A series of events over the past year have catapulted the Middle East into the center stage of international politics yet again, spurring a renewed and widespread interest in a region that has long been afflicted with tension and uncertainty. From diplomatic circles to classrooms and the streets, people have been asking questions about why prosperity and stability in the region seem so elusive — despite its vast oil wealth and despite economic reforms initiated by many governments in the last decade. Lively debates on both sides of the Atlantic have underscored the importance of peace and stability for growth. But that is only part of the story. What is equally important is economic prosperity goes hand-in-hand with open societies.

An evolving development paradigm, best known through the works of Nobel prize winner Amartya Sen, tells us a country’s wealth cannot be measured by GDP growth or the size of its economy alone. Development is freedom, says Sen. It is about creating an environment where people can participate in deciding their economic and social future. It is about creating opportunities for everyone to pursue their hopes and dreams. In the climate of uncertainty that looms over the region today, the governments of Middle East and North Africa (MENA) are confronted with the difficult decision of paving the way for a political openness that will engage their people — men and women alike — in the development process and integrate their countries into the global economy.

With unemployment in the region hovering around 20 percent, young people are entering the labor force at a rate faster than jobs are being created. During the 1990s the sluggish economy and joblessness has also led to an increase in poverty. Approximately 30 percent of the population lives on less than 2 dollars a day. To compound the problem, most people in the region also suffer from another kind of poverty — the poverty of participation — where they do not have a voice in the development process that touches their lives. This is particularly true with the limited participation of women in the public sphere. The combination of a growing and idle young population stifled by poverty of income and poverty of participation is creating pressure for the region’s leadership on social, economic and political fronts. But perhaps the biggest long-term challenge that has emerged for these governments is to provide employment, in other words hope for the future, for their young people, male and female.

As the experience of transition countries has demonstrated, success factors include the extent and depth of economic and social reforms, the degree of openness of the political system, and the extent of participation of civil society. With most reforms often partially implemented and the public sector still very much in the driver’s seat, MENA economies have yet to fulfill the potential for job creation by cultivating a vibrant private sector and opening up to the world economy. When world trade took off in the late 1990s, MENA was not a part of that story, although this is slowly changing. A
glance at non-oil exports, a sign of economic competitiveness, reveals that the combined exports of MENA countries stand at approximately 40 billion dollars — less than that of Finland alone whose population is fifty times smaller than that of the MENA region. And foreign direct investments, which reflect investors’ perception of a healthy business environment, also have yet to be exploited in MENA. At 1 percent of GDP, the region has the lowest share of foreign direct investment in the world — even lower than that of sub-Saharan Africa which stands at 1.7 percent of GDP. With all this untapped potential, clearly the prospects for stimulating growth through greater openness and engagement with the world economy appear promising.

Exports and foreign investments are not the only measures of an open society however. In this day and age, the ‘knowledge economy’ is increasingly becoming an important gauge of how connected people are with the information revolution sweeping the world. It provides the basis for a new form of economic development that thrives on a skilled and innovative workforce, entrepreneurship, modern telecommunications infrastructure and research and development.

Knowledge-related economic activity remains modest in MENA. The region’s R&D effort is about one-fifth or less that of industrialized countries. It also scores lowest in the world on the number of web sites and internet users, the most basic indicators of integration in the global knowledge economy. This, in spite of the fact that MENA countries invest a higher proportion of their GDP in education compared to other regions of the world.

There is much to work for, and much to hope for in a region so rich with potential. Next week, some 500 representatives from government, private sector and civil society from Morocco to Iran will gather in Amman for the Fourth Mediterranean Development Forum organized by the region’s local think tanks with support from the World Bank. Amidst heightened tension in the region, the Forum will ponder the future of the MENA region. Ministers and parliamentarians will stand alongside entrepreneurs, activists from the non-governmental sector and journalists to debate the skills their youth need, and contemplate how to engage their people in the information revolution, how to create more work opportunities and how to encourage trade and investments. In a time when prosperity seems so elusive, this is an opportune moment for the world to listen to the voices and aspirations of the people of the region.

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