Helpdesk Research Report: Economic Development and Peace in the Middle East
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Query: What are the links between economic development (in particular, employment generation) and peace in the Middle East?

Enquirer: DFID

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1. Overview

Development and conflict literature has noted links, generally, between economic development and stability/peace; however, there are few resources that focus specifically on this connection in the Middle East. This is, in part, because there are many other dimensions to stability/peace in the region beyond economics. These include continuing violent conflicts and occupation, authoritarian governments, patronage networks, Islamist groups, gender inequality and dominance of the oil sector. Further, studies on terrorism and the profile of terrorists show that supporters of such acts are often among the more economically well-off. What motivates their attitudes and actions can be better explained by their disapproval of the broader political and economic status quo of the region.

Nonetheless, some Middle East researchers find that there is no need for Middle East exceptionalism. Rather, instability in the region can be explained by general conflict theory - and domestic economic conditions are a good predictor of the presence or absence of stability. High rates of unemployment, and the resistance of governments to institutional reform to provide for greater employment, are key factors contributing to potential political and social unrest. This is a vital concern in the MENA region – where the labour force has been growing in vast numbers and will continue to grow into the end of the next decade. Unemployment rates are especially high in Iraq, where insufficient jobs have been created in the ‘post-conflict’ context - a transition period critical for securing peace. Creating short-term jobs in the transition, and meaningful jobs in the long-term, are important to keep ‘idle hands busy,’ and to stem the potential of further instability.

2. Key documents

General Links between Economic Development and Peace
  http://users.ox.ac.uk/~econpco/research/pdfs/BeyondGreedandGrievance.pdf
Collier and Hoeffler’s previous studies have shown that per capita income is more than five times greater in peaceful countries than in countries in which wars broke out – advancing the view that economic development and income growth are essential for reduction of civil wars. This recent study draws on newly available global data on civil wars (including data from the Middle East and North Africa). The authors confirm the key outcomes of their prior studies and also find that the higher the ‘proportion of a country’s population who were males in the age range 15-29’ (some of whom are more psychologically predisposed to violence and suited for recruitment), the higher the feasibility to engage in war – and the greater the risk that war will occur. As such, attempts to reduce incidents of civil war require making it more difficult – i.e. more difficult to recruit young men.


This study uses a modified version of Collier and Hoeffler’s earlier civil war model to analyze the onset of intrastate armed conflict globally and then in the Middle East/North Africa. In both cases, the authors find:

- Economic development and economic growth are the two most important variables reducing the likelihood of conflict (similar to Collier and Hoeffler’s studies): “political and socioeconomic factors were found to be more important in predicting conflict: political and economic factors influence the centrality of ethnic identities, play a major role in the possibility for conflict mobilization, and affect whether conflict escalates to a violent level” (p.152);
- Neither social fractionalization or primary commodity dependence are significant (contrary to Collier and Hoeffler’s findings);
- Regime type and ethnic dominance are important (contrary to Collier and Hoeffler’s findings);
- Specifically related to the Middle East, Islam and oil dependence are not significant.

The authors conclude that there is no support for Middle East exceptionalism; the causes of conflict in the region can be well explained by general theory of civil war. While oil revenues have allowed for the appeasement of populations in the region, they have also produced corruption, slow growth and authoritarianism. Deteriorating economic conditions and lack of democracy in the Middle East could produce a fertile base for political unrest and grievance-based rebellions. The key to preventing future conflict is ensuring diversified economic development, employment opportunities, food security and more legitimate and transparent regimes.


This study examines attitudes toward terrorism in Algeria and Jordan and finds that neither cultural or religious factors; nor personal economic deprivation explain support for terrorist acts; in contrast, in Jordan – it was economically advantaged men and women who were more likely to support terrorist acts against U.S. targets. This follows other prior studies, which found that terrorists tend to be relatively well-off. The authors find instead that dissatisfaction with domestic government leaders/political institutions and U.S. foreign policy (and a perception that the two are linked) are key factors resulting in support for terrorist acts against the U.S. In addition, younger men and women are more likely to fall under this category, directing anger at those they believe are responsible for the poor political and economic status quo.

Given findings were similar in both these Arab countries, which differ greatly in character and experience (with Jordan having faced much less acts of domestic terrorism than Algeria), the authors propose that their findings can be more readily generalized across the Arab world.
Employment, the Social Contract and Political Unrest

  http://users.ox.ac.uk/~econpco/research/pdfs/PostConflict-Recovery.pdf

This paper looks at many different issues in post-conflict recovery, focusing on Africa; of relevance to this query is the discussion on the importance of rapid employment generation in post-conflict societies, such as many of those in the MENA region, where the risk of further conflict is higher than in other societies. As discussed in Collier, Hoeffler and Rohner’s recent study (see above), the proportion of young men in a population is a key risk factor explaining conflict. Thus, employment generation for unskilled young men can affect the risk of violence, making them less idle; and less likely to be recruited into violence by rebellion groups; this link may also explain why economic growth is effective in reducing risks. Collier emphasizes that the construction boom typical in post-conflict societies (due to rebuilding of infrastructure and houses; and capital repatriation) is important not only for general rate of economic recovery – but also as a way of job creation for unskilled young males, during the critical transition period.


This paper reviews the development history of the Middle East and North Africa post-World War II – and highlights the rapid expansion of the working-age population, expected to continue until 2020 (see following article). This growing number of young adults entering the labour force are increasingly more educated; yet high percentages remain unemployed (especially women) due to weak economic performance and a failing development model, focused on public sector employment (only the Gulf countries have dynamic private sectors and a diversified economy). Governments in the Middle East have been reluctant to reform because the existent social contract has created powerful social actors with a vested interest in the status quo. However, the author warns that the costs of maintaining this unsustainable status quo are becoming greater, as increasing employment problems and a continued top-down approach are likely to exacerbate social polarization and produce instability.


Employment in MENA stands at approximately 15 percent. 100 million jobs would need to be created by 2020 (a doubling of the current level of employment) in order to absorb unemployed workers in addition to the new entrants. In order to meet this employment challenge, the region needs to adopt a new development model that includes a reinvigorated private sector and better management of oil resources. In turn, improved governance and a new social contract are essential. The state needs to focus not on being the primary employer but on providing social services that will benefit workers and a social safety net that will allow for labour market flexibility.

The following are two recent short articles, also emphasizing the unemployment risk in the Middle East:


Alissa stresses that weak growth, poverty, unemployment - amidst a growing labour force, and public debt issues in the Middle East must be addressed in order to prevent a further rise in social tension and frustration (especially among youth) and political instability. He notes that the failure in economic transformation is not due to lack or resources or opportunities, but rather to governance structures. Governments, the private sector, civil society and international institutions must work together to develop a plan of action.

In order to address the unemployment problems in the Arab world, which otherwise could lead to social and political unrest, the private sector must be strengthened. In addition, Alissa advocates for reform of education and employment systems; and improvement of occupational and technical education such that students and workers gain skills valued in the private sector.


The ‘Street’ in the Arab world is the physical place where collective dissent is expressed and mobilized – among the poor and unemployed; and students, workers, women, state employees and shopkeepers. Arab populations were quick to protest in the 1980s, in response to increased cost of living and economic hardships. Since then, such protests have slowed down, in part because governments have been more cautious with structural adjustment reforms and enhanced social safety nets; and Islamic NGOs and charities have provided alternative support. In addition, the decline in public sector employment (linked to structural adjustment) and rise in self-employment and unorganized informal work has also dampened political protest. Bayat warns, however, that the lower visibility of protests on the street does not mean that collective grievance – concerns over jobs, cost of living and services - no longer exists. Instead, activism has shifted from the streets (due to government clamp-down) to within civil institutions (college campuses; mosques, professional associations, NGOs); and to other mechanisms, including boycotts and product campaigns; and use of information technologies.

The Arab Human Development Report


The Arab Human Development Report (2002) highlights as the key strategic objectives: building a ‘knowledge society’, establishing freedom and democracy, and empowering women. However, Bayat questions the utility of pushing for a knowledge society in the Middle East, which still does not have an adequate industrial base; instead, knowledge could build up expectations – which if unmet by any real change in status, could produce political unrest. Further, the push for political transformation is elitist in approach, ignores the importance of the vested interests of those who cling to the status quo, and shows little interest in social movements or grassroots mobilization. Yet, these issues must be addressed if Arab countries are to emerge from its current impasse.

Case Specific: Iraq


Economic problems in Iraq have been considered secondary to concerns about political instability and violence; however this ICG report stresses the importance of attention to economic hardship and unemployment (estimates range from 25 to 50 percent), which have heightened popular dissatisfaction and insurgency. This, in turn, has further hampered development. The report critiques the Coalition Provisional Authority’s relinquishment of the privatisation plan, in response to Iraqi opposition, without introducing any alternative to revive state enterprises that could provide temporary jobs for the unemployed. In addition, the bulk of contract work for reconstruction have been awarded to foreign contractors; and even where subcontracted, much of the work has gone to Asian, and not Iraqi, labourers. Further, little attention has been paid to women’s unemployment rates and their need to be integrated into the workforce. Insufficient
local job creation during this critical transition period has resulted in a failure to demonstrate a peace dividend; and has also empowered militant parties that combine a political with a social/charitable function. The report recommends that job-creation be made a priority, with a focus on:

- Requiring contractors to hire Iraqis;
- Establishing public works programs that hire local labour (including street cleaning, paving, garbage collection etc.);
- Supporting the agricultural sector, which has a pool of surplus labour; and
- Fostering micro, small and medium enterprises.


This report highlights seven priority areas that are essential in the rebuilding of Iraq; one of which is employment and services: “Idle hands must be put to work and basic economic and social services provided immediately to avoid exacerbating political and security problems” (p. ii). The authors recommend that short-term public works projects and rehabilitation of formerly state-owned enterprises (even if they are not competitive and need to be privatised) are essential in the transition period; as well as micro-credit programs (catering especially to women) and basic service provision.


While the difficulties of reconstructing Iraqi Kurdistan after the 1991 Gulf war differ in many respects from the current situation of Iraq as a whole, there are similar structural aspects: high rates of unemployment, extreme economic inequality, poverty and dependence of much of the population. This has provided openings for increased patronage and corruption from above, weakening the emergence of a new social contract and confidence in the state. Rehabilitation of the oil industry and a geographically fair division of its revenues can contribute to stability and peace in both areas; however, the author stresses that the potential for social unrest will persist if issues of security, mass unemployment, political participation and patronage are not addressed.

Regional Interdependence


Using data from Egypt, Israel, Jordan and Turkey, this study concludes that economically interdependent Middle Eastern countries are more peaceful toward one another. In addition, the study finds that politically liberal Middle Eastern countries, in which domestic leaders are held accountable for their states welfare, are more likely to maintain such economic relationships. As such, remedying the absence of regional economic interdependence and presence of authoritarian regimes in the Middle East are vital to peace in the region.

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**Websites visited**
Al-Ahram, Brookings Institution, CEIP, Chr. Michelsen Institute, CSIS, DIIS, Google, Google Scholar, GSDRC, ICG, Ingenta journals, ISIM, MERIP, Middle East Forum, Middle East Institute, Middle East Policy Council, UNDP, World Bank.

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