

The Arab World 10 Years Hence — Poverty and Economic Turbulence?

By Khaled Fouad Sherif
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Things don't seem to be going well for the Arab world economically these days and harder times seem to be on the way. Many Arab countries seem to have entered a long stage of economic stagnation, while others are growing economically but are unable to keep up with population increases.

In fact, gross domestic product for the Arab world as a whole dropped in real terms by 22 percent between 1980 and 1988. This corresponds to significantly higher annual food imports year after year.

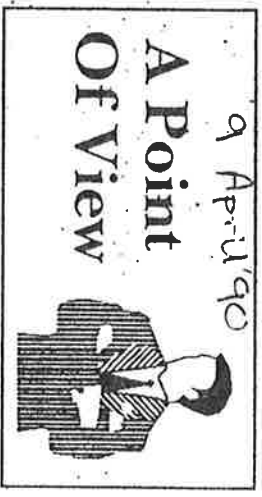
The Arab world is now receiving over 13 percent of the world's total food exports and consumes 20 percent of all world grain exports yearly. Total food imports to the Arab world are now valued at about \$22 billion annually while commodity exports from Arab countries decreased from \$234 billion in 1980 to only \$70 billion in 1988.

More importantly, the trade balance of the Arab world, including oil exports, is now in deficit, moving from a surplus of \$104 billion in 1980 to minus \$9 billion in 1988.

What do all these statistics mean? They simply mean that the Arab world is not only moving toward poverty but potentially toward economic disaster. What has caused this phenomenal downturn? Two striking statistics seem to provide the answer.

First, look at population growth rates. The population of the Arab world will exceed 290 million by the year 2000. Of this 290 million, as many as 50 million will be below the age of 15. This means that two million new jobs will have to be created annually in the Arab world between 1990 and 1995 to avoid widespread unemployment, and 2.5 million additional jobs are needed every year between 1995 and the year 2000.

This tremendous surge in population gives the obvious explanation for why total food imports have increased, why exports have fallen and why the trade balance in the Arab world is now negative. More importantly imagine the social repercussions of not being able to create jobs for the 150 million people that will be entering the labor force after the year 2000.



The second statistic that may shed more light on the worsening economic position of the Arab world is the revelation that its industrial exports are now only 5 percent of its total exports. Thus the industrial development plans of the 1960s and 1970s in many Arab countries that many had hoped would turn things around did not materialize.

Most Arab countries remain dependent on oil for their livelihood and have failed to spur as much growth in the industrial sector as is necessary because of the population boom.

As oil prices dropped over the past decade and grain and other food imports increased progressively — throw in a war here and there, too — the end result has been that the Arab world's total outstanding debts are now over \$140 billion and debt service alone is now over \$12 billion annually. The latter figure is higher than the official dollar revenues of Egypt, Tunisia and Algeria combined.

Put in layman's terms, the Arab world's economy is like an individual suffering from a terminal disease. The patient's eventual fate is obvious, so the doctors supervising him do

not really bother to try to find a cure. Unluckily, the terminal situation of many Arab countries is not likely to further the cause of Arab unity. True, the population of an economically unified Arab world will exceed 290 million by the year 2000, greater than that of the United States and thus potentially a large world market, but it will be an import-dependent entity with virtually nothing to offer the rest of the world.

Again, in layman's terms, what do you get when 12 to 14 terminally ill patients work together? Basically, a larger hospital bill and probably not much more. The mistakes made in the 1960s and 1970s are now clearly apparent in the economic position of the majority of Arab countries.

And what of prosperity? Can it ever be attained? Many believe that the Arab world has missed the train, and Abdel Latif El Hamed of the Arab Fund for Economic and Social Development, who analyzed the trends in Arab economic development over the last decade at a recent conference of the United Nations Development Program (UNDP) in Cairo, implies that the Arab world is doomed if these economic trends continue.

If this forecast is right, one must wonder who is to blame for its economic misfortunes. Is the basis of the problem runaway population growth, and if so, is every household with more than two children to blame? Or is all this the result of economic mismanagement across the Arab world? Or is the Arabs' inability to integrate their economies the reason for their failures?

Whatever the answers may be, the more important question is probably, what can be done now to save what can be saved? I doubt that even Keynes could see the light at the end of the tunnel for this pan-Arab economic crisis.