tribal minorities. Lacking popular legitimacy, they resort to coercion to obtain compliance.

Popular dissatisfaction associated with lack of political voice appears to be reinforced by dismal prospects for employment over the next decades and an appreciation of the better performance that was forgone. In a 2002 poll of Arab attitudes conducted by the American pollster James J. Zogby, in most countries surveyed, respondents among the young and educated were generally more pessimistic about their economic future. This pessimism was particularly acute in countries like Saudi Arabia and Kuwait, which witnessed large declines in per capita income in previous years (Zogby 2002). While this discontent may have been mitigated by benefits from the recent increase in the price of oil and associated trickle down, the long-term structural concerns remain. And in countries such as Syria and Yemen, revenues from oil sales, which have enabled the continuance of standard economic practices and associated political regimes, are expected to be exhausted within a decade (World Bank 2006a).

This situation is enormously important, most directly for the region's residents who endure repressive governance or the many who emigrate. Yet it goes without saying that both internally and externally there are other, noneconomic stakes as well. It is often argued that authoritarian governments typically have difficulty making credible policy commitments because the lack of democratic accountability facilitates capriciousness. As

Figure 1.5 Average number of regime changes, 1960–2003



Note: Middle East includes Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, and Yemen.

Source: Polity IV Project, www.cidcm.umd.edu/polity (accessed January 24, 2007).

a consequence, credibility in authoritarian regimes is, to a greater extent than in democracies, a function of reputation, which is hard to gain and easily lost. This credibility deficit can manifest itself in a variety of ways. For example, if economic reforms are introduced, supply response may be lacking if entrepreneurs are unsure if the policies will be sustained, and as a consequence they are reluctant to make irreversible investments if they believe that the government could easily undo the reforms.

Rather than excessive policy instability, however, the region appears to be afflicted with a stultifying policy inertia, and the political issues confronting the region would appear to run deeper than mere reputational effects. Across the region there is a tendency to rely on centralized regulatory intervention to facilitate the creation of economic rents and their channeling to politically preferred groups. By implication, cross-border economic integration, whether globally or regionally, is discouraged: Opening up would imply a loss of control and the concomitant ability to rig the local market to the benefit of regime supporters. All of this militates against a vibrant private sector that could promote increased productivity, employment, and growth. This combination of political illegitimacy and policy intervention makes it difficult for these economies to liberalize: Reform and the erosion of rents could undermine the very basis for political loyalty. In the words of one observer, “Only by altering the political logic that sustains these regimes, moving from a base built on the discretionary distribution of pa-

tronage to one grounded in the legitimacy that comes with procedural legality and political accountability, will political elites ever be persuaded to undertake economic reform” (Bellin 2006, 137–38). Ironically, though many speak of a “resource curse” associated with the oil industry, the availability of “natural” rents created by the energy sector may actually reduce the political incentives to create rents through efficiency-inhibiting policy interventions in other sectors such as manufacturing or publicly financed construction of infrastructure. Sufficient payoffs to cronies are feasible with the oil rents alone.

This lack of political dynamism in the face of underlying social change together with the increasingly religious orientation of the political opposition paradoxically raises the possibility of abrupt transitions or regime changes. Such deep political uncertainty discourages behavior that necessitates irreversibility, from investment by foreigners or local residents to return on the part of skilled émigrés, and creates a self-reinforcing downward spiral: Political uncertainty impedes investment and growth, which in turn contributes to popular discontent and intensified uncertainty.

None of this is to say that undemocratic governance is an insurmountable obstacle to development—South Korea and Taiwan in the 1960s and 1970s and China in the last quarter century spring to mind as obvious counterexamples—or that evolutionary political change is impossible, as the South Korean and Taiwanese examples demonstrate. Yet despite considerable external threats, in South Korea and Taiwan both governments sought legitimacy through economic prosperity. South Korean strongman Park Chung-hee once remarked, “In human life, economics precedes politics or culture” (SaKong 1993, 24). We know of no equivalent statement by an Arab autocrat elevating economics above political or cultural or foreign policy concerns. Instead, in the Middle East authoritarian governments have tended to encourage the externalization of discontent associated with relatively poor economic performance or to channel it into quixotic pan-Arab projects.

In the wake of 9/11, it may be tempting to parse the analysis that follows for insights into the relation between economic performance and terrorism, which, following Boaz Ganor (2002), can be defined as the intentional use of, or threat to use, violence against civilians or civilian targets to attain political aims. Many diagnoses of the sources of terrorism have emerged. Some have emphasized discontent with the rulers of Arab countries, while others locate the cause in hostility to aspects of Western culture such as women’s rights. The list of causes is as varied as the intellectual background of the writers. Among the favorite explanations is that poverty and economic stagnation have provided a fertile recruiting ground for terrorists, a view that presupposes that the economic and social performance of these countries has been worse than that of other comparably situated nations—an assumption that finds little support in the evidence reported in the succeeding chapters. Yet whatever its origins,

terrorism has significant implications for economic performance in the region. It raises the risk premium in the calculus of both internal and external investors, reducing and distorting both physical and portfolio investment as well as contributing to capital flight.

Such concerns have contributed to a revival of the neo-Weberian attribution of economic prosperity to religious tradition, though in this new rendition, instead of Calvinism acting as a catalyst, Islam is recast as an inhibitor. This notion has some surface plausibility: Muslims around the world are, on the whole, poorer than non-Muslims, and Islam is associated with distinct institutions and practices that could serve as the causal links between theological belief and economic performance. Some have also argued that the all-encompassing nature of Islamic belief may also contribute to political cultures that give rise to unresponsive authoritarian governments, which ultimately impede economic development. We explicitly address these ideas and conclude that while the evidence does not support the notion that Islam is a drag on growth, it is relevant to understanding the discomfort that some in the region express about globalization and the constraints governments in the region face in formulating their external engagement policies, which we argue are critical to the region's economic prospects.

That said, the role of Islam or other cultural factors should not be overstated. Obstacles to change governments face throughout the region may not be unique, and comprehending the difficulties of implementing reform may not require an analysis of spiritual evolution in the last millennium. Consider the region's largest nation in terms of population, Egypt. Over the past quarter century, it has experienced sustained growth, not particularly low relative to comparable countries outside the region but insufficient to absorb its rapidly increasing labor force. Acceleration of growth may require policy changes that could pose serious short-term political challenges with no guarantee of success. Incumbent politicians and the many workers who benefit from the current system may not support such changes any more than American textile workers support further reduction in barriers to cheap imports. In some respects the mix of collective action problems and entrenched interest group politics that currently impedes Egyptian economic reform resembles that in present-day Argentina or in India two decades ago, though the rigidity of the political system and popularity of groups such as the Muslim Brotherhood create the possibility of abrupt political transitions and raise the political stakes of economic reform. The latter two cases are relevant to the Middle East in that their divergent paths dramatically underline that outcomes are not preordained and that policy can have a significant impact—for good or ill.

In sum, the region faces a demographic imperative, a globalization challenge, and a deep uncertainty surrounding its politics. Responses to these forces are to varying degrees conditional on the price of oil determined in global markets. Contrary to rhetoric that claims the Arab countries of inter-

est are *sui generis*, closer scrutiny employing standard modes of economic analysis suggests they share important commonalities with appropriately identified comparators from outside the region. Nothing immediately suggests that the Arab economies of the Middle East have a particularly onerous heritage that is inimical to successful development. In this light, the reform experiences of other countries are germane, from those of some relatively successful Asian countries to examples from Latin America, Eastern Europe, and other regions with more varied experiences.

Addressing the Challenge

The Arab economies are squeezed by the demographically preordained imperative to create jobs on the one hand and the increasingly competitive nature of the global economy on the other. For the region's more successful countries, the "crisis" is partly comparative—how will they fit into a rapidly evolving world economy in which some of the channels of development such as manufacturing exports pursued by recent success stories in Asia will be hard to replicate given the high competence built up by low-cost rivals such as China and India, as well as their now more advanced predecessors. And as attention increasingly turns to services, countries such as India and the Philippines are already establishing themselves as formidable centers for offshoring back-office activities and other business services.

To successfully meet this looming challenge, three intertwined questions arise:

- Can the underlying problems be diagnosed and the relevant policy levers identified?
- Will reform be blocked by elite and popular resistance?
- Will the requisite supply response to the policy change be forthcoming, i.e., will the economy actually respond to policy change?

The first task is, to borrow a medical metaphor, to form a proper diagnosis. In order to accelerate growth, the most important constraints impinging on the economy must be identified. Weak links to the global economy, low levels of FDI, lack of technology transfer, industrial incompetence, high levels of government investment and ownership, and high costs of doing business are among the difficulties that have been extensively documented, for example, by a series of World Bank volumes (2003a, 2003b, 2004c). All of these affect the critical issue of the incentives facing individuals and the firms and firms they manage.

Chapters 2 and 3 present evidence from 1960 to the present on both economic and social indicators within a framework that allows comparison

with other countries at comparable stages of development. Concentrating on this period allows us to focus on some of the structural features of the Arab economies, including the rise and then fall of oil prices in the 1970s and 1980s, which is obviously relevant to the present situation, where the permanence of the rise in oil prices is unknown. The comparative perspective is useful for a variety of reasons: It enables us to benchmark the performance of the Arab economies historically and allows us to situate their current position within the global economy today, and the experiences of other regions may also provide insights into the dynamics of reform. The reform experiences of relatively successful comparators from outside the region document the opportunities forgone but more importantly point to the potential future gains if opportunities are seized.

In chapter 4 we examine the evidence on the magnitude of the challenge and address two issues that are central to our diagnosis of the future problems of the Arab countries: (1) the challenge presented by the need to absorb the looming bulge in the labor force and the absence of globalization as measured by FDI, financial-market development, international trade, and other indicators and (2) the adverse effect of globalization's absence on the efficiency of the economy and on the ability to absorb labor and simultaneously to increase per capita income.

This diagnosis is followed by an analysis in chapters 5 and 6 of the region's institutions and policies, including consideration of the impact of the region's Islamic legacy on institutional development. In this context we demonstrate that macroeconomic policy deficiencies that have been frequently cited in the past have been addressed in recent years and note the positive progress in other dimensions such as the quality of the legal system. Yet the rates of income and employment growth remain far from those needed to solve the looming unemployment problem and provide higher living standards, suggesting that still other reforms are needed or that some kind of shortcoming is inhibiting the economy's response to these stimuli. We find that much of what appears to be problematic in the Arab economies revolves around more difficult issues of institutional effectiveness and technological competence, which require public policy interventions of nontrivial complexity. We also find that there is considerable intraregional variation, particularly with respect to progress on institutional reform. This is important insofar as it suggests that at least across a variety of relevant characteristics, outcomes are not determined by deep cultural or religious factors—if it takes 27 days to enforce a contract in Tunisia, it is not obvious why it should take 410 in Egypt.

The analysis of institutions and policies is extended in chapters 7 and 8 from the domestic to the international sphere and how local attitudes toward globalization condition the commitment to and intensity of economic reform in this dimension. This is a particularly acute set of issues because one of the basic challenges for the region is that it is regarded as a risky business environment for a variety of reasons already touched upon.

The conventional indicators of the unfinished efforts at policy reform are useful in indicating the directions in which the countries probably need to move to improve their chances for more rapid growth of income and employment. Many of these reflect inadequate integration into both formal international trade institutions such as the World Trade Organization (WTO) and informal private-sector supply networks. Even in the latter case, there is a policy dimension insofar as the extent of private-sector cross-border integration may be encouraged or impeded by a host of local policies, beyond those directly concerning trade and investment.

In this context, we consider how commitments through the WTO or bilateral agreements might act as a credible precommitment mechanism to “lock in” reforms and at least reduce policy uncertainty if not other risks and leverage domestic support for complementary policy changes necessary to realize more fully the potential benefits of greater international orientation to address the imperative to create jobs detailed in chapter 4.

Economists are social scientists, not physicians, however, and even if they diagnose the “illness” and suggest the correct set of remedies or policy interventions, they encounter an additional—political economy—hurdle of actually getting the policies implemented. Opposition to reform by entrenched special interests or risk aversion by policymakers facing uncertainty with respect to putative benefits and cognizant of political costs may pose a greater obstacle to long-run success than correctly designing policy interventions—that is, political resistance may constitute the most binding constraint. The contemporary Middle East poses particularly difficult challenges in this respect, given the profound uncertainty surrounding the future trajectory of a number of the region’s political regimes and the possibility of abrupt transitions.

These political economy constraints are considered in chapters 9 and 10, with emphasis on the roles of uncertainty and risk in both the economic and political spheres: If policies and practices are reformed, will a supply response be forthcoming? If the needed policies are put in place, will local or foreign entrepreneurs or in some cases state-owned enterprises respond to a changed incentive structure, and do they have the technical capacity to do so?

Conclusion

If the region’s employment challenge can be successfully addressed, the Middle East could look forward to a complementary period of “demographic dividend” as this generation enters its most productive working years—a phenomenon that contributed to the outstanding performance of East Asia over the past four decades or so. With fertility now dropping rapidly, the region may well be through the process of demographic transition, and as the size of the cohorts entering adulthood begins to shrink,

there will be a concomitant diminution in the problems that all societies face socializing young adult males. This process of absorbing a rapidly growing labor force, while prolonged, is self-terminating. In the context of growing prosperity, increasing political and social liberalism could translate into a virtuous circle of enhanced cross-border economic integration, economic efficiency, rising incomes, self-confidence, and satisfaction. If this is the case, the region's young demographic could turn from a potential liability to a bonus.

Yet demography is not destiny, and there is no guarantee that this happy outcome will be achieved: An alternative is a vicious circle in which political uncertainty impedes investment and growth, fueling political discontent and a reluctance to reform. In the Middle Eastern context, authoritarianism enables countries to neglect economic issues in the quest for their own stability and simultaneously may help generate radicalism that engenders still more repression, all of which discourages economic activity. This dynamic is complicated by the possibility that high oil prices, if sustained, may permit the continuation of such repression (and a reluctance to undertake reforms that would benefit the nonoil sectors) while having significant short-term economic benefits. These are not purely theoretical ruminations: For more than a quarter century, Venezuela, a country comparable in certain respects to the oil producers of the Middle East, has managed to combine the favorable demographic of a declining dependency ratio with falling per capita income (until the recent spike in oil prices) and rising political instability. Russia suffers from much of the same syndrome.

Clearly no answer can be given to whether optimism is warranted or the disabling dynamic will prevail. We can contribute to a more sophisticated understanding of the workings of these economies and the measures that might be undertaken, primarily by Arab governments but by the international community as well; note their potential benefits and costs; and suggest the deeper trepidation that they might exacerbate. Solely emphasizing the fears would consign a whole region to languish in serious economic turmoil, as the labor force growth is not a forecast but the movement into the labor force of those already born. Our concluding observations along these lines are summarized in chapter 11.

Appendix 1A

Table 1A.1 Classifications and memberships

Country	MENA (World Bank)	UNDP Country Office	UNESCO	Arab League	Islamic Development Bank	Arab Bank for Economic Development in Africa	Organization of the Islamic Conference	OPEC
Afghanistan					x		x	
Albania					x		x	
Algeria	x	x	x	x	x	x	x	x
Azerbaijan					x		x	
Bahrain	x	x	x	x	x	x	x	
Bangladesh					x		x	
Benin					x		x	
Bosnia and Herzegovina							Observer	
Brunei					x		x	
Burkina Faso							x	
Cameroon					x		x	
Central African Republic							Observer	
Chad					x		x	
Comoros				x	x		x	
Côte d'Ivoire					x		x	
Djibouti	x	x	x	x	x		x	
Egypt	x	x	x	x	x	x	x	
Gabon					x		x	
Gambia					x		x	
Guinea					x		x	

(table continues next page)

Table 1A.1 Classifications and memberships *(continued)*

Country	MENA (World Bank)	UNDP Country Office	UNESCO	Arab League	Islamic Development Bank	Arab Bank for Economic Development in Africa	Organization of the Islamic Conference	OPEC
Guinea-Bissau					X		X	
Guyana							X	
Indonesia					X		X	X
Iran	X				X		X	X
Iraq	X	X	X	X	X	X	X	X
Israel	X							
Jordan	X	X	X	X	X	X	X	
Kazakhstan					X		X	
Kuwait	X	X	X	X	X	X	X	X
Kyrgyz Republic					X		X	
Lebanon	X	X	X	X	X	X	X	
Libya		X	X	X	X	X	X	X
Malaysia					X		X	
Maldives					X		X	
Mali					X		X	
Malta			X					
Mauritania			X	X	X	X	X	
Morocco	X	X	X	X	X	X	X	
Mozambique					X		X	
Niger					X		X	
Nigeria							X	
Oman	X		X	X	X	X	X	X
Pakistan					X		X	

Palestinian Authority territories	x	x		x	x	x	x	
Qatar	x		x	x	x	x	x	x
Saudi Arabia	x	x	x	x	x	x	x	x
Senegal					x		x	
Sierra Leone					x		x	
Somalia		x	x	x	x		x	
Sudan		x	x	x	x	x	x	
Suriname					x		x	
Syria	x	x	x	x	x	x	x	
Tajikistan					x		x	
Thailand							Observer	
Togo					x		x	
Tunisia	x	x	x	x	x	x	x	
Turkey					x		x	
Turkmenistan					x		x	
United Arab Emirates	x	x	x	x	x	x	x	x
Uganda					x		x	
Uzbekistan					x		x	
Venezuela								x
Yemen	x	x	x	x	x		x	

MENA = Middle East and North Africa

UNDP = UN Development Program

UNESCO = UN Educational, Scientific and Cultural Organization

OPEC = Organization of Petroleum Exporting Countries

Note: The *Arab Human Development Report* (UNDP) definition of MENA is identical to the Arab League definition reported here.