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## Challenges new and old: The myriad economic issues affecting MENA through the lens of public opinion

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*This piece is part of a four-part series published by the Middle East Institute in cooperation with Arab Barometer analyzing the results of the [seventh wave of the Arab Barometer surveys](#).*

For more than a decade, policymakers in developing countries in the Middle East and North Africa have been confronted with [high inequality](#), [low growth](#), [rising poverty](#), and high youth and female [unemployment](#). They now face new challenges as well. This note briefly identifies some of the most important issues affecting the region, relates them to the results of a recent survey of 12 Arab countries carried out by Arab Barometer, and suggests some pathways out of the current quagmire.<sup>1</sup>



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## **The economic context and short-term prospects**

Global growth remains [weak and uneven](#). After expanding by only 2.9% in 2022, it is expected to slow to below 2.0% in 2023. Policymakers throughout the world, including in MENA, are facing a new set of challenges. The most important among them include the following:

- The continuing adverse health and economic effects of the COVID-19 pandemic;
- The global food and fuel crises resulting from the Russian invasion of Ukraine;
- Inflationary pressures stemming from the war and global supply chain problems, and large currency devaluations;
- The tightening of monetary policies in advanced economies and rising international interest rates, which make it more difficult for developing countries in the region to service or refinance their rapidly rising debt;
- The economic and social ramifications of rising temperatures and water shortages as a result of climate change.

Real GDP in the region rebounded in 2022, expanding by an estimated 5.7%, as oil and gas exporters enjoyed windfalls from higher export prices. The economic rebound also reflected the recovery in services and [tourism](#). The pace of economic growth in the region is expected to slow to 3.5% in 2023, as the boost from the post-pandemic reopening and global growth eases.

Although the MENA region as a whole experienced economic growth, the share of the population living in extreme poverty — defined as less than \$5.50 purchasing power parity (PPP)/day — increased markedly in 2021, to more than [190 million](#) people, and rose again in [2022](#). Fuel-importing countries and countries engaged in armed conflict will continue to face serious macroeconomic instability, increased vulnerabilities, and rising unemployment and poverty. Food price inflation has already caused severe pain in Djibouti, Egypt, Iran, Lebanon, Syria, and Yemen, disproportionately hurting the poor. Accelerating inflation, particularly rising food prices, tightening monetary conditions, and rapidly rising debt service payments have slowed private consumption and investment in these countries.

### **What the Arab Barometer survey tells us**

Arab Barometer's seventh wave, carried out between October 2021 and July 2022, is the largest publicly available [survey](#) that captures the opinions and attitudes of citizens across the region since the onset of the COVID pandemic. The findings provide insights into the everyday lives of citizens in Arab countries.

#### *Perceived economic situation*



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Respondents in most countries surveyed indicated that the economic situation was a major challenge, with at least 25% of those in nine out of the 11 countries surveyed saying it was the single most important challenge facing their country, ranging from 25% in Algeria and 35% in Mauritania to 48% in Lebanon and 63% in Jordan. Responses were broadly consistent across age, gender, education, and income levels. The problem of financial and administrative corruption was also highlighted by many respondents, with at least 10% of those in 10 out of the 11 countries surveyed pointing to it as the single biggest challenge. Concern about income inequality was a constant across the region, with a majority of respondents in all countries saying it was problematic to a significant extent, from a low of 59% in Libya to a high of 92% in Jordan. The perceived inequality is high and has gotten worse in the past year, according to a majority of respondents in the 10 countries surveyed. Employment also remains a major concern and those who participated in the survey across MENA look to the government to create more job opportunities. At least a fifth of respondents in nine out of the 12 countries surveyed said creating jobs is the single most important action the government can take to improve economic conditions.

### *Emigration*

In nearly all countries surveyed, at least a fifth of the population reported considering emigrating. More than half of the population in Jordan (56%), Sudan (60%), and Tunisia (56%) expressed a desire to leave their country. The share was also high in Lebanon (38%), Iraq (35%), Morocco (34%), the Palestinian Territories (25%), and Libya (20%). Those who wanted to emigrate were more likely to be male, young, and well-educated, highlighting the risk of brain drain.

### *Food insecurity*

Food insecurity affects a majority of citizens in six of the 10 countries surveyed. More than half of the population in Egypt (68%) and Libya (53%) reported running out of food before they had money to buy more. In nine countries, more than half of citizens expressed concern about running out of food before being able to get more, suggesting that the threat of food insecurity looms large, particularly in Libya (67%), Lebanon (63%), and Morocco (62%), where citizens are less likely than those elsewhere to have run out of food but are nonetheless preoccupied by its prospect. The large share of food-insecure citizens in middle-income countries (with medium or high levels of human development) is staggering.

### *Gender equality*

Majorities in most countries surveyed stated that women and men should not play equal roles in the public and private spheres. Yet, there are also signs of significant change as public opinion



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across the region has trended towards gender equality, indicating a shift in perceptions across generations. In nine out of the 12 countries surveyed, a majority of respondents said a structural issue, like lack of childcare or transportation and low wages, rather than a cultural one (e.g. the lack of gender separation) was the single biggest impediment to women entering the workforce, including 65% in Tunisia, 64% in Lebanon and Jordan, 58% in Egypt and Morocco, 57% in Sudan and Algeria, 54% in Mauritania, and 50% in the Palestinian Territories. This suggests that efforts to improve access to childcare and public transportation or boost wages for female workers could increase the number of women in the labor force. The degree to which a lack of skills is viewed as an equal barrier for both women and men varies across countries from 39% in Mauritania to 62% in Tunisia. Overall, the results make clear that citizens do not see lacking skills as a gender-based barrier to workforce entry.

### *Climate change*

Water stands out as the most pressing environmental challenge across the region. Large shares of respondents cited water-related issues as the biggest environmental challenge facing their country, including 59% in Tunisia; 50% in Algeria; 47% each in Iraq, Libya, and the Palestinian Territories; 45% in Egypt; 44% in Jordan; 41% in Mauritania; and 40% in Morocco.

### **What are the region's most important challenges?**

#### *Armed conflict, violence, and instability*

Nearly a decade after the Arab Spring, millions of people across the region face displacement, destruction, or death. In Iraq, Libya, Syria, and Yemen, the breakdown of state governance and the economic and social losses inflicted by conflict have had [major impacts on regional and international security and humanitarian, social, and economic affairs](#).

As of 2021, eight states — Egypt, Iraq, Lebanon, Libya, the Palestinian Territories, Syria, Turkey, and Yemen — had [active armed conflicts](#). The civil war in Yemen has left over half a million people on the brink of famine. The situation in Syria remains volatile, although the Idlib ceasefire brokered by Russia and Turkey in 2020 is still in force. There has also been an upsurge in violence between Israeli security forces and Palestinians in the West Bank this year, following the bloodshed in 2022 that made it the deadliest year for both sides of the conflict [since 2005](#).

#### *Humanitarian crisis*

Nearly 80% of the region's 41 million people in need of [humanitarian assistance](#) are targeted for support in 2023. Meeting their needs is projected to cost more than \$15 billion this year.



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The crisis in Yemen remains severe, with [more than 21 million people](#) needing humanitarian assistance. In Syria, [almost 7 million](#) are internally displaced, basic services have collapsed for much of the population, and [more than 15 million](#) will require humanitarian assistance in 2023. The earthquakes in Turkey and Syria in February 2023, which have resulted in [more than 50,000 deaths](#), thousands of injuries, and billions of dollars in damage, will only make things worse. The economic and financial crisis in Lebanon has increased the need for humanitarian assistance, with [around 2 million people](#) in need of support.

#### *Excessive military spending*

With just 7.5% of the world's population, MENA imported about [a third of the world's arms](#) in 2017–21. It is home to four of the top 10 arms importers: Saudi Arabia, Egypt, Qatar, and the United Arab Emirates. Cutting military spending in half could save the region about \$100 billion a year, which it could use to reconstruct its war-torn countries and provide needed sustainable infrastructure, including for trade facilitation and digitalization.

#### *Inadequate economic integration*

In 2021, commodity exports, including oil and gas, accounted for about two-thirds of MENA's merchandise exports. This high level of dependence on commodities leaves the region vulnerable to volatility in commodity prices and terms-of-trade shocks.

The region is not well-integrated into global supply chains outside of crude oil and natural gas exports. The share of intra-regional trade in the region's total trade remains small, hovering at around 10% since the mid-1980s, which is far lower than in Europe (68%), Asia (59%), and North America (30%).

Many of the trade policymaking challenges facing Arab countries center on non-tariff policies, which increasingly involve regulatory standards that affect the digitalization of economic activities and associated trade dynamics. [Facilitating trade in services](#), associated data flows, and the cross-border movement of services providers (natural persons) requires adoption of international good practice standards, regulatory equivalence initiatives, and certification or conformity assessment systems.

#### *Inadequate opportunities for women and youth*

Gender differences in labor market indicators, including labor force participation rates, [are substantial in MENA](#). In North Africa, the Arab states, and South Asia, women are only a third as likely as men to be economically active. Deep structural barriers, in some cases rooted in social norms, hinder women's participation in labor markets.



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Youth unemployment remains high in the region. [In 2022](#), among people 15-24 not studying or in training, 32.9% were unemployed. This figure is far higher than the world average (23.5%) or the rate in East Asia (15.6%). The figure is even higher for women, at 47.7% in Arab countries. In addition, many young people are economically inactive because they are pursuing an education.

#### *Overreliance on fossil fuels and the need to transition away from them*

By 2030, the decline in demand for oil and gas and the fall in their prices could significantly [reduce the per capita income of fuel-exporting countries from 2019 levels](#). Deep structural reforms will be needed to address the massive political and social challenges the transition away from fossil fuels will present, including improvements in the investment climate, financial sector reforms, investments in human capital (to improve the quality of education and digital skills among workers), and major fiscal reforms. The region will also need to develop its vast potential for [solar power](#).

#### *Inadequate digital connectivity*

Except for the Gulf Cooperation Council countries, MENA lags all other developing regions aside from Sub-Saharan Africa in high quality [connectivity](#) and the [skills and business climate](#) needed to accelerate growth. Nearly a third of the population is not using the internet, with most of the unconnected living in lower-income countries and areas. Digitalization of both private and public productive activities, with universal and affordable access, is likely to increase [both productivity and employment](#), particularly for educated youth.

### **Conclusion**

The MENA region is in urgent need of a new economic growth engine that is politically and socially sustainable and inclusive and responds to the global energy transition. That engine must be able to create decent jobs for the region's youth and take full advantage of the human capital of women. Shifting to this new growth engine requires major structural reforms, including making the public sector more transparent and accountable, and basic investments that remove obstacles to private investment and high productivity growth and reduce the region's dependency on fossil fuels. The price tag for these investments is likely to be very high. The region should be able to afford it, however, by using the wealth it has generated from exporting fossil fuels, cutting back on unproductive and wasteful public spending, and reducing its military expenditure.



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### **Footnotes**

1. A policy brief on this topic provides a more detailed analysis of these pathways.