

Mediterranean Platform
School of Government

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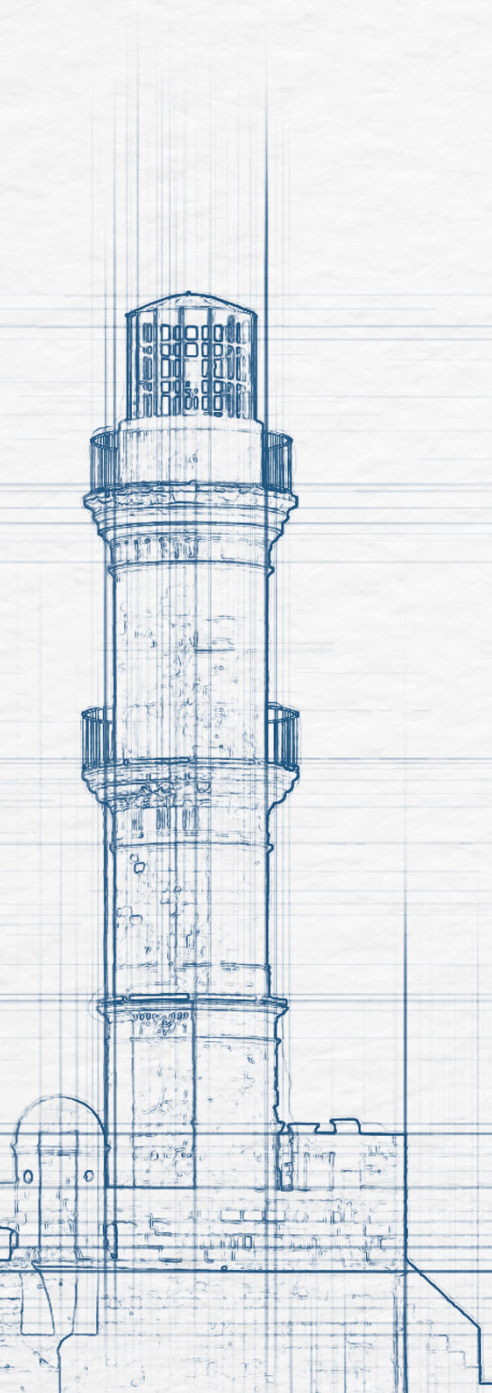


Conference Main Take-Aways

Mediterranean 2028
Envisioning the Medium-term Future
of the Broader Region

**School of Government,
Luiss Guido Carli University**

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Panel II: Addressing the Deepening Socioeconomic Crises

The Covid-19 pandemic and the consequences of the Ukraine war have hit the MENA and broader Mediterranean region unevenly. Amid several economic crises, it remains unclear how the strategies of Gulf countries and supporting states might evolve in the MENA region. While Arab Gulf countries are benefiting from the oil price bonanza and pushing forward on their economic diversification strategies, they are increasingly looking east to China and Asia for their economic future and expanding their reach into Europe and Africa. These countries' interest in the MENA is waning as is their willingness to bail out or invest the troubled countries or the region. Western donors are also constrained by shrinking financial capacities and the lack of a clear strategy on how to confront the intensifying crises.

There are Four Middle East Regions

- **The MENA region is in a state of polycrisis.** It is hit by several crisis unfolding simultaneously. The region is a space of great power competition instead of a place where great powers come to mitigate social and economic challenges.
- **There is not one MENA or Arab region; there are four.** There are four different MENA regions distinguished by sharply different socioeconomic conditions. We need to imagine the region as a disaggregated space to diagnose it properly. Most, but not all countries in the region, fall into one of the categories.
 1. **Basket case countries: economic collapse.** Lebanon, Yemen, and Syria. They are conflict afflicted countries that are governed by predatory regimes and living under sanctions. Some of them are labelled as sponsors of terror.
 2. **On the brink of economic collapse.** Egypt, Jordan, and Tunisia. In September, the IMF published a report stating that there is a perfect economic storm in these countries. The situation is precarious, and their economic situation is teetering as they grapple with debt crises.
 3. **Not good, not strong.** Algeria, Libya, and Iraq. These countries are only sustained due to their ability to export and profit from oil. However, their regimes have failed to address food insecurity and the impact of climate change. These states are muddling through and have to navigate a complex set of challenges to sustainable economic development.
 4. **GCC: Economic Superpowers.** In these countries, the massive amount of accumulated wealth has protected society from the winds of change that have impacted most of the region. The GCC countries are critical economic actors across the region and their economies will have an impact on the economic trajectory in the region. Post-2011, the GCC countries made enormous investments to support countries in need, but these were political and not business decisions. This is now changing with stringent conditions being in place.
 - **Energy transition and competition.** The energy transition has just begun and demand for oil will decline, resulting in increased competition in the hydrocarbon markets. As the revenue drops, this could be a significant source of tension between the GCC countries.
 - **The GCC as a problem solver.** The GCC has a role to think about solutions for the region but the countries in the first categories mentioned above are the ones that have an impact of the regional geopolitics. If there is a crisis in Egypt, for example, there may be a spillover that can affect the entire region.
- **Several problems are worsening in the region.** Unemployment, inequality, poverty, corruption, economic decline, emigration for economic reasons, failure to deliver basic services, failure to address the impact of climate change, and repression.
- **Rethinking the economic models.** International financial institutions and donor countries need to rethink the economic models that they have been advising/promoting in the MENA region (and elsewhere) as their results have largely failed.

- **Credible national economic revival strategies.** One option would be to develop and implement credible national economic revival strategies based on strategic long-term economic plans. But to make this possible, there would also need to be international and regional coalitions to neutralize or compensate those who lose out of these deals.

Developing Homegrown Economic Solutions in the MENA Region

- **Homegrown economic solutions.** Any economic solutions must come from the inside and need to have support from the population. They should no longer come from the IMF or the World Bank. Conditionality cannot work if each country has its own goals.
- **Learn the lessons of the past.** Same policies in different contexts do not lead to the same results.
- **Social security.** Health care, education, and decent housing have to be supported by public policies.
- **Integration in the global value chain.** Different countries should consider their positions in the global value chain and ways to improve it.

Libya is a Sleeping Economic Giant

- **Libya's conflict has economic roots.** The institutional environment is highly challenging. After the civil war, the political realm is divided, and there are huge regional grievances about resource sharing.
- **Libya is remarkably connected by illegal flows despite trade barriers.** There are lots of barriers that inhibit regional trade, but Libya is well connected to its neighbors. Oil is traded across the border, smuggled goods move from and to Tunisia, there is a flow of arms and narcotics, and the country is also connected to sub-Saharan Africa through human trafficking.
- **Libya should be considered a global public good.** Whatever is invested in Libya will positively impact the region. Libya could be an economic powerhouse that could benefit Tunisia, Egypt, and the broader Mediterranean region.
- **The Libyan Paradox.** Libya cannot borrow from the World Bank as it is a high middle-income country. It is a country of many contradictions, and this is referred to as the Libyan Paradox. Libya has weak institutions and capacities, in comparison to those of the low-income countries. This makes the flow of foreign investment in the country quite limited. Even if it receives funds, the country does not know how to manage money and has a high level of corruption.
- **Tools to help Libya.** We need to identify the tools that could help set the country on the right track such as institution- and capacity-building, and helping Libyans find solutions to their own problems.
- **Change the narrative from “Libya is Gaddafi and oil”.** It is important to change the narrative around Libya, whether to the Libyans or to the global community. Libya is a sleeping economic giant, and it is important to highlight that it carries tremendous potential for the region.
- **Discussing fuel subsidies.** The World Bank would like to highlight the costs of subsidies to the Libyans and facilitate the dialogue on changing the situation.

Egypt: Bad by Design, Not by Accident

Bad by design, not by accident. In MENA countries, bad governance is not by accident but by design. Many of the regimes benefit from the type of governance in the region.

- **The military's political economic strategy.** The Egyptian military has expanded and consolidated its power by changing the center of power developed by the Mubarak regime. Many of the figures who played key roles were removed. The dominant party in Egypt simply supports the state and Sisi.
- **Military control over the economy.** There are many figures about who owns and controls the economy, but they are not accurate. The military controls the economy through subcontractors in agriculture, tourism, health care, and other sectors. Relative control is what matters. The military's aggressive dominance of the economy creates a climate of uncertainty which reduces foreign investment.
- **The regime empowers itself.** The regime has empowered itself and impoverished the state. It is in the regime's interest to maintain a weak state and rule of law.
- **Egypt is the 2nd highest borrower of the IMF.** Egypt, according to the IMF, had completed its program which led to marginal decreases in the participation of women in the labor force. The private sector is in contraction and macroeconomic stability has been undermined. The country now spends three-fourths of its tax revenue on servicing its debt. The regime has only instrumentalized the ideas of the liberal economy to advance its own agenda.
 - **No more free rides.** In its first years after 2013, Egypt's government was heavily supported by the GCC countries, but support has now come with heavy conditions.
- **Stabilizing the economies should be the priority.** It is important to stabilize economies like Egypt and not simply fund the regimes that deepen the problems in the region.

Syria: Bleak Prospects

- **Syria is imploding.** Inflation rates have risen to 289 percent in the past three years. State institutions are collapsing. The state has abandoned its role to foster economic growth and territorial integrity. The regime is involved in several types of smuggling.
- **No future.** The people do not see any prospect for future. Many of them want to leave the country.
- **No alternative.** No one is capable of offering an alternative in either Syria or Lebanon.
- **Return of refugees.** There is no meaningful prospect for refugees to return. Many of the men cannot return to Syria due to personal security reasons. Others do not want to return due to the obligatory military service and because the regime does not want Sunnis in its army. Hezbollah would also not accept the return of a lot of refugees.
- **Rapprochement to improve governance.** The regime is simply not interested in improving or changing governance or even in allowing any conditions for rapprochement. There was rapprochement between Arab countries and Syria, but Bashar stated in an interview that it is still not something the regime pursues. The current status quo, which is unbearable for Syrian people, is completely fine for the regime.
- **Declining humanitarian aid from the EU.** EU aid to Syria is now declining rapidly. The humanitarian program for Syria is only 29 percent funded and only 10 percent of the education sector's needs are funded.

- **What not to do.** The EU needs to be careful in signing agreements with corrupt entities in Syria or simply with NGOs that operate like businesses, taking funds and paying salaries without having any impact on the ground. It should also not meet with Bashar al-Assad or his representatives as it sends a signal that it's okay to deal with him.
- **Syrians are abandoning political work.** Many of the NGOs have become service providers but the EU needs to invest in political organization.
- **Looking to the future.** Humanitarian aid should be continued, political organization should be funded, civil society should be pushed to adopt charters on good behavior, the banking sector in Lebanon should be supported, and we should look to the long-term solutions to problems.



Mediterranean Platform

Founded in 2022, and directed by Prof. Luigi Narbone, the Mediterranean Platform is a research, dialogue, and educational programme at the School of Government, Luiss Guido Carli. It offers a space for collective reflection on the opportunities and challenges of the Mediterranean region and promotes informed policymaking and advocacy at the national and transnational levels.

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