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INTRODUCTION TO THE ECONOMIES OF THE MIDDLE EAST AND NORTH AFRICA

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It is needed to learn and evaluate the general characteristics, processes and relations of national and regional economies and the global economy properly, as well as political relations in order to better grasp the international relations. Moving on from this point, the purpose of this paper is to inform the students of International Relations, particularly the students of Middle East and North Africa, about the economies of these countries. In order to understand the national economies' structures, processes and relations with each other, it is needed to have a basic knowledge about the economic concepts and magnitudes. For this purpose, the paper initially introduces the basic economic concepts. Then, the conceptual framework and the economic magnitudes at hand serves as a basis for discussing the characteristics of the regional economy and the national economies within. In addition, this paper has aimed to compare the region with the rest of the world in order to make the economic characteristics of the region more comprehensible.

1. Introduction

The discipline of International Relations as a practical research is not only about the causes and consequences of war and peace. The practical research area of the International Relations have expanded to encompass the economic, social and political issues of regional and global economics, labor and employment problems, energy and environment on a local, regional and global scale. From this point onwards, the main purpose of this paper is to inform the students of International Relations, particularly the students of Middle East and North Africa (MENA), about the general economic characteristics of these countries. Therefore, students who study the MENA will be able to include economic framework in their analysis as one of the most important factors while evaluating international relations. The paper initially covers basic economic concepts. Then, the conceptual framework and the economic magnitudes at hand serves as a basis for discussing the characteristics of the regional economy and the national economies within. In addition, this paper has aimed to compare the region with the rest of the world in order to make the economic characteristics of the region more comprehensible. The paper also includes an assessment of the resources, main problems and solution proposals for the regional and national economies. Therefore, this paper will contribute to a greater understanding of the economic development progresses of the MENA countries and the process of transformation in social, political and economic sense that is called the Arab Spring.

2. Basic Economic Concepts

In this sub-section, we are going to answer the questions, “What is economy,” “How do we measure the economy,” and “What do we mean by the general characteristics of

an economy,” in order to provide the needed framework for evaluating the MENA economies.

2.1. What is economy?

Economy may be defined in several ways. It covers four main processes, i) production, ii) commerce, iii) consumption and iv) finance. In this context, economy provides information in these four aspects about a country, a region or the world. Thus, economy is a complex system composed of the processes in which goods and services are produced, sold, bought, consumed and financed. These processes are conducted through the decisions of four basic decision units that are consumers, producers, government and foreigners. The decisions taken determine what will be produced, how it will be produced and how the products will be distributed. Although it seems that there are three decisions to be made, we need to answer two of them. These are how the scarce resources -labor, capital, natural resources and entrepreneurial capacity- will be utilized for which goods and services and how the produced goods and services will be distributed.

The answer to the question “How to produce” is a technical answer related to engineering. The technique by which a good is produced through a combination of the factors of production is called the production technique, and there are several techniques for most goods. Besides, the answers to the questions of production and distribution define a country’s economic, social and political system. In this context, social, economic and political systems are categorized into three groups: capitalist, socialist and mixed systems. In a capitalist system, the units of decision are in a behavioral and mutual relationship within the market process and answer the production and distribution questions as a “collective weighted average” of the preferences. In a socialist system, a

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centralized planning and decision body decides on answers to these questions. In a mixed system, market and central planning coexist while the central planning unit intervenes through positive and negative incentives, in order to alter the behavior of the units in the market.

2.2. How do we measure economy?

Economists measure the size of an economy by looking at its capacity to produce goods and services. The best measure for the production capacity of an economy is the gross domestic product (GDP). GDP measures the monetary value of all the final goods and services in current produced in a country in a given period of time in current prices. In this context, GDP is a useful tool to measure both the economic performance and the efficiency of an economy in terms of usages of the factors of production. Therefore, we make use of the GDP in order to compare the sizes and efficiencies of different economies. On the other hand, we must be cautious when analyzing the change in the economic performance of a national economy over time using the GDP. That is because the changes in the GDP include both the changes in production of

goods and services and the changes in prices. For this reason, measuring a nation's economic performance over a certain period of time and comparing it with other nations require the usage of constant prices in order to eliminate the effect of price changes GDP. Real GDP measures the monetary value of all the final goods and services produced in a country in a certain period of time in terms of the prices of a specific year, called base year.

GDP per capita, as the proportion of the GDP to the population, measures the average prosperity of the citizens of a country, and the relative prosperity of the country in comparison with other countries. Yet, it should be kept in mind that GDP per capita indicates only average prosperity and ignores income inequality. In addition, real GDP per capita should be taken into consideration while evaluating the changes in the average prosperity over time. Also the changes in the goods and services and their characters over time should also be considered while analyzing the developments over time in GDP and GDP per capita.

Economists measure the size of an economy by looking at its capacity to produce goods and services.

2.3. What do we mean by the general characteristics of an economy?

The general characteristics of an economy indicate the structural quality of that economy. We need to stress that economic structure is different than economic systems that are mentioned above.

Economic system refers to a political preference about the ownership of the factors of production (particularly the capital) and the distribution of the products among the social classes in the society. Economic structure refers to a practical model about the organization of production and distribution. It is possible to discuss the

economic structure through using certain macroeconomic concepts, definitions and variables.

Economists define an area of activity with a certain content as a *sector* and accept the *sub-sectors*' contribution to the GDP as a portrait of the economy. Cameron defines the *economic structure* as a pattern of relationship between the various sectors, particularly the primary, secondary and tertiary sectors of the economy.

(1) The primary sector implies the economic activities in which the products are acquired directly from the nature. Its sub-sectors are agriculture, forestry and fishery. The secondary sector is composed of the activities in which the products of the nature are processed. Two of its main sub-sectors are production and construction sectors. The tertiary sector, also called the services sector, includes various activities from household and personal services to commercial and financial services and also government services. The sub-sectors' employment benefits is another macroeconomic standard that economist use to define the economic structure. The sub-sectors' contributions to the GDP and employment makes possible to assess and compare their sectoral efficiency.

Two other important concepts used for assessing the characteristics of an economy is labor force participation and unemployment. Labor force participation is both a criterion for economic development and a significant social and demographical indicator. Unemployment is main indicator of the degree to which the economy can benefit from the labor force, which is its most important resource. It is also an important indicator in terms of socio-political significance.

Another important indicator of the economic structure is international economic relations and the degree of integration to the world economy. The proportion of the foreign trade volume that is the aggregate of export and

imports, to the GDP is the main indicator of an economy's openness. Exports, particularly manufactured exports indicate the capacity of the economy to produce goods and services with an international quality. In addition, the exports of high-tech materials within the production sectors are accepted as an indicator of an economy's technological development. Imports, on the one hand, an indicator of the dependency of an economy, while on the other demonstrates the capacity of an economy to use and consume goods and services on an international scale. The main indicator of an economy in terms of its foreign economic relations is its current account balance. Current account balance is composed of the goods and services trade, factor incomes and costs such as wages, interest, rent and profit and one sided transfers.

For the future capacity of the economic structure and economy, or the sustainability of economic development as economists say, one of the most important indicators is that what proportion of the GDP is allocated to savings and future investments. In developing countries, low rates of income per capita prevent savings. For this reason, these economies need foreign savings. Current account balance indicates that how much an economy needs external financing, that is to say foreign savings. Yet, we have to emphasize that not all external financing are used for productive enterprises. We need to keep in mind that for future development of the production capacity, in other words, for realizing economic development, national savings and external financing should be transformed into productive investments. the source of national savings is the voluntary savings by consumers and firms and taxes which are a sort of obligatory saving. Yet, the most important characteristic of the taxes is that they constitute an important element of the social contract between the citizens and government of a country. In this context, taxes are the price that citizens

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in democratic countries pay for the government services. That is to say, taxes are a financial means for citizens to control their governments. The degree and form of taxation are not only a characteristic of economic structure but also a political and economic debate in terms of tax, government services and democratization for the most MENA countries.

Economy policies comprise of *finance* policies about government's income and spending instruments; *monetary* policies about central banks' monetary magnitude, interest and foreign currency; and *income* policies about government's instruments for intervention to wages, interests, rent and profits. Inflation is a major socio-economic indicator for both the performance of the government and central bank as well as the negative impact on the income distribution and the purchasing power of low income groups.

A country's population, population growth rate and age structure are demographic characteristics that affect its national economic structure, resource prosperity and the level and quality of unemployment as an important socio-economic and political problem. These demographic characteristics determine government's policy preferences focused on human capital such as education and health. In addition, it also affects savings rate and therefore capital accumulation per capita directly, thereby defining that country's economic development performance and path.

Production and consumption structures of modern economies make the ownership of energy resources very important. Particularly oil and natural gas ownership directly determines the economic structure of countries and impacts its level of economic development and prosperity level. Yet, as will be discussed below, the ownership of

energy resources guarantees by itself neither economic development nor prosperity for people.

3. General Characteristics of the Middle East and North Africa Economies

In this sub-chapter, we are going to briefly touch upon the general characteristics of the MENA economies within the conceptual framework defined above. In this assessment, the MENA countries are handled both individually and collectively. In addition, relative values of a country's economic magnitude in both the world and the MENA economy are provided for the sake of comparison. Furthermore, the MENA economy as a group is compared with the European Union (EU) and the rest of the world. Lastly, the Arab world as a sub group within the MENA will be evaluated in this framework.

Table 1 shows economic magnitude in terms of GDP. When we look at the values, we see that the MENA region's share in the world economy (4.48%) does not reflect its potential in terms of geographical size, population and the natural resources it has particularly oil and natural gas. Despite the EU and the MENA region are close to each other in terms of population rates (7.05% and 5.69% respectively) and despite the EU's share in world's oil and natural has reserves are less than 1% and the MENA region's share is 47.2% and 58.7%, the EU's share in world economy is more than five times of that of the MENA. Saudi Arabia has the biggest share within the MENA economy with more than one-fifth of the magnitude, while Iran is the second with a share of approximately 10%. Although Egypt has a population ten times of that of Israel, its economic magnitude is less than Israel.

The degree and form of taxation are not only a characteristic of economic structure but also a political and economic debate in terms of tax, government services and democratization for the most MENA countries.

Table 1: Economic Magnitude

Region - Country	GDP (Current, Billion USD, 2014)	Share of the World GDP (%)	Share of the MENA (%)
World	77869	-	-
European Union	18461	23.71	-
Middle East and North Africa	3491	4.48	-
Arab World	2856	3.67	-
Turkey	800	1.03	-
Algeria	214	0.27	6.13
Bahrain	34	0.04	0.97
Egypt	287	0.37	8.21
Iran	415	0.53	11.90
Iraq	221	0.28	6.32
Israel	304	0.39	8.71
Jordan	36	0.05	1.03
Kuwait	176*	0.23*	4.94*
Lebanon	46	0.06	1.31
Libya	41	0.05	1.18
Morocco	107	0.14	3.06
Oman	82	0.11	2.34
Qatar	212	0.27	6.07
Saudi Arabia	746	0.96	21.37
Syria	N/A	N/A	N/A
Malta	10*	0.01*	0.27*
Tunisia	47*	0.06*	1.32*
United Arab Emirates	402	0.52	11.50
West Bank and Gaza Strip	13	0.02	0.36
Yemen	36	0.05	1.01*

(*): 2013, N/A: Not Available

Table 2 was prepared to compare the prosperity level benefiting from the GDP per capita. The average income per capita in the world is approximately eleven thousand dollars. The average per capita income in the EU is more than three times of the world average, while in the MENA it is less than 80%. Except the oil-rich countries, the per capita income is considerably lower than the world average. Two exceptions to this situation are Iran and Iraq, the countries who fought against each other for long years and had been subjected to international sanctions. While the both countries have considerable energy reserves, their per capita income is significantly lower than the world average. In Israel, the per capita income is bigger than even the EU average.

The MENA region's share in the world economy (4.48%) does not reflect its potential in terms of geographical size, population and the natural resources it has particularly oil and natural gas.

Table 2: Relative Prosperity of Citizens

Region - Country	GDP per capita (Current, Billion USD, 2014)
World	10,804
European Union	36,318
Middle East and North Africa	8,519
Arab World	7,574
Turkey	10,543
Algeria	5,361
Bahrain	25,198
Egypt	3,436
Iran	5,293
Iraq	6,433
Israel	37,032
Jordan	5,423
Kuwait	52,196*
Lebanon	10,139
Libya	6,575
Morocco	3,140
Oman	20,832
Qatar	93,397
Saudi Arabia	25,409
Syria	N/A
Malta	22,776*
Tunisia	4,317*
United Arab Emirates	42,522
West Bank and Gaza Strip	2,966
Yemen	1,473*

(*): 2013, N/A: Not Available

As mentioned above, the contributions of the sub-sectors to GDP and employment are the biggest indicator for the average sectoral efficiency of both the economic structure and the labor force. The shares of the sub-sectors within the GDP are an indicator for the level of economic developedness at the same time. Accordingly, as the economy develops, the agricultural sector will shrink and the services sector will enlarge. Tables 3a and 3b show respectively the shares of the sub-sectors within the GDP and employment. Counting the energy sector in the MENA countries within the industry sector makes international comparison complicated, therefore the values of the manufacturing sector within the GDP is provided. As seen in the Table 3a, the share of the agricultural sector in the MENA economies is more than two times of the world average and more than four times of the EU average. The share of the services sector is more than 80% in the EU and the world, while in the MENA economies it is less than 50%. The share of the manufacturing sector in the GDP is an indicator of the level of industrialization. In terms of this indicator, the table shows that the level of industrialization in MENA is significantly lower than the world and the EU. As the Table 3b shows, the contributions of the sub-sectors to the GDP in the MENA economies are close to the world average, yet distant from the EU average. Also, there is difference between the individual countries in the MENA in terms of the extent of the agricultural land, the developedness of the agricultural industry and the presence of energy reserves.

Unemployment rate in the MENA is almost twice of the world average.

Table 3a: The sub-sectors within the GDP (% , 2014)

Region - Country	Agriculture	Industry	Manufacturing	Services
World	3.08*	26.42*	15.78*	70.49*
European Union	1.52	23.75	14.73	74.73
Middle East and North Africa	6.37**	50.78**	11.07**	42.85**
Arab World	5.75*	51.54*	10.73*	42.71*
Turkey	8.03	27.08	17.77	64.89
Algeria	10.01	47.06	N/A	42.93
Bahrain	N/A	N/A	N/A	N/A
Egypt	14.48	39.95	16.44	45.57
Iran	10.22**	44.47**	10.55**	45.31**
Iraq	N/A	N/A	N/A	N/A
Israel	N/A	N/A	N/A	N/A
Jordan	3.78	29.79	19.02	66.43
Kuwait	0.32*	67.19*	6.21*	32.49*
Lebanon	5.54	24.79	14.06	69.67
Libya	1.86**	78.20**	4.49**	19.94**
Morocco	16.02	28.05	15.28	55.94
Oman	1.29*	68.61*	10.87*	30.10*
Qatar	N/A	N/A	N/A	N/A
Saudi Arabia	1.92	56.93	10.86	41.15
Syria	17.94**	32.97**	N/A	49.09**
Malta	1.92**	32.70**	13.41**	65.38**
Tunisia	8.61*	29.98*	16.97*	61.41*
United Arab Emirates	0.66*	59.02*	8.53*	40.33*
West Bank and Gaza Strip	4.83*	23.57*	14.89*	71.60*
Yemen	10.15**	49.25**	7.76**	40.61**

(*): 2013, (**): Others, N/A: Not Available

Table 3b: The sub-sectors' share of the employment (% , 2012)

Region - Country	Agriculture	Industry	Services
World	30.51**	24.20**	45.08**
European Union	5.09	25.01	69.64
Middle East and North Africa	21.34***	26.07***	52.44***
Arab World	22.19***	24.45***	53.24***
Turkey	23.60	26.00	50.40
Algeria	10.80*	30.90*	58.40*
Bahrain	1.10**	35.30**	62.40**
Egypt	29.20*	23.50*	47.10*
Iran	21.20***	32.20***	46.50***
Iraq	23.40***	18.20***	58.30***
Israel	1.70***	21.50***	72.60***
Jordan	2.00	17.50	80.50
Kuwait	2.70***	20.60***	76.00***
Lebanon	6.30***	21.00***	72.60***
Libya	N/A	N/A	N/A
Morocco	39.20	21.40	39.30
Oman	5.20**	36.90**	57.90**
Qatar	1.40	51.90	46.80
Saudi Arabia	4.70	24.70	70.70
Syria	14.30*	32.70**	53.00**
Malta	1.00	22.10	76.40
Tunisia	16.20*	33.50*	49.60*
United Arab Emirates	3.80***	23.10***	73.10***
West Bank and Gaza Strip	11.50	26.30	62.20
Yemen	24.70**	18.80**	56.20**

(*): 2011, (**): 2010, (***): Others, N/A: Not Available

As mentioned earlier, labor force participation is both a criterion for economic development and an important social and demographical indicator. Labor force participation and job creation capacity determines the unemployment rate. When the job creation capacity is given, rising labor force participation causes a hike in unemployment, while a decline causes a fall. In addition, as the level of social and economic development increases, labor force participation increases since women join the labor force as well. The Table 4 shows the labor force participation and unemployment rates. As seen in the table, the average participation rate in the EU and the world is approximately 70%. However, the labor force participation rate in the MENA is approximately 50% since women's rates for participation is quite low. Nevertheless, the unemployment rate in the MENA is almost twice of the world average. In addition, unemployment rates in Iraq, Libya, Tunisia, Palestine and Yemen are significantly more than the MENA average.

Table 4: Labor Force Participation and Unemployment

Region - Country	Labor Force Participation Rate (% of the total population aged 15-64, 2014)	Unemployment Rate (% of the total Labor Force, 2015)
World	68,70	8,00
European Union	72,40	9,50
Middle East and North Africa	52,00	10,50**
Arab World	53,00	11,50*
Turkey	53,50	10,40
Algeria	46,50	11,00
Bahrain	71,80	4,10
Egypt	52,90	12,80
Iran	47,50	10,50
Iraq	44,20	16,00
Israel	71,00	5,60
Jordan	43,90	13,00
Kuwait	70,40	3,00
Lebanon	51,90	7,90***
Libya	55,40	30,00
Morocco	52,70	9,40
Oman	68,50	15,00
Qatar	87,20	0,40
Saudi Arabia	56,90	11,40
Syria	45,80	57,70
Malta	63,70	5,40
Tunisia	51,30	15,40
United Arab Emirates	80,80	2,40
West Bank and Gaza Strip	43,10	25
Yemen	50,70	27

(*): 2014, (**): 2015, (***): Others, N/A: Not Available



The ratio of foreign trade volume, the sum of exports and imports, to the GDP is an indicator of integration to the global economy and thereby the openness of the economy. Besides, high-tech exports demonstrate the industrialization and technological developedness of a country. Current account balance is, on the one hand, an indicator of a country's performance in foreign economic relations while on the other hand is a reflection of savings deficit that is the gap between the national investments and savings. The Table 5a shows the share of exports and imports in the GDP. We derive from the table that an average of 60% of the goods and services produced in the world are subject to foreign trade. Besides, this rate is more than 75% for the EU. For most of the MENA countries, almost all of the exports income is acquired through energy resources, thereby increasing the degree of openness to more than 90%. If we pay attention, we see that if a country has less energy reserves, it has a lesser degree of openness. As seen in the Table 5b, there is no data about the high-tech exports in the manufacturing sector in the

MENA countries. Yet, the available data is significantly below that of the world and the EU average. Therefore, it is possible to claim that technological progress is low in these countries. Israel is the only exception to this rule. As seen in the Table 5c, there is little data about the current account balance in the MENA economies. Besides, we observe that the MENA countries which export energy resources have positive account balance while others generally have negative account balance.

Direct foreign investments are approximately 1.4% of the world GDP.

Table 5a: Goods and Services Imports and Exports (% of GDP)

Region - Country	Exports of Goods and Services (% of GDP, 2014)	Imports of Goods and Services (% of GDP, 2014)
World	29.79*	29.66*
European Union	40.07	37.74
Middle East and North Africa	48.48	45.57
Arab World	50.22	47.29
Turkey	27.72	32.13
Algeria	29.81	31.66
Bahrain	74.30**	47.86**
Egypt	15.19	24.05
Iran	N/A	N/A
Iraq	40.77*	36.34*
Israel	31.79	30.53
Jordan	43.28	69.21
Kuwait	71.56*	26.55*
Lebanon	57.50	69.36
Libya	33.50	64.42
Morocco	34.55	46.56
Oman	63.59**	36.47**
Qatar	75.62**	28.79**
Saudi Arabia	47.51	34.22
Syria	N/A	N/A
Malta	93.61***	88.90***
Tunisia	46.99*	56.16*
United Arab Emirates	99.47	86.13
West Bank and Gaza Strip	18.00	60.95
Yemen	N/A	N/A

(*): 2013, (**): 2012, (***): Others, N/A: Not Available

Table 5b: High-Tech Exports (% of Manufacturing Exports, 2013)

Region - Country	High-Tech Exports (% of Manufacturing Exports, 2013)
World	17.05
European Union	14.33
Middle East and North Africa	N/A
Arab World	N/A
Turkey	1.88
Algeria	0.19
Bahrain	0.15*
Egypt	0.52
Iran	4.12*
Iraq	N/A
Israel	15.61
Jordan	1.60
Kuwait	1.43
Lebanon	2.21
Libya	N/A
Morocco	6.55
Oman	3.41
Qatar	0.13
Saudi Arabia	0.70
Syria	1.34
Malta	38.55
Tunisia	4.94
United Arab Emirates	N/A
West Bank and Gaza Strip	N/A
Yemen	0.36

(*): 2011, (**): 2010, N/A: Not Available

Table 5c: Account Balance

Region - Country	Current Account Balance (% of GDP, 2014)
World	-
European Union	N/A
Middle East and North Africa	N/A
Arab World	N/A
Turkey	-5.75
Algeria	0.41*
Bahrain	7.78*
Egypt	-2.65**
Iran	N/A
Iraq	13.55**
Israel	2.37*
Jordan	-10.00*
Kuwait	39.69*
Lebanon	-24.76*
Libya	-0.17*
Morocco	-7.55*
Oman	6.54*
Qatar	25.89
Saudi Arabia	10.88
Syria	N/A
Malta	3.10
Tunisia	-8.25*
United Arab Emirates	N/A
West Bank and Gaza Strip	-11.31*
Yemen	-4.26*

(*): 2013, (**): 2012, N/A: Not Available

As mentioned above, the sustainability of economic development, growth and job creation capacity of a country depends on the extent to which its savings is converted into investments. The Table 6 indicates the share of fixed capital investments, savings and direct investments in the GDP. As the table shows, the one-fifth of the GDP is being saved for investments. Direct foreign investments are approximately 1.4% of the world GDP. We observe from the table that the savings investment rates in the EU is close to the world average, yet the EU attracts foreign direct investments in a much lower rate than the rest of the world. Besides, the MENA countries plagued with industrialization and job creation problems have a high rate of excess savings which is used out of the region. This region needs to convert its savings to investments in order to hasten economic development and solve the growing unemployment problem. Considering the facts that the countries without energy reserves have saving deficits and foreign direct investments take place in the energy sector, it is very important that the MENA countries with excess savings invest in the regional countries with deficits.

This region needs to convert its savings to investments in order to hasten economic development and solve the growing unemployment problem.

Table 6: Future Economic Capacity

Region - Country	Gross Fixed Capital (% of GDP, 2014)	Gross savings (% of GDP, 2013)	Direct Foreign Investments, Net Entry (% of GDP, 2014)
World	21.86**	22.78	1.41
European Union	19.20	20.51	0.41
Middle East and North Africa	23.25*	36.33*	1.63*
Arab World	24.08	38.11*	1.60*
Turkey	20.11	13.16	1.57
Algeria	33.15	45.29	0.80*
Bahrain	19.25**	27.27*	3.01*
Egypt	13.27	13.04*	1.67
Iran	N/A	N/A	N/A
Iraq	16.50**	23.29*	1.23*
Israel	18.52	21.91	4.06*
Jordan	27.20	17.42	5.35*
Kuwait	N/A	56.33	0.82*
Lebanon	31.17	20.46	6.83*
Libya	N/A	N/A	1.07*
Morocco	29.86	26.59	3.23*
Oman	22.60**	24.82*	2.08*
Qatar	38.12***	61.98*	0.49
Saudi Arabia	24.30***	44.06	1.07
Syria	N/A	N/A	N/A
Malta	14.34***	12.09**	6.07*
Tunisia	20.24*	12.98	2.25*
United Arab Emirates	22.39	N/A	2.61*
West Bank and Gaza Strip	21.34	11.38	1.42*
Yemen	N/A	N/A	-0.37*
	(*): 2013 (**): 2012 (***): Others	(*): 2012 (**): 2011	(*): 2013

N/A: Not Available



As mentioned above, taxes are obligatory savings. Yet, they are also the costs that citizens of democratic countries pay in return for the social contract that they agree with their governments. The Table 7 shows the ratio of taxes to GDP, in other words the average tax burden. Despite there is no collective data about the MENA economies, a thorough examination suggest that in the countries with rich energy reserves, most of the government income comes from energy exports rather than taxation, which demonstrates a political economy phenomenon that builds and sustains authoritarian regimes.

Table 7: Taxation

Region - Country	Tax Income (% of GDP, 2012)
World	14.29
European Union	18.83
Middle East and North Africa	N/A
Arab World	N/A
Turkey	20.38
Algeria	37.36*
Bahrain	1.10*
Egypt	13.16
Iran	8.45***
Iraq	N/A
Israel	22.13
Jordan	15.26
Kuwait	0.72
Lebanon	15.48
Libya	N/A
Morocco	24.49
Oman	2.61
Qatar	14.65**
Saudi Arabia	N/A
Syria	14.19***
Malta	27.02
Tunisia	21.04
United Arab Emirates	0.37
West Bank and Gaza Strip	5.13***
Yemen	N/A

(*): 2011, (**): 2010, (***): Others, N/A: Not Available

Inflation is an indicator of the performance of the governments' finance and income policies and the central banks' monetary policies. The Table 8 shows the inflation rates. As seen in the table, the average inflation for the MENA economies is close to the world average, while it is significantly higher in Egypt, Iran, Syria and Yemen.

Table 8: Inflation

Region - Country	Inflation, Consumer Prices (% , 2015)
World	3,80
European Union	0,10
Middle East and North Africa	2,67*
Arab World	2,77*
Turkey	7,50
Algeria	5,10
Bahrain	2,00
Egypt	10,40
Iran	15,30
Iraq	1,80
Israel	-0,60
Jordan	-0,70
Kuwait	3,40
Lebanon	-3,50
Libya	12,10
Morocco	1,70
Oman	0,30
Qatar	1,60
Saudi Arabia	2,30
Syria	33,60
Malta	1,20
Tunisia	4,70
United Arab Emirates	3,70
West Bank and Gaza Strip	1,73*
Yemen	130,00

(*) 2014



The tables 9a and 9b shows the values about population as an important economic and demographical characteristic. As seen in the tables, the MENA countries have considerably high birth rates and population growth rates compared to the world and the EU average. Despite the labor force participation is low, high population creates problems about the governments' budget and potential for job creation, education and health, thereby lowering the human capital in these countries and keeping the unemployment rates high.

Table 9a: Population

Region - Country	Population (millions)	% of the World Population	% in the MENA Population
World	7256	-	-
European Union	513	7,05	-
Middle East and North Africa	410	5,69	-
Arab World	377	5,23	-
Turkey	79	1,05	-
Algeria	39	0,55	9,74
Bahrain	1	0,02	0,33
Egypt	88	1,16	20,35
Iran	81	1,09	19,15
Iraq	33	0,48	8,36
Israel	8	0,11	2,00
Jordan	8	0,09	1,61
Kuwait	3	0,05	0,85
Lebanon	6	0,06	1,10
Libya	6	0,09	1,53
Morocco	33	0,46	8,17
Oman	4	0,05	0,96
Qatar	2	0,03	0,55
Saudi Arabia	29	0,41	7,17
Syria	17	0,32	5,69
Malta	0	0,01	0,10
Tunisia	11	0,15	2,68
United Arab Emirates	9	0,13	2,30
West Bank and Gaza Strip	4	0,06	1,05
Yemen	26	0,35	6,09

Table 9b: Birth and Population Growth Rates

Region - Country	Birth Rate (per 1000 people, 2015)	Population Growth Rate (yearly, %, 2015)
World	18,60	1,08
European Union	10,20	0,25
Middle East and North Africa	23**	1,80*
Arab World	26**	1,97*
Turkey	16,33	1,26
Algeria	23,67	1,84
Bahrain	13,66	2,41
Egypt	22,90	1,79
Iran	17,99	1,20
Iraq	31,45	2,93
Israel	18,48	1,56
Jordan	25,37	0,83
Kuwait	19,91	1,62
Lebanon	14,59	0,86
Libya	18,03	2,23
Morocco	18,20	1,00
Oman	24,44	2,07
Qatar	9,84	3,07
Saudi Arabia	18,51	1,46
Syria	22,17	-0,16
Malta	10,18	0,31
Tunisia	16,64	0,89
United Arab Emirates	15,43	2,58
West Bank and Gaza Strip	31,11	2,81
Yemen	29,98	2,47

(*)2014, (**)2013



The tables 10a, 10b, 11a and 11b were prepared to present the data about oil and natural gas reserves and production. As seen in the tables and very well known, the MENA region is the richest in the world in terms of the two main energy reserves. While the production values do not represent the exact reserve shares for certain economic and political reasons, the region is still the biggest producer of energy reserves. Yet, the energy wealth does not provide development, economic growth and prosperity to the region and its people. That situation has several economic, social and political causes. In addition, most of the regional countries face cyclical fluctuations for various reasons such as the dependency on energy reserves for the formation of the GDP, budgetary income and exports revenues, and the lack of diversity in the production capacity. It shows that the region needs a new model for economic development and organization.

Table 10a: Oil Reserves and Share (Estimated)

Region - Country	Oil Reserves (Million barrels, 2014)	% in the World Oil Reserves	% in the MENA Oil Reserves
World	1,481, 526	-	-
European Union	6,700	0.45	-
Middle East and North Africa	869,673	58.70	-
Arab World	-	-	-
Turkey	295	0.02	-
Saudi Arabia	268,000	18.12	30.86
Iran	157,300	10.62	18.09
Iraq	140,300	9.47	16.13
Kuwait	104,000	7.02	11.96
United Arab Emirates	97,800	6.60	11.25
Libya	48,470	3.27	5.57
Qatar	25,240	1.70	2.90
Algeria	12,200	0.82	1.40
Oman	5,500	0.37	0.63
Egypt	4,400	0.30	0.51
Yemen	3,000	0.20	0.34
Syria	2,500	0.17	0.29
Tunisia	425	0.03	0.05
Bahrain	125	0.01	0.01
Israel	12	0.00	0.00
Jordan	1	0.00	0.00
Morocco	1	0.00	0.00
Lebanon	0	0.00	0.00
Malta	0	0.00	0.00
West Bank and Gaza Strip	0	0.00	0.00

Table 10b: Oil Production and Share (Estimated)

Region - Country	Daily Production (Barrels)	% in the World Reserves (2014)	% in the MENA Oil Reserves (2014)
World	84,951,200	100.00	-
European Union	1,411,000	1.66	-
Middle East and North Africa	26,731,009	31.47	-
Arab World	-	-	-
Turkey	48,000	0.06	-
Saudi Arabia	9,735,200	13.09	36.42
Iraq	3,368,000	4.45	12.60
Iran	3,113,000	4.14	11.65
United Arab Emirates	2,820,000	3.32	10.55
Kuwait	2,619,000	2.96	9.80
Qatar	1,553,000	1.44	5.81
Algeria	1,462,000	2.52	5.47
Oman	944,800	0.95	3.53
Egypt	541,000	0.80	2.02
Libya	310,000*	0.85*	1.16*
Yemen	131,000	0.34	0.49
Tunisia	55,000	0.11	0.21
Bahrain	50,000	0.06	0.19
Syria	23,000	0.48	0.09
Morocco	5,500	0.01	0.02
Israel	490	0.00	0.00
Jordan	19	0.00	0.00
Lebanon	0	0.00	0.00
Malta	0	0.00	0.00
West Bank and Gaza Strip	0	0.00	0.00

(*): 2013

Table 11a: Natural Gas Reserves and Share (Estimated)

Region - Country	Natural Gas Reserves (Million m3, 2014)	% in the World Oil Reserves	% in the MENA Oil Reserves
World	187,300,000	-	-
European Union	1,811,000	0.97	-
Middle East and North Africa	88,402,335	47.20	-
Arab World	-	-	-
Turkey	6,824	0.00	-
Iran	33,800,000	18.05	38.23
Qatar	25,070,000	13.38	28.36
Saudi Arabia	8,235,000	4.40	9.32
United Arab Emirates	6,089,000	3.25	6.89
Algeria	4,505,000	2.41	5.10
Iraq	3,158,000	1.69	3.57
Egypt	2,180,000	1.16	2.47
Kuwait	1,798,000	0.96	2.03
Libya	1,549,000	0.83	1.75
Oman	849,500	0.45	0.96
Yemen	478,500	0.26	0.54
Israel	285,000	0.15	0.32
Syria	240,700	0.13	0.27
Bahrain	92,030	0.05	0.10
Tunisia	65,130	0.03	0.07
Jordan	6,031	0.00	0.00
Morocco	1,444	0.00	0.00
Lebanon	0	0.00	0.00
Malta	0	0.00	0.00
West Bank and Gaza Strip	0	0.00	0.00

Table 11b: Natural Gas Production and Share (Estimated)

Region - Country	Natural Gas Production (Million m3, 2012)	% in the World Reserves	% in the MENA Reserves
World	4,359,000	-	-
European Union	164,600	3.78	-
Middle East and North Africa	707,588	16.23	-
Arab World	-	-	-
Turkey	537*	0.01	-
Iran	166,600*	3.82*	23.54*
Qatar	156,400	3.59	22.10
Saudi Arabia	103,000*	2.36*	14.56*
Algeria	78,600	1.80	11.11
Egypt	56,630*	1.30*	8.00*
United Arab Emirates	52,500	1.20	7.42
Oman	29,290	0.67	4.14
Kuwait	15,510	0.36	2.19
Bahrain	13,630	0.31	1.93
Libya	12,190	0.28	1.72
Yemen	7,652	0.18	1.08
Syria	6,442**	0.15**	0.91
Israel	6,350	0.15	0.90
Tunisia	1,863*	0.04*	0.26*
Iraq	646*	0.01*	0.09
Jordan	225*	0.01*	0.03*
Morocco	60	0.00	0.01
Lebanon	0	0.00	0.00
Malta	0*	0.00*	0.00*
West Bank and Gaza Strip	0	0.00	0.00

(**): 2014, (*): 2013



Conclusion

The MENA countries are way behind their potential in terms of their economic structure and overall prosperity, considering their natural resources and human capital. This situation has various economic, social and political causes. Some of these causes are the geopolitical instability in the region, sectarian, ethnic and political conflicts, the lack of modern institutional structure and above all the presence of undemocratic and inefficient regimes. Even if the instability and conflicts end, the regional countries need new and modern development models and political systems in order to complete their economic and social development processes. The Arab Spring must be understood in terms of the expression all these requirements. The new political systems and development models for the region must first devise new methods for utilizing the human capital and energy resources that the region possesses in order to make possible the production of diversified goods and services in an internationally accepted scale of quality. New regimes and governments must use their newly acquired wealth for developing the human capital, expanding job

opportunities, reducing unemployment and redressing social and economic problems such as income equality.

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