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ECONOMIC TRENDS IN THE MENA REGION: A VIEW FROM THE WORLD BANK

*Executive Director Says a Robust Arab Private Sector,
in Partnership with U.S. Business, is Key to Economic Growth*

*Twelve Arab Missions Participate in
Latest NUSACC Expert Roundtable*

*“The future of the region lies in the ability of its leaders to set a
bold technological agenda and take the initiative to bring about
meaningful change.” – Dr. Merza Hasan*

Washington, DC – The National U.S.-Arab Chamber of Commerce (NUSACC), in partnership with [Ambassador Salah Sarhan](#), Chief Representative of the League of Arab States, this



week hosted [Dr. Merza Hasan](#), Dean of the Board of Executive Directors at The World Bank Group. As part of NUSACC's Expert Roundtable Series, Hasan shared his candid perspectives on economic trends in the Middle East and North Africa region, as well as how the World Bank and International Monetary Fund (IMF) intend to help address current challenges. His presentation was particularly timely, coming on the heels of the IMF / World Bank Spring Meetings.

Dr. Merza Hasan (left), Dean of the Board of Executive Directors at The World Bank Group, with Ambassador Salah Sarhan (right), Chief Representative of the League of Arab States in Washington, DC.

Hasan placed a heavy emphasis on the role of the private sector in the Arab world, characterizing the business

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community in the MENA region as a future engine of economic growth. He suggested that U.S. companies “take a nuanced view” of the region, which is “full of lucrative opportunities” but is often misunderstood or misrepresented in the United States.

In his introductory remarks, NUSACC President & CEO [David Hamod](#) thanked Hasan for his long relationship with NUSACC and his leadership at the World Bank, with which the National U.S. – Arab Chamber of Commerce has partnered on multiple occasions in recent months. Hamod also thanked Ambassador Salah Sarhan, Chief Representative of the Arab League in Washington, DC, for serving as co-host of this important event. Ambassadors and other senior diplomats from twelve Arab missions participated in the Roundtable, including Bahrain, Egypt, Jordan, Iraq, Libya, Kuwait, Oman, Palestine, Saudi Arabia, Sudan, Tunisia, and the League of Arab States.



The audience for this event included such distinguished Arab Chiefs of Mission as H.E. Salah Sarhan (League of Arab States), H.E. Fareed Yasseen (Iraq), H.E. Wafa Bughaighis (Libya), H.E. Hunaina Al-Mughairy (Oman), and H.E. Maowia Khalid (Sudan). Senior diplomats from Egypt, Jordan, Kuwait, Palestine, Qatar, Saudi Arabia, and Tunisia also attended the event, as did representatives of the U.S. Government and leading American companies.

League of Arab States Efforts

Ambassador Salah Sarhan, Chief Representative of the League of Arab States in Washington, DC, served as co-host of the Roundtable event. He offered an overview of the Arab League’s agenda for sustainable development in the MENA region. “The Arab League and the World Bank have signed a Memorandum of Understanding recently, one which involves cooperation between both parties on the issue of sustainable development,” he said. “This development program is a large one that includes education, environment, and many other issues.”

Sarhan pointed to a number of positive economic developments in the region, including: progress on a pan-Arab free trade agreement; the conclusion of the Beirut Round, which had begun in 2005, on the free exchange of services; the tabling of an initial draft of a transport

treaty for transit passages among Arab countries; and the resolution of major investment issues. Sarhan went on to note that customs issues are being addressed with the relevant international organizations.

Economic Trends in the Region

The featured speaker, Dr. Merza Hasan, noted that the Middle East and North Africa (MENA) suffered significantly during the 2008 global financial crisis, which was compounded by the economic and political effects of the Arab Spring, beginning in 2011. He noted that “a single event that began in Tunisia quickly spread across the region,” underscoring the interconnectedness of the MENA region and its economies. Because of a contradiction between economic reform and political reform, and due to the lack of societal institutions, he said, “Growth in the regional economy was exclusive rather than inclusive, serving only the top ten percent and having little effect on the bottom 90 percent.”

Today, Hasan suggested, economic growth in the MENA region is lagging. The World Bank estimates overall growth in MENA Gross Domestic Product (GDP) to be under three percent for the third year running. Historically low oil prices, conflicts, and the global economic slowdown make short-term prospects of recovery unlikely, he opined. The MENA region’s share of global exports fell from 2.2 percent in 1995 to 1.8 percent in 2008. But those figures are misleading, Hasan cautioned. If you exclude the oil exports, the MENA region would be the lowest trading region in the world. MENA’s total exports within the region remained constant, at about 10 percent. Hasan was more optimistic about the future. “The more you have growth in the GDP, the better is your ability to put jobs into your economy, which also brings shared prosperity,” he said. “There is movement in the GDP, and the trend is growing, so this is a very positive sign when it comes to economic growth.”



David Hamod (left), NUSACC President & CEO, with Dr. Merza Hasan (right), Dean of the Board of Executive Directors at The World Bank Group.

Hasan highlighted water scarcity as one of the major issues facing the MENA region. “There’s a huge challenge when it comes to water availability, especially with climate change,” he suggested. “Doing something about the water situation starts with water management and water recycling. Seventy percent of water used in the Arab world is dedicated to the agricultural sector; therefore, we need to be more efficient when it comes to irrigation.” Moreover, he said, conventional large-scale desalination is cost-prohibitive and energy-intensive, so it is not very viable for poor countries in the MENA region.

Throughout his discussion about economic trends in the region, Hasan pointed out that “these challenges represent opportunities for the private sector. This is how business looks at investment: Which sectors are facing challenges vs. growing, and where are the gaps in terms of skills, technology, and management.”

Reform and Development

Hasan emphasized the importance of economic restructuring with an allusion to the so-called MENA youth bulge. “About sixty percent of the region’s population is under the age of 25, and the mean is 22 years old, compared to the world mean, which is about 28 years old,” he said. “This is a youth population, so we need to define many programs through the prisms of education and markets to create jobs that will integrate youth into the economy.”



H.E. Fareed Yasseen, Iraq’s
Ambassador to the United States.

This will lead to a boost in production sectors and will provide opportunities to diversify these economies, he noted. “We are seeing a huge potential now for vocational studies, educational studies, and technological skills training,” he went on to say. “We need to offer the right infrastructure and environment to succeed.”



H.E. Hunaina Al-Mughairy, Oman’s
Ambassador to the United States.

Women’s empowerment is an important issue for the World Bank, and Hasan highlighted the crucial role that women must play in an economy if a country is to prosper. “Think of it as half of your engine not working,” he said. “This is what it’s like for women in the region to be unable to engage in the economy.”

(Working with the World Bank, NUSACC has supported a number of women’s economic empowerment projects in recent months, including the World Bank’s recent hackathons in the Maghreb. For more information, please click [here](#).)

The World Bank is also placing considerable focus on the renewable energy sector, Hasan suggested. “We see a huge movement toward solar energy because technologies in the renewable sector are improving, thereby making prices much more attractive for the public and private sectors,” he said. “We are also focusing on how to make fossil fuel energy as efficient as possible because it is still crucial for the supply of water and electricity in the region.”

Solar-powered desalination, combined with efficient use of water reserves and re-use of wastewater, Hasan suggested, can help to ease the water crisis in the region. These efficiencies will also help to reduce the financial load on MENA governments from the power and water sectors, he said, thereby freeing up funds to be used for educational, health, services, and industrial sectors. All of these efforts, Hasan noted, must be reinforced by public programs that emphasize water conservation in a region that is one of the least efficient on earth.



H.E. Maowia Khalid, Sudan's
Ambassador to the United States.

The World Bank: A Plan for the Arab World

“Our portfolio in the region for the private sector is about \$5.4 billion,” Hasan explained. “We will allocate funds strategically to encourage private sector engagement in the region.”

The World Bank is placing growing importance on seed money and policy reform instead of funding megaprojects, which has been the traditional role played by the World Bank. Economic reform will lead to more attractive investment environments, Hasan said, encouraging economic diversification and job creation driven by the private sector. The days are gone, he suggested, when governments alone would be responsible for serving as a nation's economic driver.

Within the World Bank, Hasan said, the pillars of the International Finance Corporation (IFC) support: improving the investment climate; increasing access to finance, especially for small and medium-sized enterprises; encouraging infrastructure development, especially in energy/renewables; enhancing skills development to meet labor market needs and to support entrepreneurship.



H.E. Wafa Bughaighis, Libya's
Chargé d'Affaires.

In addition, Hasan said, the IFC continues to focus on increasing cross-border trade and investment flows with a view to sharing knowledge and capital that will facilitate regional integration and address climate change issues. This includes agriculture, he said, which can be an important driver for job creation, debt restructuring, technological innovation, and land reform. (Without clarity on land ownership, Hasan suggested, valuable land can remain tied up and unproductive for years on end.)

The World Bank remains very attractive to countries in the Arab world, Hasan noted, for several reasons. Most important, World Bank loans are typically the cheapest in the marketplace, and this may include concessional loans. In addition, the World Bank is uniquely situated to provide technical assistance, including advice on de-regulation on a sector-by-sector basis. “We know what needs to be done upstream,” Hasan noted, but in a nod to the World Bank’s efforts to eschew politics, he concluded, “We want the regulations to be owned by the countries, who know their respective political environments better than anyone.”



Dr. Merza Hasan (right), Dean of the Board of Executive Directors at The World Bank Group, with Her Excellency Hunaina Al-Mughairy (left), Oman’s Ambassador to the United States and David Hamod (center), NUSACC President & CEO.

Looking Ahead

“For the past 20 years, at least, change has been the only constant in the MENA region,” Hasan stated. This has resulted in peaks and valleys for the region’s economy, he said, making projections for the economic future of the MENA region unpredictable.

“Thomas Jefferson said that too much government is no government,” noted Hasan. “So how do we shrink government in the lives of individuals, relying more on the private sector? This is the question that we should be asking for a successful future.”

In order to make the private sector the #1 choice for economic development, Hasan suggested, additional reforms are needed to make the business environment even more attractive for private capital. “Capital is a coward,” he noted, so “major reforms are needed for tariff and taxation systems. We have also added to the conversation the topic of good governance in the corporate world.”

Hasan cited Syrian refugees as an example of how countries can turn a difficult situation into an advantage. “The refugees are an asset rather than a liability when it comes to the economy, so it makes sense to integrate them into local economies,” Hasan noted. “World Bank data tell us that refugees, on average, stay for 21 years in a host country. So this is not a temporary issue, but a structural one.”

As the MENA region charts a course for economic transformation, Hasan said, the public and private sectors must now, more than ever, come together to lay the foundation for long-term economic development. He concluded, “The future of the region lies in the ability of its leaders to set a bold technological agenda and take the initiative to bring about meaningful change.”



Ambassador Salah Sarhan, Chief Representative of the League of Arab States in Washington, DC.

NUSACC Expert Roundtable Series

The NUSACC Expert Roundtable Series provides members and stakeholders with an opportunity to hear directly from experts. The audience for this event included such distinguished Arab Chiefs of Mission as H.E. Fareed Yasseen (Iraq), H.E. Wafa Bughaighis (Libya), H.E. Hunaina Al-Mughairy (Oman), and H.E. Maowia Khalid (Sudan). Senior diplomats from Egypt, Jordan, Kuwait, Palestine, Qatar, Saudi Arabia, and Tunisia also attended the event, as did representatives of the U.S. Government and leading American companies.

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To learn more about the benefits of membership in NUSACC, please click [HERE](#).



The National U.S.-Arab Chamber of Commerce, widely regarded as the voice of American business in the Arab world, is in touch with business communities across the United States and serves as the U.S. point of contact for the national chambers of commerce in the 22 Arab nations. On a daily basis, NUSACC works closely with leaders throughout the Arab world, as well as high-level decision makers in the U.S. business community, public policy research centers, multilateral institutions, nongovernmental organizations, media, and the U.S. Government.

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