

# BLOCK 4

## ECONOMIC AND FINANCIAL DIMENSION

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### Main findings

- Economic strategic options for the governments in the region are quite homogenous. There is a slight trend to foresee a growing role of the Gulf Cooperation Council and China rather than the EU in the geo-economic landscape of the region.
- An increased role of the USA as an economic partner and the strengthening of Arab regional integration institutions are considered less likely.
- The fight against corruption, wealth redistribution and economic security are considered the most challenging socio-economic reforms for the new Islamist governments.
- Turkey, Israel and Morocco are considered the safest countries in terms of Foreign Direct Investment. Egypt and Syria are the riskiest scenarios for foreign economic involvement.

Three questions aimed at assessing the socio-economic trends in the region make up the fourth block. Firstly, Question 15 suggests a prospective exercise on the economic strategic options in the long term to be undertaken by post-“Arab Spring” governments.

The responses received homogeneously concentrate around an average of 6. However, it is possible to say that the responses reflect a greater trend towards considering a growing role of Chinese and Gulf Cooperation Council investments as more likely.

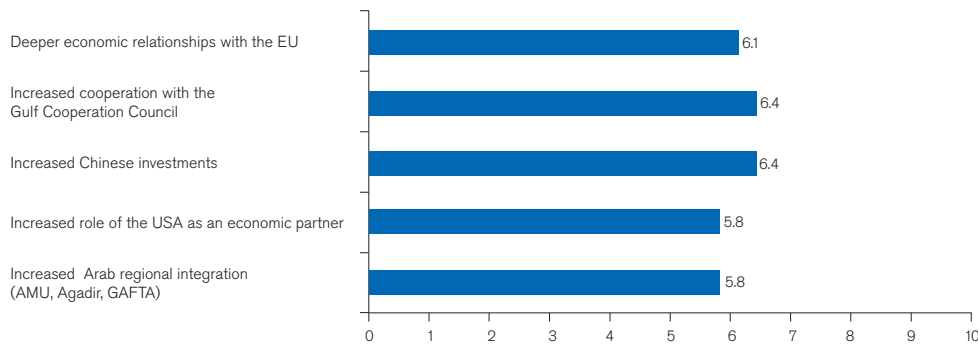
*Let us remember that the situation is still volatile and will remain so for a long time. If the Arab Spring meant democracy of a Western type, open civil society, etc., the chances are slim. So economic strategic options will remain favourable towards the strongest players, especially China (if China itself does not succumb to any internal crisis).*

Greek respondent

The economic relations with the EU occupy a second position followed, with a slight variation (see Graph 35) by the role of the USA as an economic partner and the growth of intra-Arab regional integration.

**Graph 35: New regional economic long-term strategic options of post-“Arab Spring” governments**

(average on a scale of 0-10, where 0 stands for no probability and 10 for very high probability)



Source: Compiled by the IEMed based on the results of the 4th Euromed Survey

The Gulf States are financially powerful with the high price of oil while European countries are in financial trouble. China is more interested in countries having more accessible raw materials. USA influence is clearly declining and no interest in Arab regional integration is seen at this stage.

Spanish respondent

Cette question est redondante avec la question 8 (et indirectement la question 10). Ce sont les bailleurs de fonds les plus importants qui seront les plus influents, même si d'autres critères interféreront partiellement.

Tunisian respondent

Probably, the post-Arab Spring will see more economic relations between Arab countries, the Gulf countries and China. It seems that rising Arab nationalism will play a determining role in economic relations. The EU should work more in the region in order to increase its economic ties in the medium term.

Turkish respondent

These are not alternative options; most probably all forms and frames of economic cooperation will increase.

Finnish respondent

If we focus on the detail of the responses by region or country groups, while the probability that the economic relations with the EU will be strengthened barely varies from the average of around 6.1, the increase of cooperation with the Persian Gulf countries is seen as less likely in Maghreb countries and more likely in non-Mediterranean EU countries. In the case of the increase of Chinese investments, the greatest difference with respect to the average 6.4 is between the Maghreb (6.1) and Mediterranean EU countries (6.8), a trend which is reversed when assessing the role of the USA as an economic partner because the Maghreb (and also the Mashreq) are above the average while EU countries are below. Finally, in relation to Arab regional integration, the Maghreb shows greater pessimism (5.1 on average in comparison to 5.8 of the Survey total) while Mediterranean non-EU countries, i.e., the Balkans, see this probability as more likely.

Dans le contexte actuel et compte tenu du soutien des États Unis aux régimes en place, il est évident que les stratégies arabes et américaines auront une place de plus en plus importante. Néanmoins, dans les pays où la tradition de coopération avec l'UE est forte, on est en droit d'espérer un approfondissement des relations économiques avec l'UE.

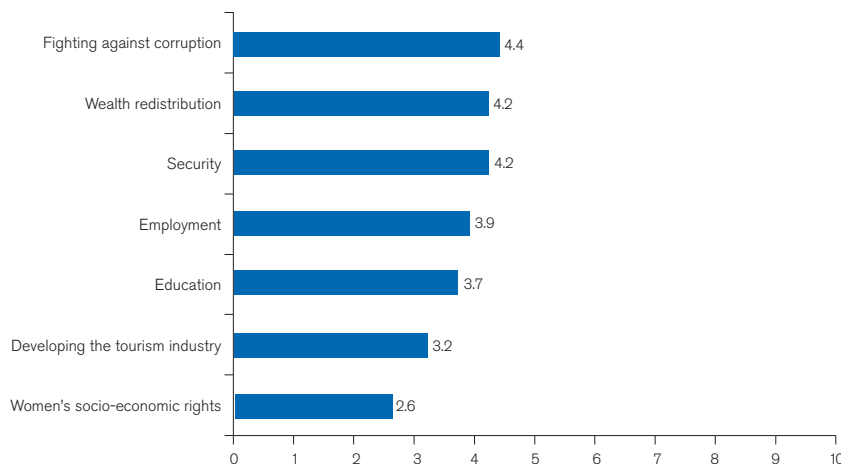
Tunisian respondent

Un Maghreb uni passe nécessairement par le règlement du problème du Sahara Occidental et l'UE en sera bénéficiaire.

Algerian respondent

The following question of this block, Q.16, focuses on assessing the capacity of Islamist governments in the region to manage the socio-economic demands. Based on the responses received, it is notable that none of the elements asked about surpasses the average of 5, where 0 stands for no capacity and 10 for very high capacity, to address the socio-economic demands. Three aspects have an average assessment of above 4: those related with fighting against corruption, wealth redistribution, and security. Questions on unemployment and education are assessed under 4. Finally, two elements where the Islamist governments will have a low capacity of management are the development of the tourism industry (3.2) and women’s socio-economic rights (2.6).

**Graph 36: Assessing the capacity of the new Islamist governments to address the socio-economic demands** (average on a scale of 0-10, where 0 stands for no capacity and 10 for very high capacity)



Source: Compiled by the IEMed based on the results of the 4th Euromed Survey

Pre-uprisings “secular” governments would receive roughly the same rankings. A range of questions on the comparative ability of different groups would be more informative for policy-makers.

British respondent

Security will be a serious issue for the foreseeable future. Unfortunately, the role of women and the tourism industry might be negatively affected. This is where the EU should interfere by offering special economic programs for women and the tourism industry.

Turkish respondent

Une matrice difficile. A l'exception de la Turquie, nous n'avons pas encore une lisibilité des capacités des nouveaux gouvernements à tendance islamiste sur les plans économique, social et managérial.

Algerian respondent

The last of the questions in this block focuses on the impact on Foreign Direct Investment (FDI); that is, whether after the political changes which have taken place since the Arab Spring, respondents see a higher or lower risk for direct investment from abroad in their country. The results, ranked from higher to lower, indicate three groups of countries. Syria, given its current state of war, is a separate case and receives a very low average; in other words, it is seen as having a very low capacity to attract FDI. The first group of countries has averages above 6, and respondents see Turkey as the country which will have more FDI growth with 7, followed by Israel and Morocco. The second group is made up by Tunisia, Jordan, Libya and Lebanon, which remain above 5. The third group corresponds to countries with an average below 5. Further down are Algeria and the Occupied Palestinian Territories with 4.9 and 4.7 respectively, therefore close to a situation of no change or maintenance of current FDI level. Finally, Egypt occupies the lowest position with an average of 4.2.

Turkey is receiving FDI. The risk for Turkey is not the Arab Spring but its current account deficit. For the other countries, investors would probably like fewer political. Nevertheless, these countries will turn to FDI soon. The situation will probably become clear within two years.

Turkish respondent

Différents facteurs tendent à rendre moins dépendante les IDE de la situation politique interne : programme de relance structurelle, projets d'infrastructure, fonds du Golfe, bailleurs internationaux. après de ralentissements on assiste à des reprises. C'est un jeu permanent d'opportunités et d'intérêts.

French respondent

It is interesting to note the results based on the respondents' assessment of their own country. In all cases this average increases in comparison to the Survey average. The case of Syria is relevant, where Syrian respondents make an average assessment of 4.5 while the Survey average is 2.7. Algerian and Palestinian respondents see little impact on FDI while Egypt also follows this trend although Egyptians do not surpass 5 on average when assessing the growth of FDI.

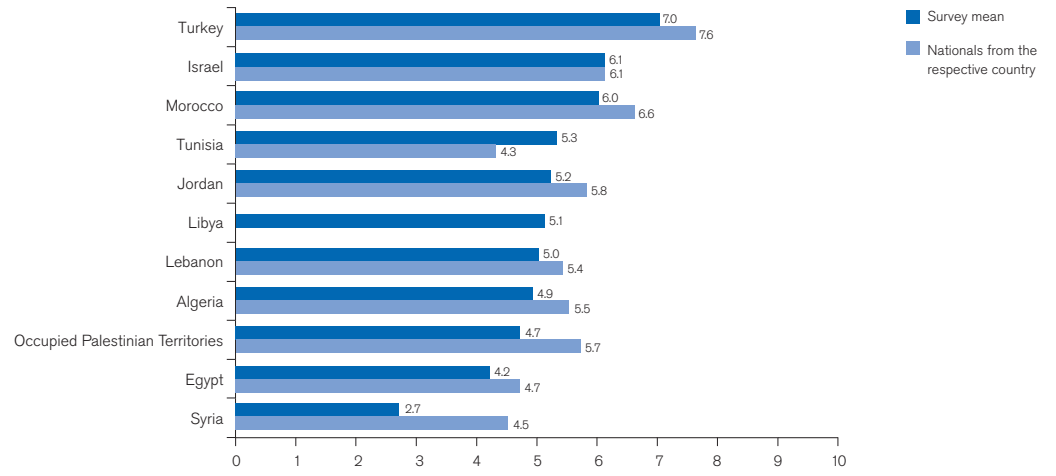
Tunisia deserves a mention apart as Tunisians envisage a decrease in FDI for their country (4.3), while the Survey average is inclined to the contrary option (5.3), see Graph 37.

Dans les deux prochaines années, il faudrait de réels changements surtout en termes de sécurité pour que les IDE retrouvent la place qu'ils occupaient.

Tunisian respondent

**Graph 37: Arab Spring impact on the level of Foreign Direct Investment in the region in the next two years (country risk)**

(average on a scale of 0-10, where 0 stands for less FDI and 10 for more FDI)



Source: Compiled by the IEMed based on the results of the 4th Euromed Survey

