

CSIS

**Center for Strategic and International Studies
1800 K Street N.W.
Washington, DC 20006
(202) 775-3270**

Economic Stability and Instability in the New Middle East

Part I

**Anthony H. Cordesman
Co-Director, Middle East Program
Center for Strategic and International Studies**

April 4, 1999

Table of Contents

KEY TRENDS	1
THE “USUAL SUSPECTS” OF INSTABILITY	2
THE BROADER SOURCES OF CHANGE AND INSTABILITY IN THE MIDDLE EAST	3
ECONOMIC DEVELOPMENT HAS LAGGED BADLY IN THE MIDDLE EAST AND NORTH AFRICA, ALTHOUGH IT IS PROJECTED TO IMPROVE	4
THE MIDDLE EASTERN OIL BOOM AFTER 1973 DID NOT CAUSE THE GDP GROWTH OF MENA REGION TO OUTPACE OTHER DEVELOPING AREAS EVEN DURING THE 1970S AND 1980S.....	5
THE MIDDLE EAST AND NORTH AFRICA HAVE HAD A STEADILY, DECLINING SHARE OF THE GLOBAL ECONOMY:.....	6
THE GNP GROWTH OF THE MIDDLE EAST AND NORTH AFRICA HAVE LAGGED BADLY RELATIVE TO OTHER DEVELOPING REGIONS: 1985-1995.....	7
POOR COMPARATIVE STANDARDS OF ECONOMIC GROWTH	8
WORLD BANK PROJECTIONS INDICATE THAT MENA REGIONAL GROWTH HAS IMPROVED AFTER 1990, BUT STILL LAGGED SHARPLY IN GLOBAL TERMS:.....	9
THE COMPARATIVE GNP AND GDP OF MENA COUNTRIES HAS GROWN IN VERY DIFFERENT WAYS: 1980-1990 VERSUS 1990-1995	10
COUNTRIES DIFFER RADICALLY IN GNP	11
COUNTRIES DIFFER RADICALLY IN RECENT PERCENT OF GNP GROWTH: 1995-1996 AND 1997.....	12
THINGS MAY OR MAY NOT GET BETTER: A WORLD BANK ESTIMATE OF RECENT AND PROJECTED TRENDS IN GNP GROWTH.....	16
THE MIDDLE EAST AND NORTH AFRICA DO, HOWEVER, REMAIN MAJOR MARKETS: TREND IN REAL GNP: 1985-1995	14
TRENDS IN THE REAL CHANGE IN GDP BY COUNTRY IN NORTH AFRICA: 1979-1996	15
TRENDS IN THE REAL CHANGE IN GDP: EGYPT VERSUS ALGERIA - 1979-1996.....	16
TRENDS IN THE REAL CHANGE IN GDP BY COUNTRY IN LEVANT: 1979-1996.....	17
TRENDS IN THE REAL CHANGE IN GDP BY COUNTRY IN LEVANT: ISRAEL VS. JORDAN: 1979-1996	18
TRENDS IN THE REAL CHANGE IN GDP BY COUNTRY IN LEVANT: SYRIA VERSUS LEBANON: 1979-1996	19
TRENDS IN THE REAL CHANGE IN GDP BY COUNTRY IN THE GULF: 1979-1996.....	20
TRENDS IN THE REAL CHANGE IN GDP BY COUNTRY IN THE NORTHERN GULF: 1979-1996	21
TRENDS IN THE REAL CHANGE IN GDP FOR IRAN: 1979-1996	22
TRENDS IN THE REAL CHANGE IN GDP IN THE SOUTHERN GULF: 1979-1996.....	23
TRENDS IN THE REAL CHANGE IN GDP IN THE SOUTHERN GULF LESS THE WARTIME IMPACT ON KUWAIT: 1979-1996.....	24
TRENDS IN THE REAL CHANGE IN GDP IN SAUDI ARABIA: 1979-1996.....	25
DEMOGRAPHICS, ECONOMICS, AND STABILITY	26
THE POPULATION TIME BOMB: DEMOGRAPHICS OF THE MIDDLE EAST: 1990-2030:	27
CIA COMPARATIVE ESTIMATE OF THE POPULATION GROWTH RATE IN THE MIDDLE EAST	28
INCREASE IN TOTAL POPULATION IN SELECTED COUNTRIES THE MIDDLE EAST.....	29
POPULATION GROWTH IN SELECTED COUNTRIES THE MIDDLE EAST AFTER 2000.....	30
CIA COMPARATIVE ESTIMATE OF THE “YOUTH RATE” IN THE MIDDLE EAST	31
FOREIGN POPULATION IN SELECTED COUNTRIES THE MIDDLE EAST	32
FOREIGN POPULATION IN SELECTED COUNTRIES THE MIDDLE EAST	33
PERCENT OF URBANIZATION AND PERCENT OF LABOR FORCE IN AGRICULTURE: THE PACE OF SOCIAL CHANGE.....	34
CIA ESTIMATE OF THE FOREIGN LABOR FORCE IN SELECTED MIDDLE EASTERN COUNTRIES	35
CIA/IISS ESTIMATE OF NON-NATIONALS AS PERCENT OF TOTAL POPULATION IN SELECTED MIDDLE EASTERN COUNTRIES.....	36
INCREASES IN REAL PER CAPITA INCOME LAG BADLY BEHIND ABSOLUTE GROWTH.....	37

NEGATIVE DEVELOPMENT DURING THE 1980S:	38
AVERAGE ANNUAL CHANGE IN REAL PER CAPITA GDP: 1980-1991	38
THE GROWTH OF PERSONAL WEALTH STILL LAGGED DURING THE EARLY AND MID 1990S:	39
TRENDS IN THE ANNUAL CHANGE IN REAL PER CAPITA BY REGION: MENA VS. THE WORLD: 1979-1998	40
GROWTH IN PER INCOME WAS NEGLIGIBLE EVEN IF IRAQ IS EXCLUDED	41
MIDDLE EASTERN ECONOMIC GROWTH LAGS POPULATION GROWTH: 1984-1995	42
MIDDLE EASTERN POPULATION GROWTH, LOW OIL PRICES, AND LOW OVERALL EXPORTS COMBINED TO LIMIT PERSONAL WEALTH:	43
NORTH AFRICAN ECONOMIC GROWTH ALSO LAGGED POPULATION GROWTH: 1984-1995	44
AND, NORTH AFRICAN POPULATION GROWTH, LOW OIL PRICES, AND LOW OVERALL EXPORTS ALSO COMBINED TO LIMIT PERSONAL WEALTH:	45
THE IMPACT OF DEMOGRAPHICS, OIL PRICES AND LOW ECONOMIC GROWTH ON REAL PER CAPITA INCOME DURING 1970-1995	46
THINGS GOT BETTER BEFORE THE OIL CRASH: RECENT TRENDS BY REGION AND KEY COUNTRY: 1994-1996	47
IMF ESTIMATES OF GDP GROWTH FOR 1995-1997 BY COUNTRY VERSUS POPULATION GROWTH	48
COUNTRIES NOW DIFFER RADICALLY IN PER CAPITA INCOME	49
COUNTRIES ALSO DIFFER RADICALLY IN RECENT <i>GROWTH</i> IN PER CAPITA INCOME: 1990-96	50
THE MIDDLE EAST FAILED TO COMPETE IN WORLD TRADE	51
THE MIDDLE EAST AND NORTH AFRICA BADLY LAGGED IN THE GROWTH OF WORLD TRADE: 1986-1996	52
NEVERTHELESS, THE MIDDLE EAST AND NORTH AFRICA ARE STILL MAJOR TRADERS: 1986-1996	53
THE PAN-ARAB TRADE FANTASY: ARAB EXPORTS AND IMPORTS BY REGION IN 1997	54
COUNTRIES DIFFER RADICALLY IN VOLUME OF TRADE	55
US EXPORTS TO THE MIDDLE EAST ARE SIGNIFICANT IN SPITE OF THE OIL CRASH	56
US IMPORTS FROM THE MIDDLE EAST ARE ALSO SIGNIFICANT	57
THE MIDDLE EAST HAS FAILED TO COMPETE IN ATTRACTING INVESTMENT	58
THE POSITIVE TREND IN FOREIGN DIRECT INVESTMENT IN THE MIDDLE EAST, REVERSED AFTER THE OIL BOOM YEARS	59
WEAK FOREIGN INVESTMENT FLOWS CONTINUED DURING THE 1990S: FOREIGN DIRECT INVESTMENT INFLOWS AS A SHARE OF GDP: 1993-1995	60
THE TREND IN TOTAL FOREIGN DIRECT INVESTMENT IN THE MENA "FLAT LINED" DURING 1990-1996	61
MENA FOREIGN DIRECT INVESTMENT REMAINED VERY LOW AS SHARE OF TOTAL DEVELOPING WORLD: 1990-1996	62
COMPARATIVE TOTAL FOREIGN INVESTMENT: 1990 VERSUS 1995	63
THE POSITIVE TREND IN FOREIGN DIRECT INVESTMENT IN THE MIDDLE EAST, REVERSED AFTER THE OIL BOOM YEARS	64
EGYPTIAN REFORM VERSUS MALAYSIAN PROGRESS: COMPARATIVE FOREIGN INVESTMENT IN 1996	65
THE RATE OF PRIVATE CAPITAL TRANSFERS LAGGED THAT OF OTHER REGIONS WHEN MEASURED AS A SHARE OF GDP: 1993-1995	66
MIDDLE EASTERN FOREIGN INVESTMENT BANK HOLDINGS HAVE BEEN SHARPLY REDUCED BECAUSE OF PAST DEBT AND HEAVY NATIONAL SPENDING	67
BUT, THE ARAB WORLD HAS CONSIDERABLE PRIVATE WEALTH OF ITS OWN: \$1,568 BILLION IS HELD BY 200,000 PEOPLE	68
AND, STOCK MARKETS GREW WHERE THE PRIVATE SECTOR WAS ALLOWED TO OPERATE	69
NEVERTHELESS, THE MENA REGION DID NOT COMPETE IN ATTRACTING PRIVATE CAPITAL	70
MENA TOTAL MARKET CAPITALIZATION IS RISING RAPIDLY, BUT LAGS BADLY IN TERMS OF TOTAL VALUE	71
MENA GROSS INTERNATIONAL PORTFOLIO FLOWS (EQUITY & DEBT) ARE SMALL AND LAG BADLY BEHIND THE PERFORMANCE OF HIGH GROWTH DEVELOPING COUNTRIES: 1990-1996	72
MENA PORTFOLIO EQUITY FLOWS (EMERGING MARKET AND PRIVATE CAPITAL FLOWS) ARE SMALL	

AND LAG BADLY BEHIND THE PERFORMANCE OF HIGH GROWTH DEVELOPING COUNTRIES: 1990-1995	73
THE MENA AREA LAGS IN PRIVATE INTERNATIONAL FINANCING OF INFRASTRUCTURE	74
THE MIDDLE EAST HAS MASSIVE NEW INFRASTRUCTURE INVESTMENT NEEDS: ELECTRIC POWER AS A TEST CASE	75
MOST INDIVIDUAL MENA COUNTRIES HAVE LOW INVESTMENT RATES, WITH NO PATTERN OF RECENT INCREASES	76
MANY MIDDLE EASTERN COUNTRIES WERE ASSESSED AS HIGH INVESTMENT RISKS: ESTIMATES OF INVESTMENT RISK IN THE MIDDLE EAST EVEN BEFORE THE "OIL CRASH"	77
SOME MIDDLE EASTERN COUNTRIES WERE, HOWEVER, BEGINNING INTERNATIONAL EQUITY ISSUES: 1993-1996	78
THEY WERE ALSO MOVING INTO INTERNATIONAL BONDS: 1993-1996	79

Key Trends

- **The “Oil Crash.”**
- **Limited Diversification, Economic Reform.**
- **Demographic Pressures.**
- **Youth Explosion – So Many Age 14 or Younger, So Few Real Jobs.**
- **“Statism” -- Regardless of Nominal Type of Regime.**
- **Budget Deficits; Problems in Financing the Patriarchal State.**
 - **Declining Investment**
 - **Declining Military and Arms Expenditures**
- **Political and Social Alienation: Failed Ideologies, Intense Social Change.**
- **Redefining Islam.**
- **Continuing Regional and Internal Security Challenges.**
- **Asymmetric warfare, Internal Security Problems, Proliferation**

The “Usual Suspects” of Instability

- **Arab-Israeli Conflict**
- **Islamic Extremism**
- **Rogue States: Iran, Iraq, Libya, and Syria**
- **Corruption**
- **Water**
- **Lack of Democracy**
- **Terrorism**
- **Human Rights**

The Broader Sources of Change and Instability in the Middle East

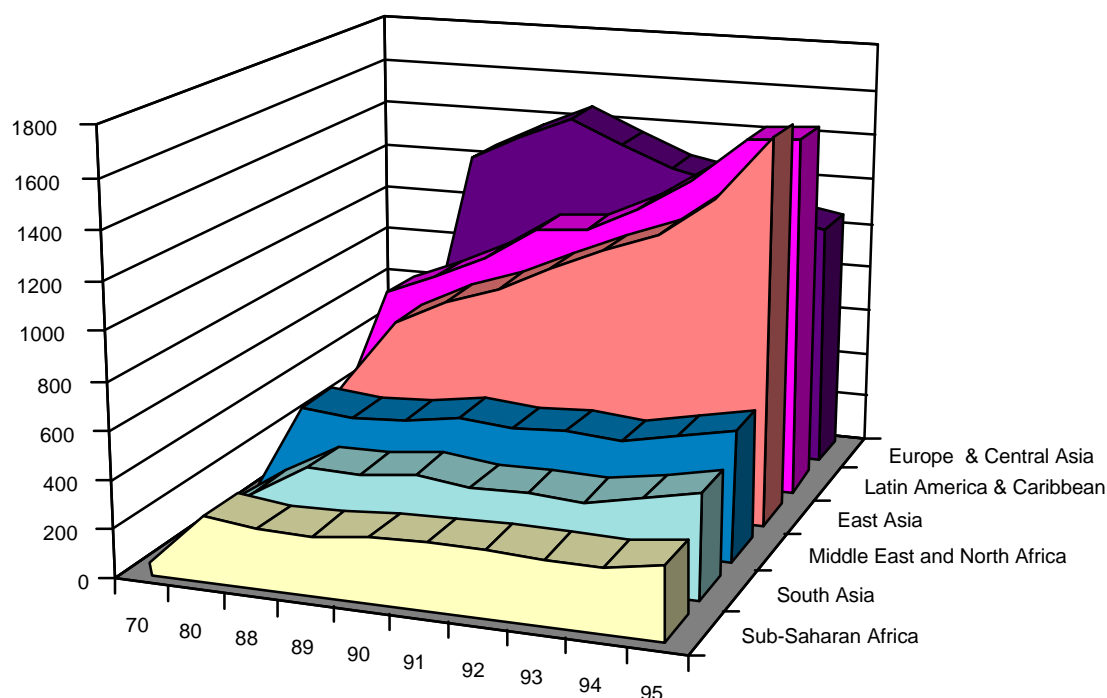
- **Repressive authoritarian, one party, and or military controlled governments**
- **Lack of rule of law**
- **High population growth rate**
- **Excessive state sector/government control of economy**
- **Over-reliance on oil and gas sectors coupled to uncertain long-term energy development**
- **Over-reliance on non-productive service sectors**
- **Excessive government employment/ false jobs**
- **Structural and disguised unemployment**
- **Lack of global competitiveness**
- **Regionalism and Pan-Arabism**
- **Mismanagement of agricultural sector**
- **Failure to reduce dependence on water**
- **Desertification**
- **Other religious divisions (e.g. Islamic extremism, Jewish extremism, Sunni vs. Shi'ite, Christian ethnocentrism)**
- **Ethnic/racial divisions (e.g. Arab vs. Berber, Arab vs. Black)**
- **Tribalism/clans/family nepotism**
- **Over-urbanization/concentration in capital**
- **Inadequate infrastructure/inadequate infrastructure**
- **Failure of educational system/inadequate educational infrastructure**
- **Failure to offer opportunities to native youth**
- **Displacement and alienation**
- **Over-reliance on foreign labor**
- **Labor migration**
- **Excessive military spending and arms imports**
- **Proliferation**
- **Transfer of advanced conventional weapons and technologies**
- **Border disputes**

Economic Development Has Lagged Badly in the Middle East and North Africa, Although it is Projected to Improve

- **The real GDP of the Middle East and North Africa “flat-lined” during 1979-1997, compared to East Asia, the developing world and the developed world.**
- **The US and World Bank project improvements during the 1990s to 2015, but estimates differ sharply and the Middle East will not catch up with that of high growth regions like East Asia.**
- **The great uncertainties are:**
 - **Oil revenues and external demand.**
 - **Rates of economic reform.**
 - **Population trends.**
 - **Impact of war.**
 - **Internal stability.**
- **Past World Bank, IMF, country, and US estimates exaggerated recovery in the out years.**
- **No one as yet has a convincing model of oil demand, prices, and revenue flows**
- **Some countries are talking up virtually the same economic reform plan for the third to fifth time.**

The Middle Eastern Oil Boom After 1973 Did Not Cause the GDP Growth of MENA Region to Outpace Other Developing Areas Even During the 1970s and 1980s

(GDP in \$Current Billions)

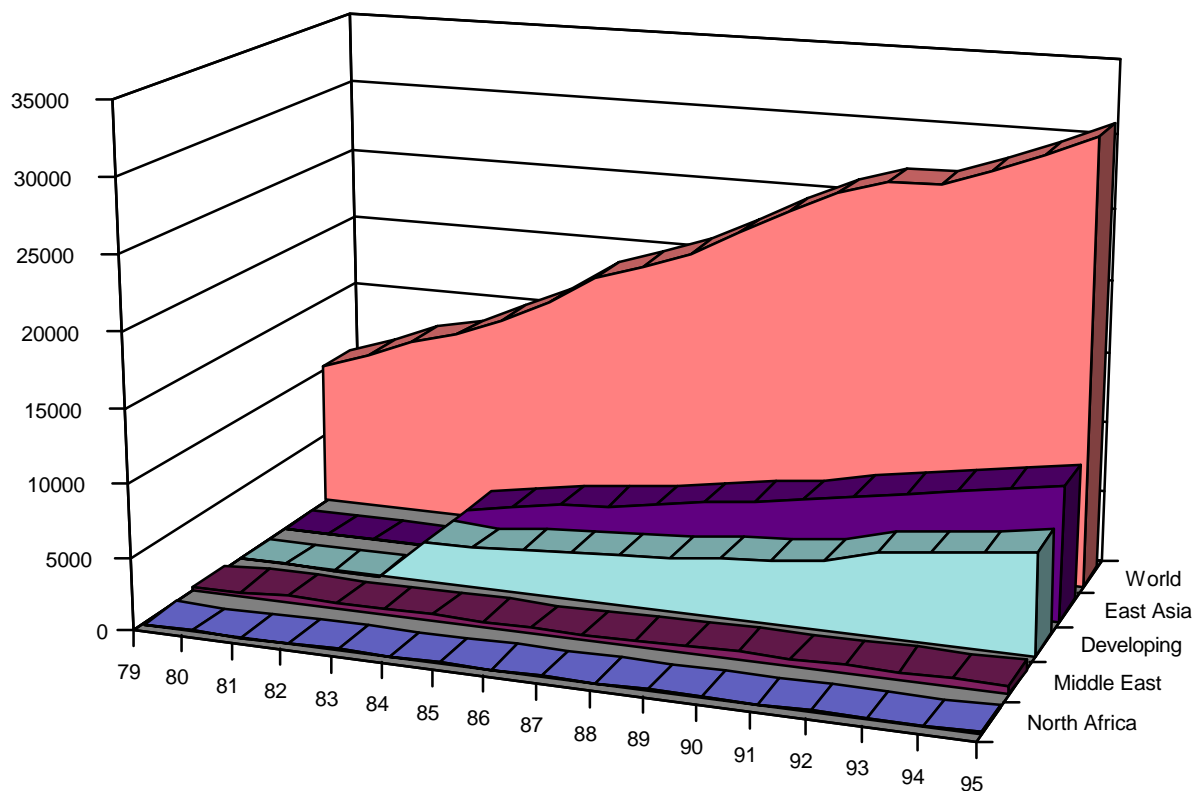


	70	80	88	89	90	91	92	93	94	95
Sub-Saharan Africa	58.3	275.1	245.6	247.8	268.8	275.9	276.2	270.4	269.8	301.2
South Asia	79	218.8	351.6	350.1	378.3	350	354.1	344.4	383.9	431.8
Middle East and North Africa	42.9	451.8	426	437.8	471.6	456.2	470.4	449.5	497.8	539.3
East Asia	133.8	438.9	720.9	828	905.5	1010	1110	1190	1364	1630
Latin America & Caribbean	154.9	714	807.9	907.3	1060	1079	1183	1329	1515	1534
Europe & Central Asia	72.4	341.5	1249	1367	1462	1356	1269	1222	1085	1052

Adapted by Anthony H. Cordesman from World Bank, World Debt Tables, 1995.

The Middle East and North Africa Have Had A Steadily Declining Share of the Global Economy:

The GNP of the Middle East Relative to World Total - 1979-1995 in \$Current Billions)

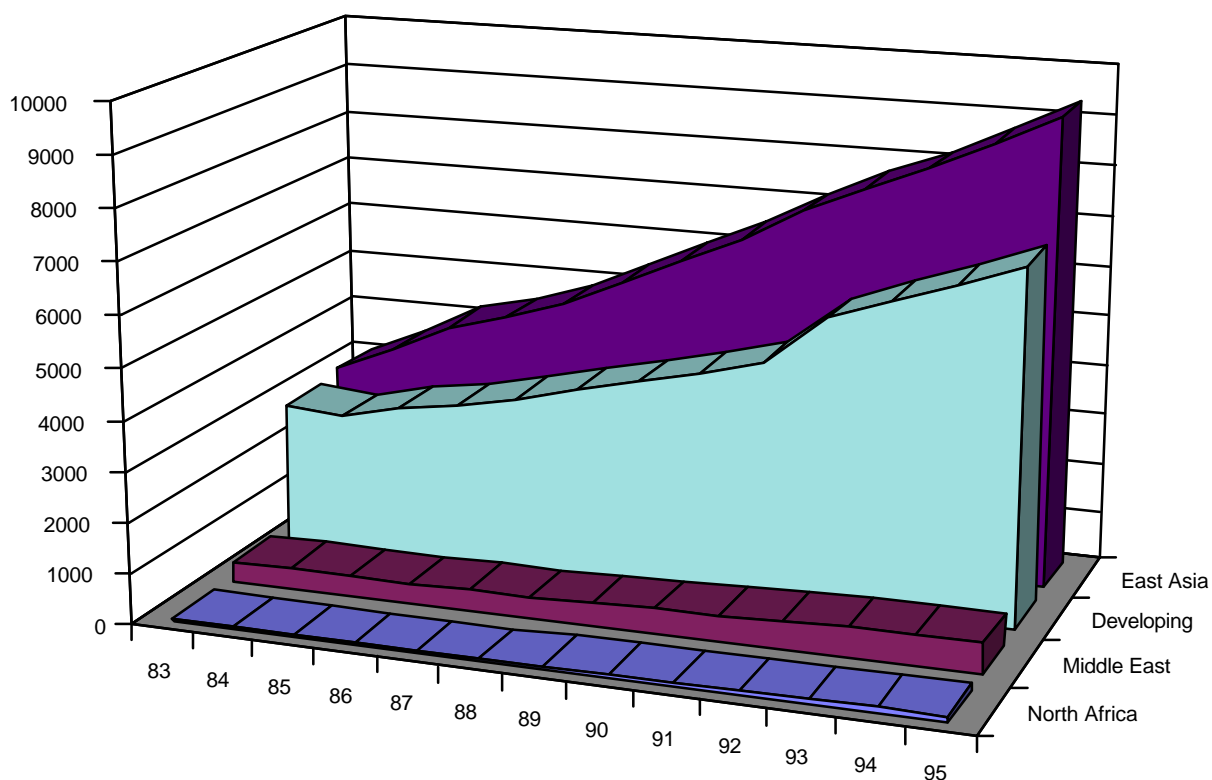


Adapted by Anthony H. Cordesman from ACDA, World Military Expenditures and Arms Transfers, various editions. Middle East does not include North African states other than Egypt.

Copyright Anthony H. Cordesman, all rights reserved.

The GNP Growth of the Middle East and North Africa Have Lagged Badly Relative to Other Developing Regions: 1985-1995

The GNP of the Middle East Relative to World Total - 1979-1995 in \$Current Billions)

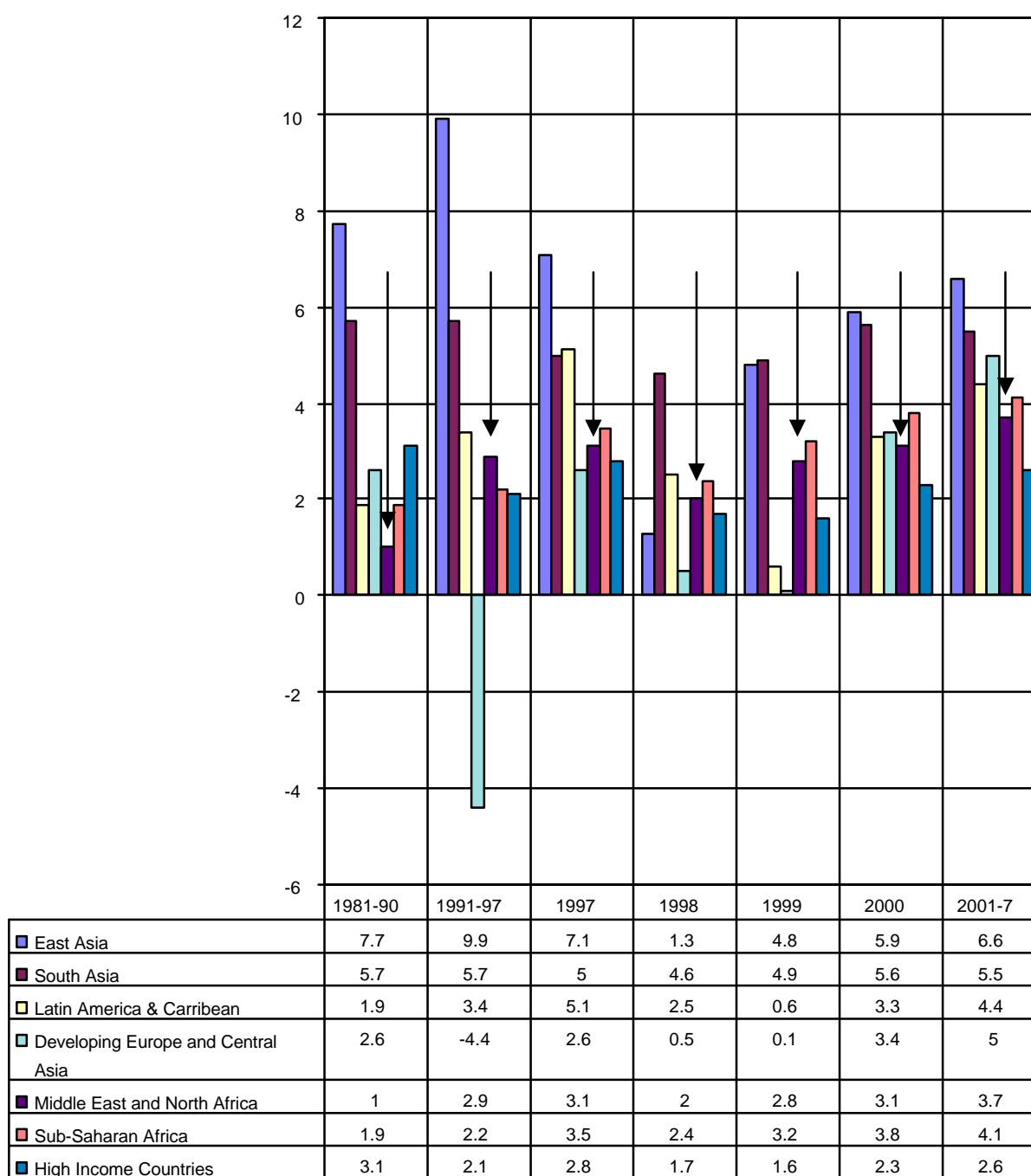


	83	84	85	86	87	88	89	90	91	92	93	94	95
North Africa	76	74	79	77	80	81	87	98	105	109	109	117	122
Middle East	384	402	409	381	399	416	451	497	524	572	589	588	616
Developing	2895	2773	3053	3244	3505	3822	4096	4379	4731	5689	6116	6535	7010
East Asia	3005	3526	4109	4400	4818	5378	5884	6437	7087	7637	8137	8694	9294

Adapted by Anthony H. Cordesman from ACDA, World Military Expenditures and Arms Transfers, various editions. Middle East does not include North African states other than Egypt.

Poor Comparative Standards of Economic Growth

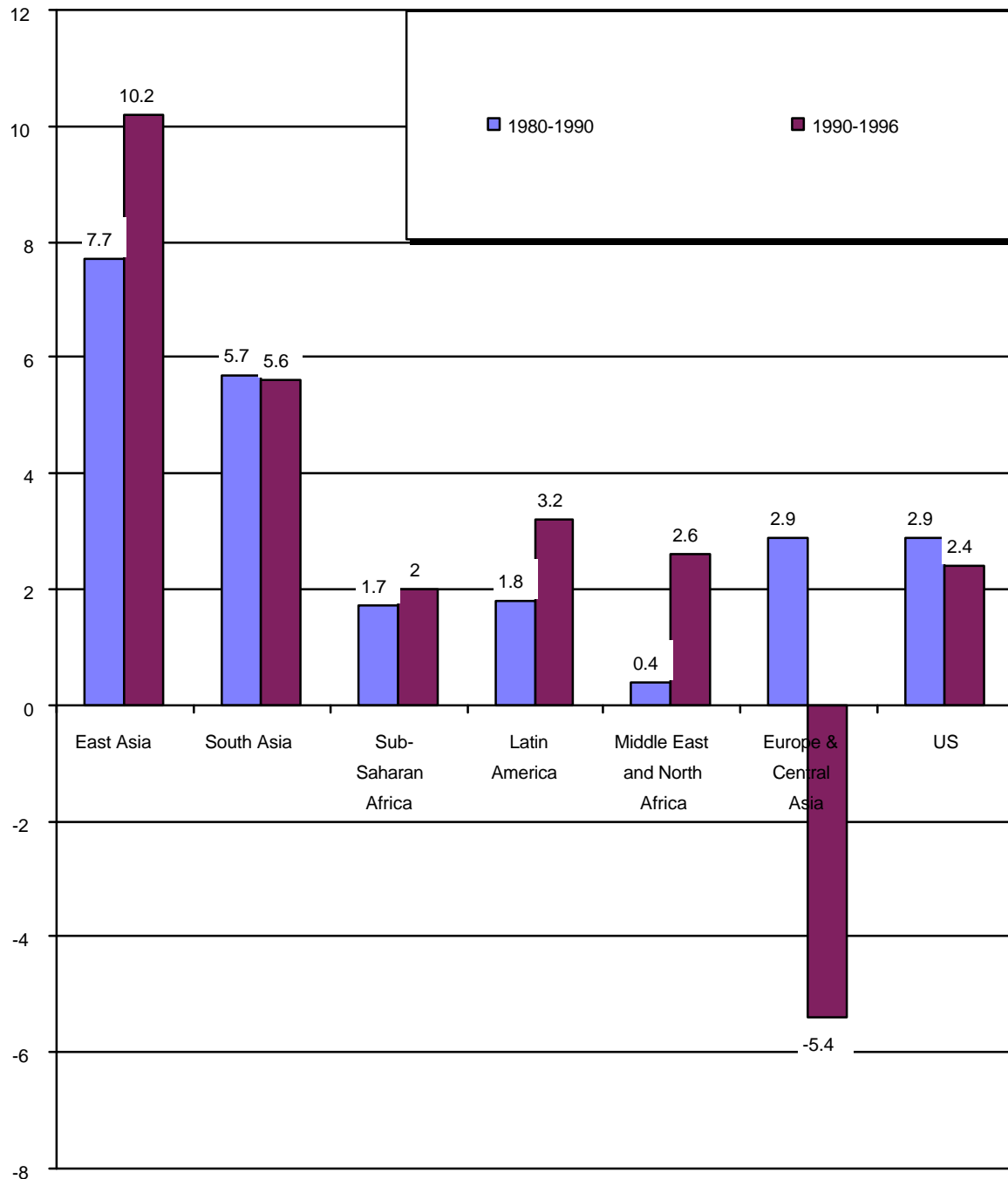
(Growth as a Percent of GDP)



Source: Adapted by Anthony H. Cordesman from World Bank, Global Economic Prospects and the Developing Countries, 1996, p. 22

World Bank Projections Indicate that MENA Regional Growth has Improved After 1990, But Still Lagged Sharply in Global Terms:

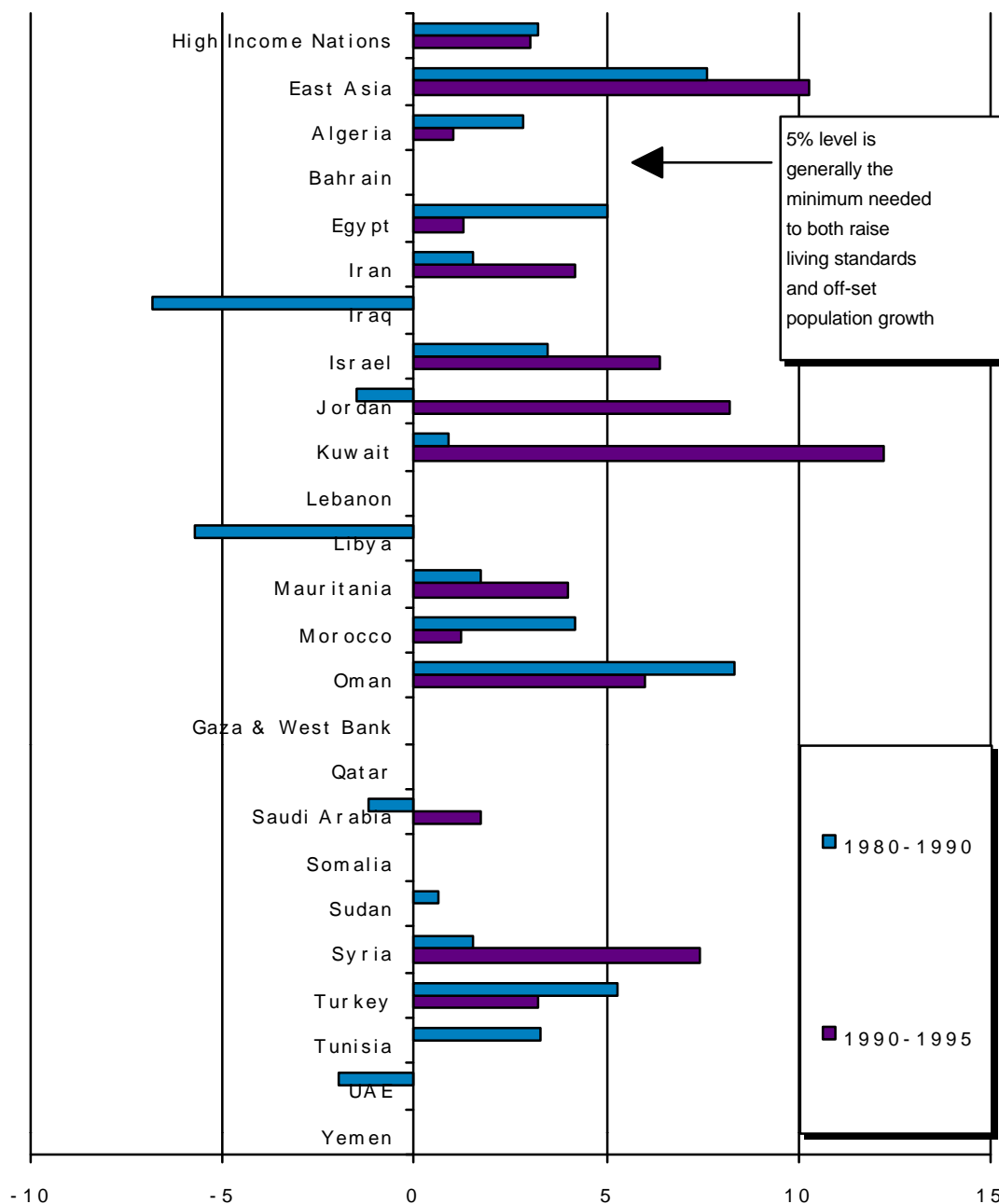
(World Bank Estimate of Average Annual Percentage Change in GDP)



Adapted by Anthony H. Cordesman from World Bank, World Development Indicators, 1998, p. 178.

The Comparative GNP AND GDP of MENA Countries Has Grown in Very Different Ways: 1980-1990 versus 1990-1995

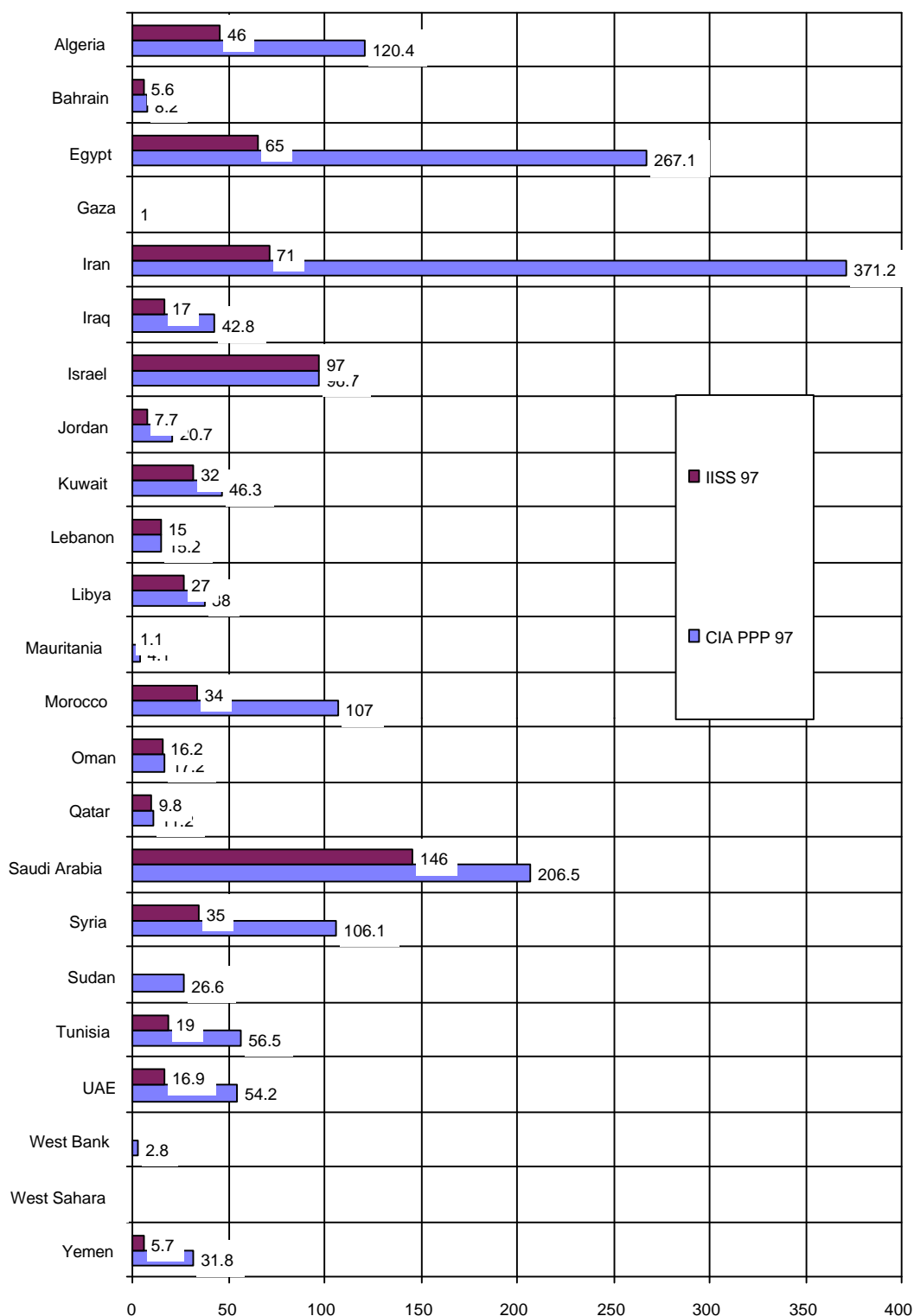
(Percent of Growth in GNP and GDP in \$US Calculated Using the World Bank Method)



Adapted by Anthony H. Cordesman from World Bank, World Development Indicators, 1997, Section 1.1, and CIA on-line edition of the World Factbook, 1996, accessed April 1996.

Countries Differ Radically in GNP

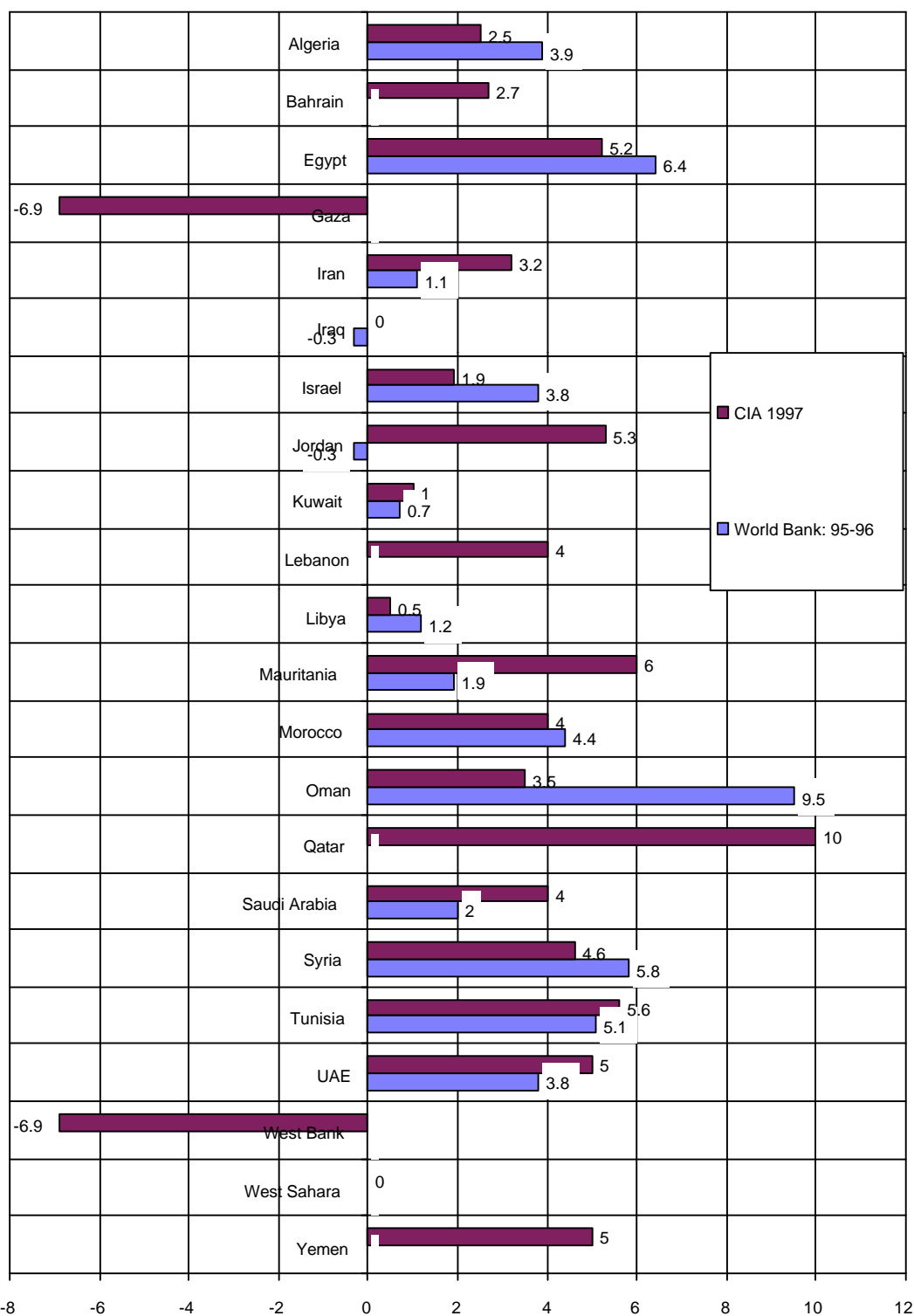
(In \$US Current Billions)



Adapted by Anthony H. Cordesman from CIA, World Factbook, 1998, and IISS, Military Balance, 1998-1999.

Countries Differ Radically in Recent Percent of GNP Growth: 1995-1996 and 1997

(Average Percent of Annual Growth)

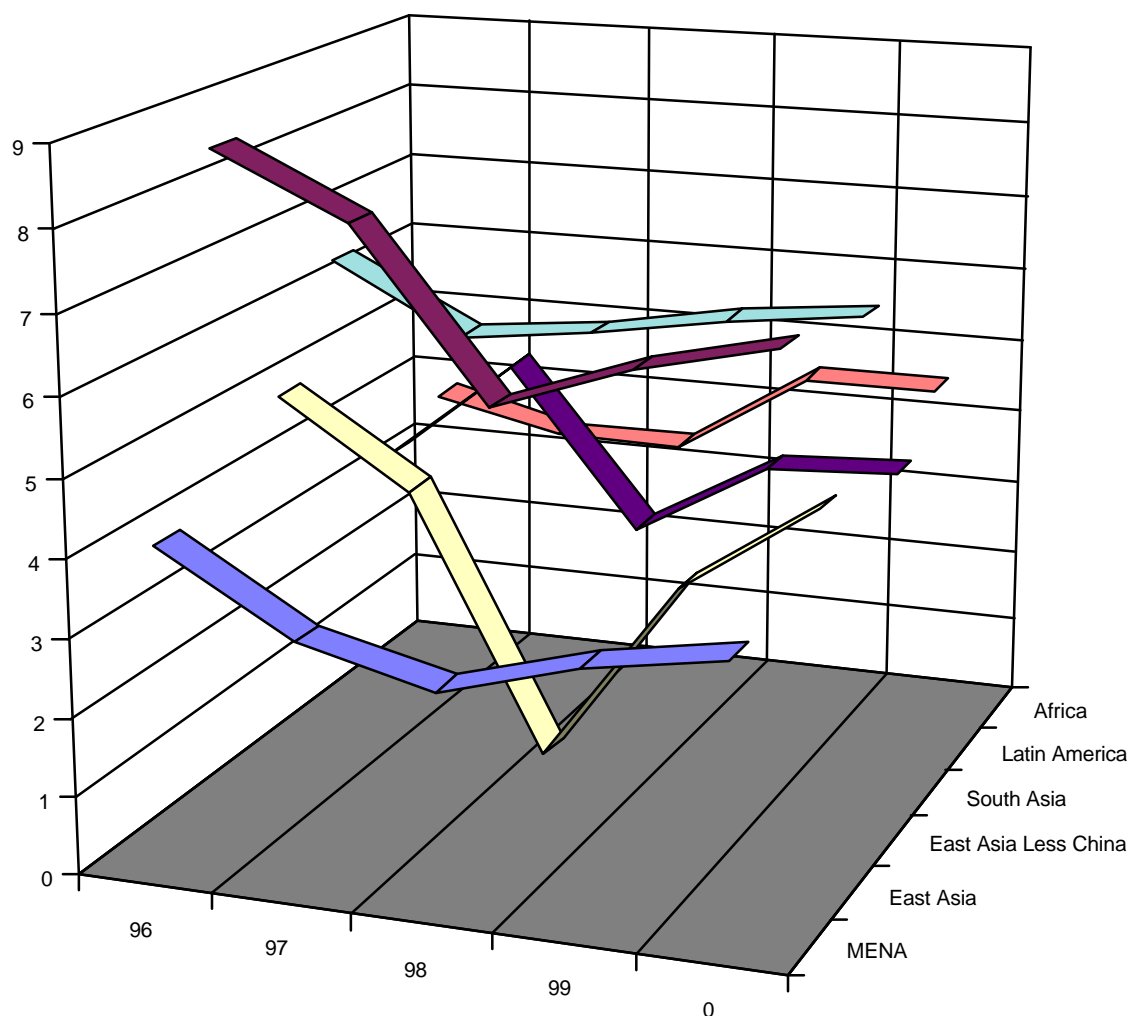


Adapted by Anthony H. Cordesman from World Bank, *World Development Indicators*, 1998, pp. 172-174.

Copyright Anthony H. Cordesman, all rights reserved.

Things May or May Not Get Better: A World Bank Estimate of Recent and Projected Trends in GNP Growth

(Percent of Annual Growth)

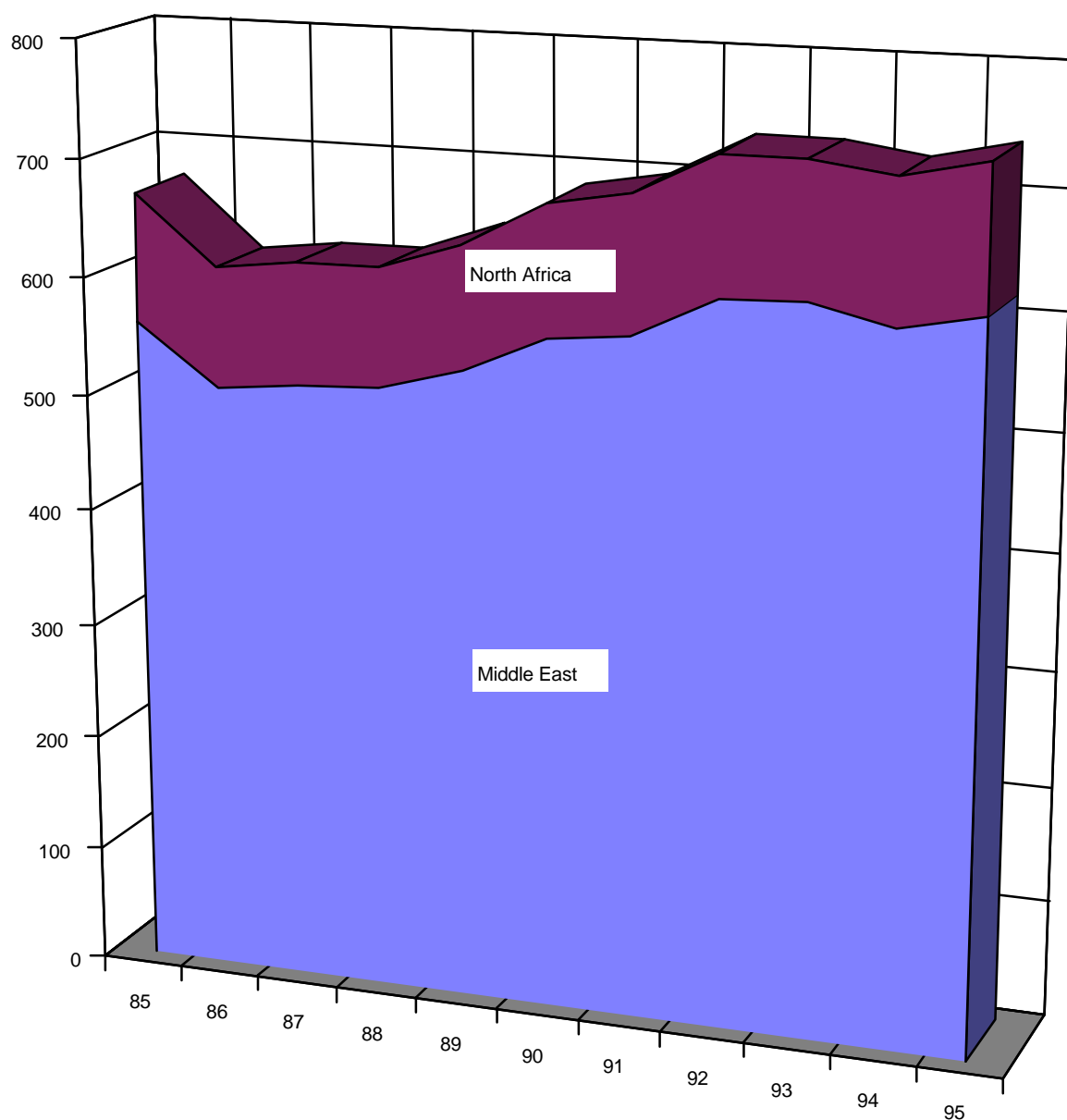


	96	97	98	99	0
MENA	4.1	3.1	2.7	3.2	3.5
East Asia	8.6	7.8	5.7	6.3	6.7
East Asia Less China	5.1	4	0.7	3.1	4.3
South Asia	6.5	5.6	5.8	6.1	6.3
Latin America	3.4	4.8	2.7	3.7	3.8
Africa	3.8	3.4	3.4	4.5	4.5

Adapted by Anthony H. Cordesman from World Bank, World Development Indicators, 1998, pp. 172-174.

The Middle East and North Africa Do, However, Remain Major Markets: Trend in Real GNP: 1985-1995

(In Constant \$1995 US Billions)

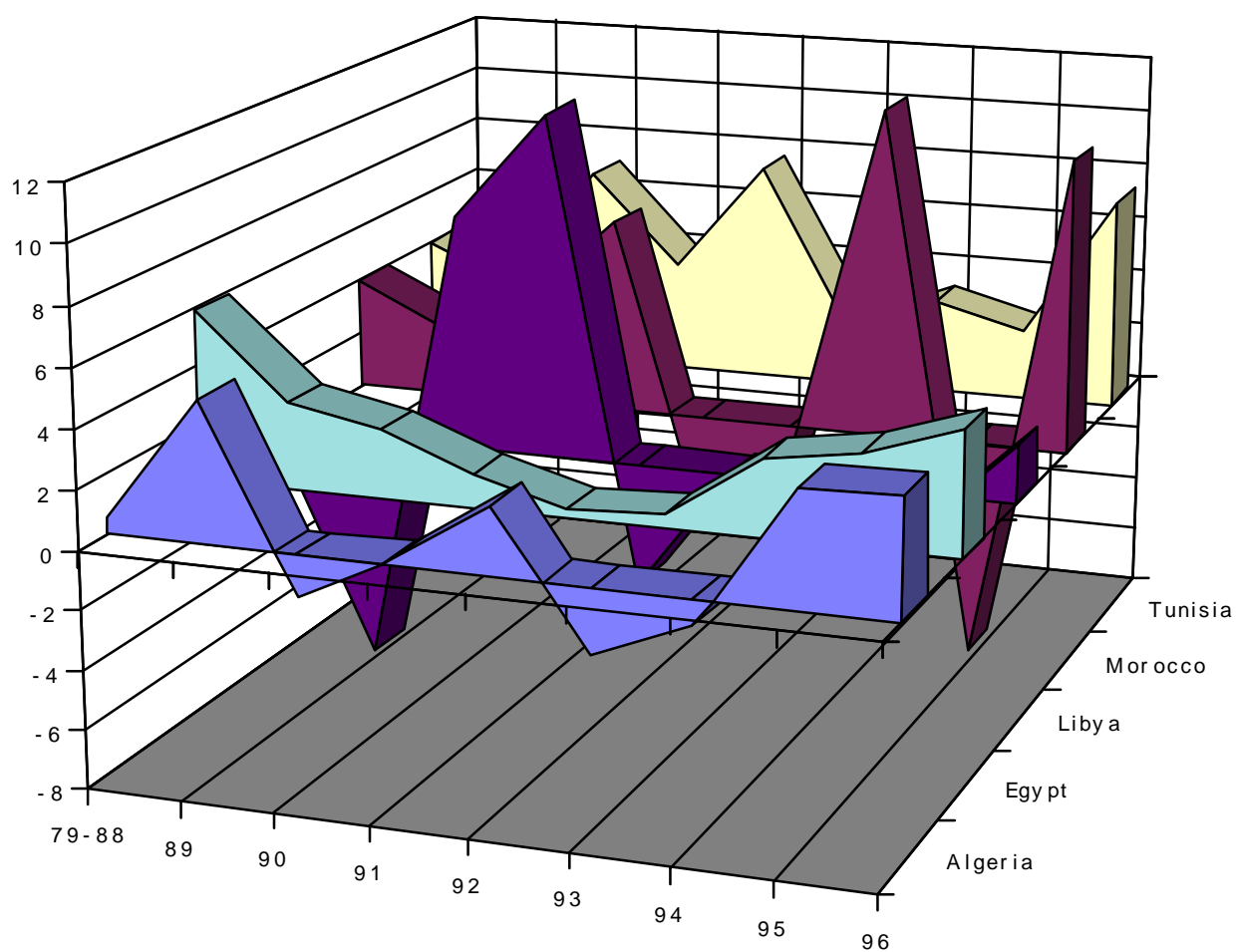


	85	86	87	88	89	90	91	92	93	94	95
■ North Africa	108	103	104	101	104	112	117	117	114	120	122
■ Middle East	561	508	516	520	541	572	579	615	618	602	616

Adapted by Anthony H. Cordesman from ACDA, World Military Expenditures and Arms Transfers, various editions. Middle East does not include North African states other than Egypt.

Trends in the Real Change in GDP by Country in North Africa: 1979-1996

(Percent of Real Annual Change)

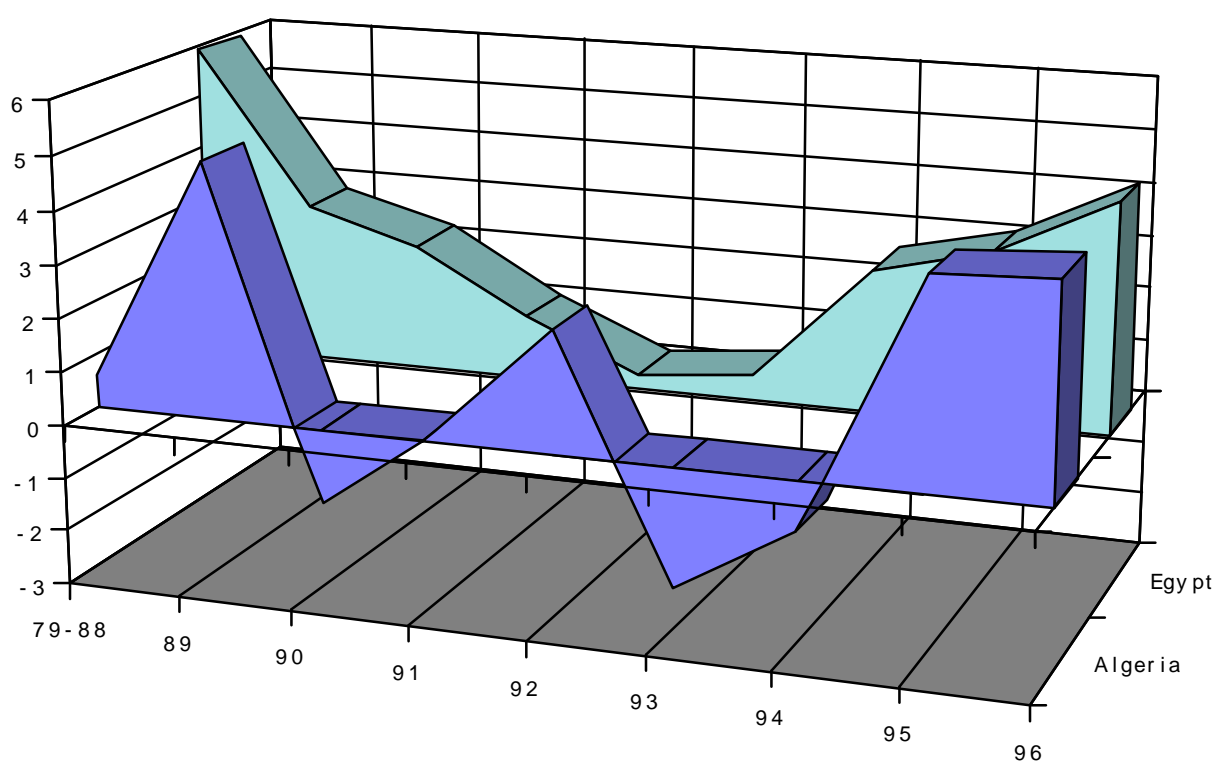


Adapted by Anthony H. Cordesman from IMF, World Economic Outlook, May, 1997, pp. 138-139.

Copyright Anthony H. Cordesman, all rights reserved.

Trends in the Real Change in GDP: Egypt versus Algeria 1979-1996

(Percent of Real Annual Change)

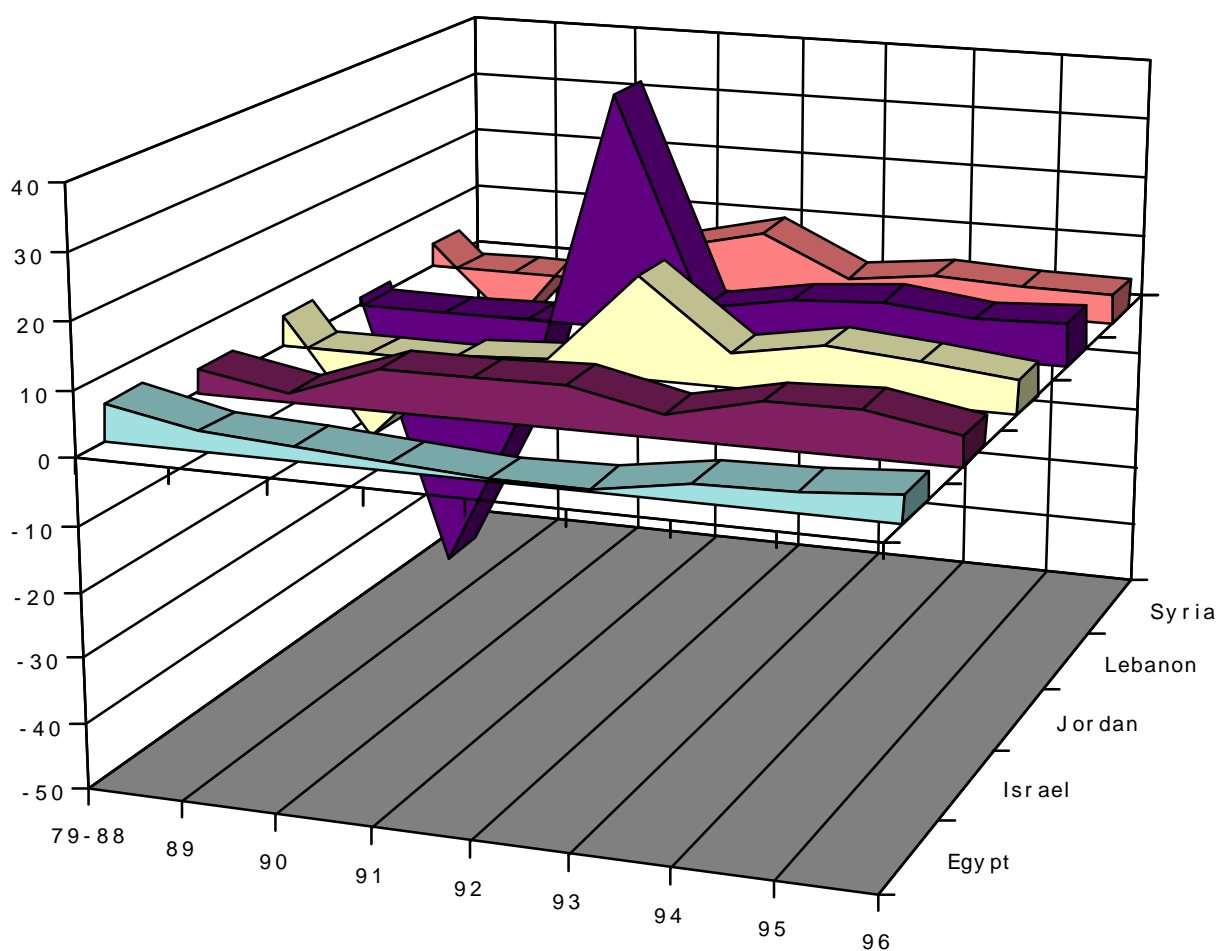


Adapted by Anthony H. Cordesman from IMF, World Economic Outlook, May, 1997, pp. 138-139.

Copyright Anthony H. Cordesman, all rights reserved.

Trends in the Real Change in GDP by Country in Levant: 1979-1996

(Percent of Real Annual Change)

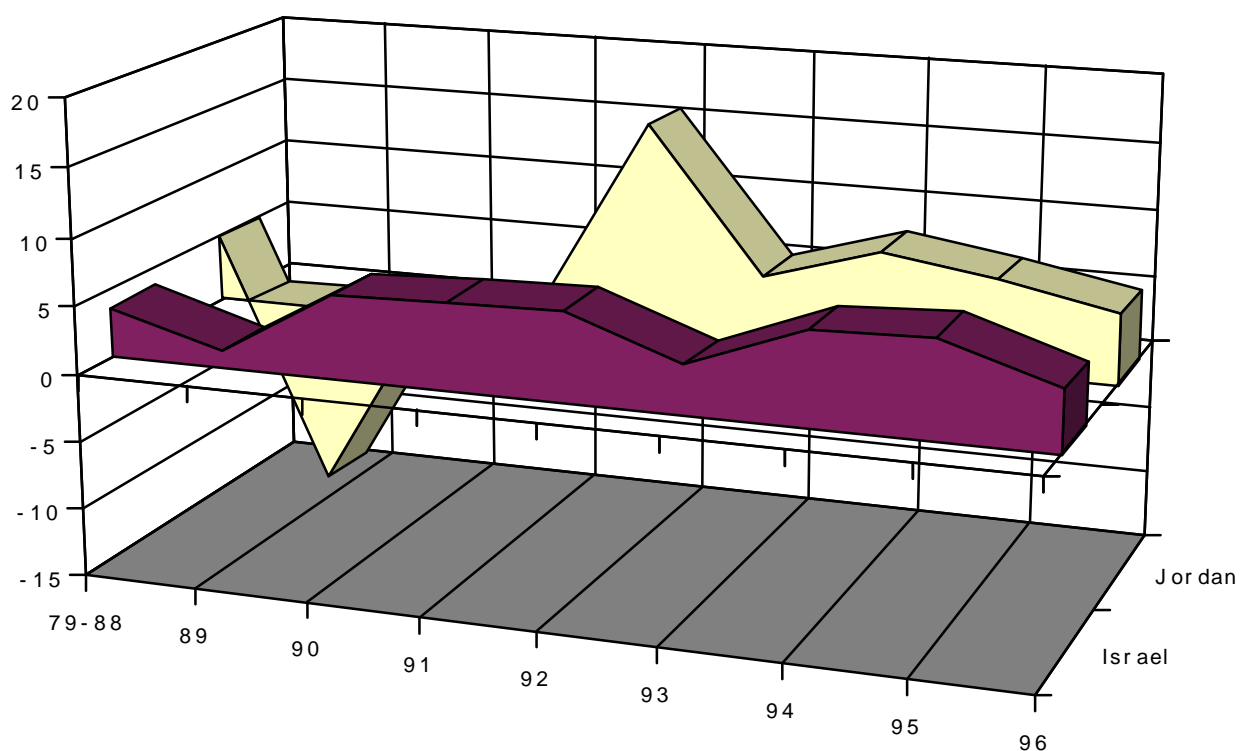


Adapted by Anthony H. Cordesman from IMF, World Economic Outlook, May, 1997, pp. 138-139.

Copyright Anthony H. Cordesman, all rights reserved.

Trends in the Real Change in GDP by Country in Levant: Israel vs. Jordan: 1979-1996

(Percent of Real Annual Change)

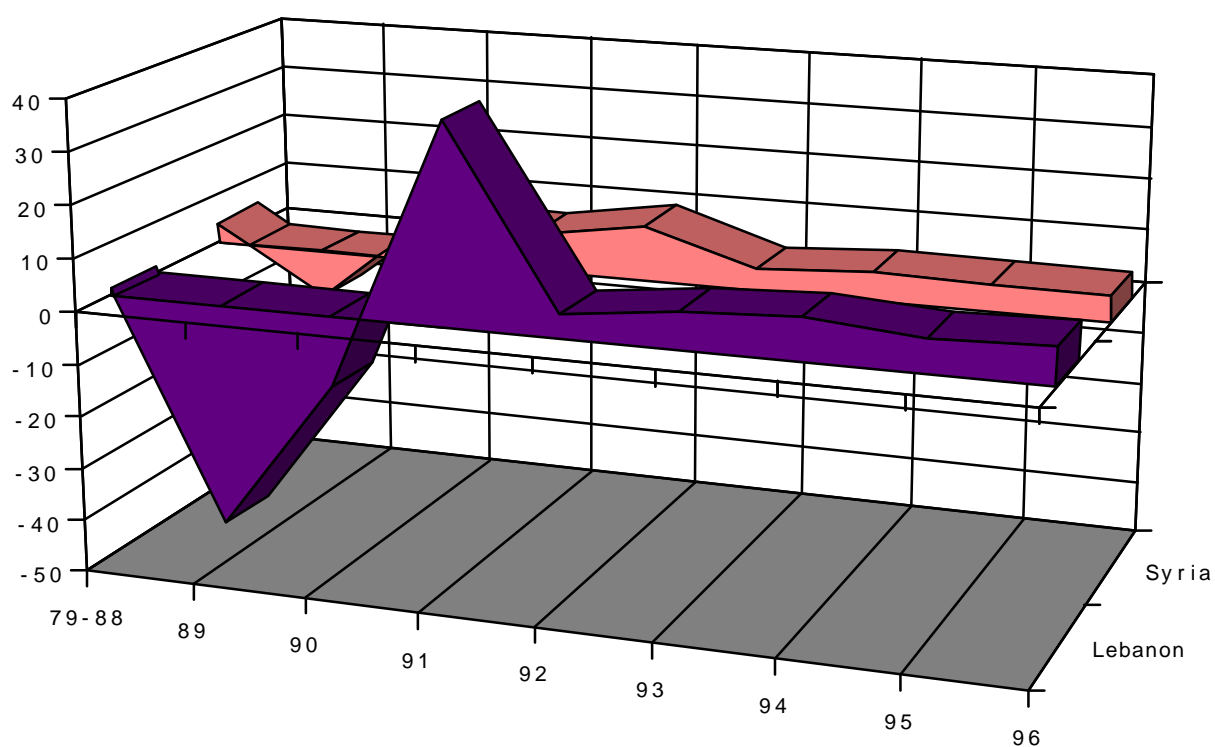


Adapted by Anthony H. Cordesman from IMF, World Economic Outlook, May, 1997, pp. 138-139.

Copyright Anthony H. Cordesman, all rights reserved.

Trends in the Real Change in GDP by Country in Levant: Syria versus Lebanon: 1979-1996

(Percent of Real Annual Change)

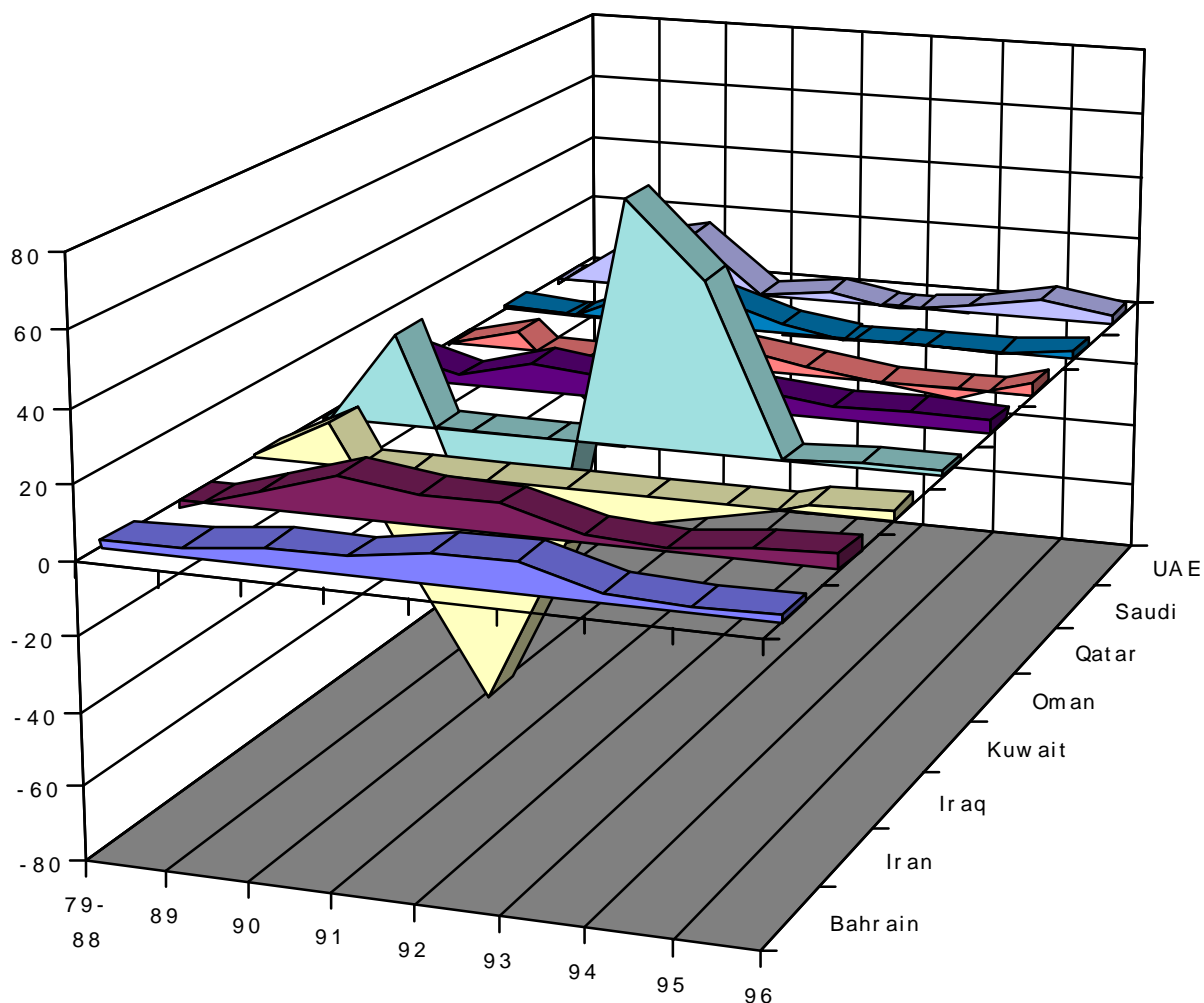


Adapted by Anthony H. Cordesman from IMF, World Economic Outlook, May, 1997, pp. 138-139.

Copyright Anthony H. Cordesman, all rights reserved.

Trends in the Real Change in GDP by Country in the Gulf: 1979-1996

(Percent of Real Annual Change)

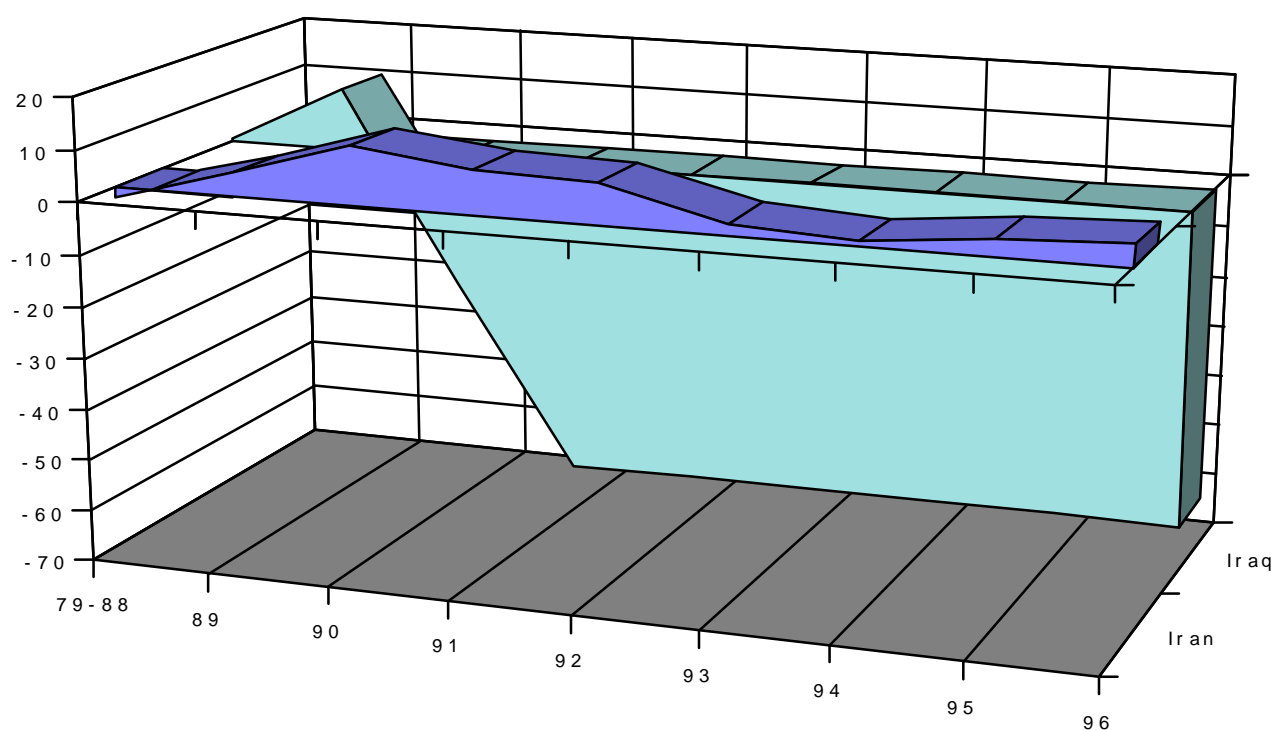


Adapted by Anthony H. Cordesman from IMF, World Economic Outlook, May, 1997, pp. 138-139.

Copyright Anthony H. Cordesman, all rights reserved.

Trends in the Real Change in GDP by Country in the Northern Gulf: 1979-1996

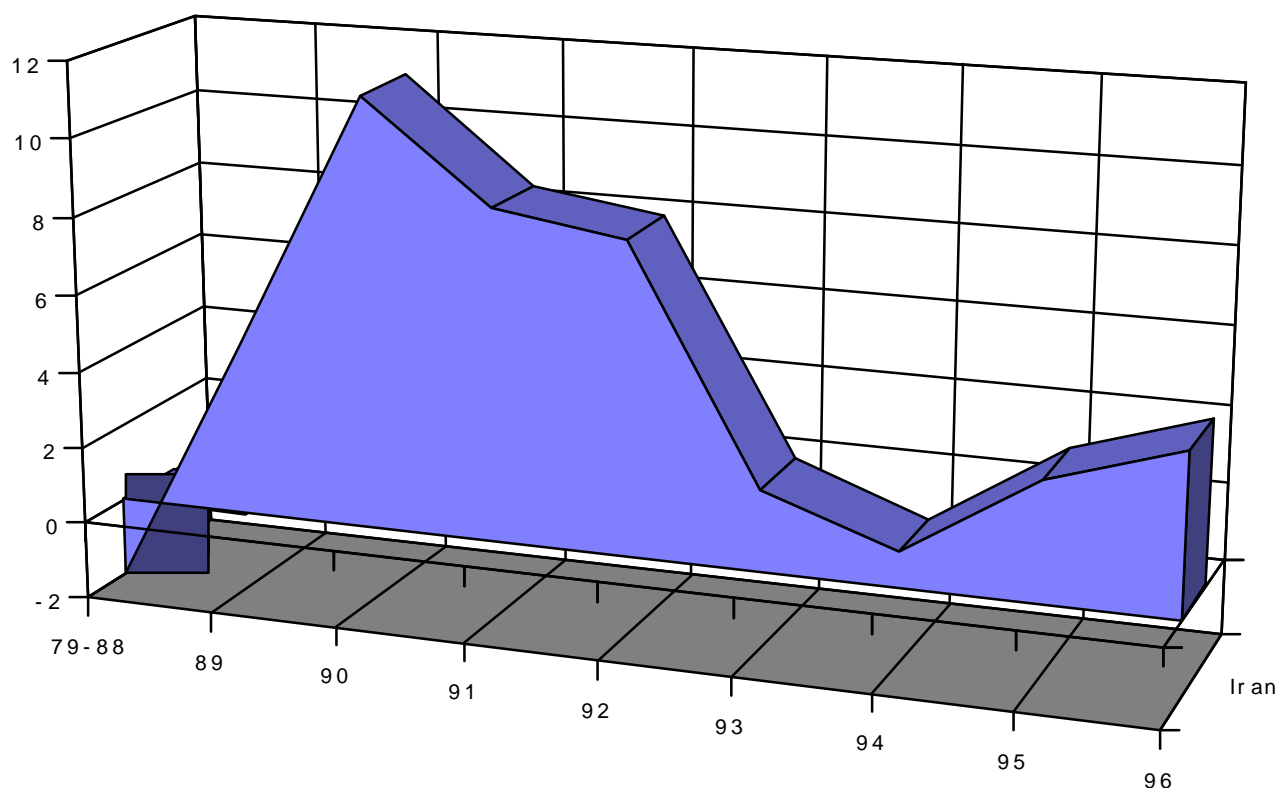
(Percent of Real Annual Change)



Adapted by Anthony H. Cordesman from IMF, *World Economic Outlook*, May, 1997, pp. 138-139. No estimate is possible for Iraq after 1992. Iranian growth through 1992 consists largely of post-war recovery, financed through foreign debt/

Trends in the Real Change in GDP for Iran: 1979-1996

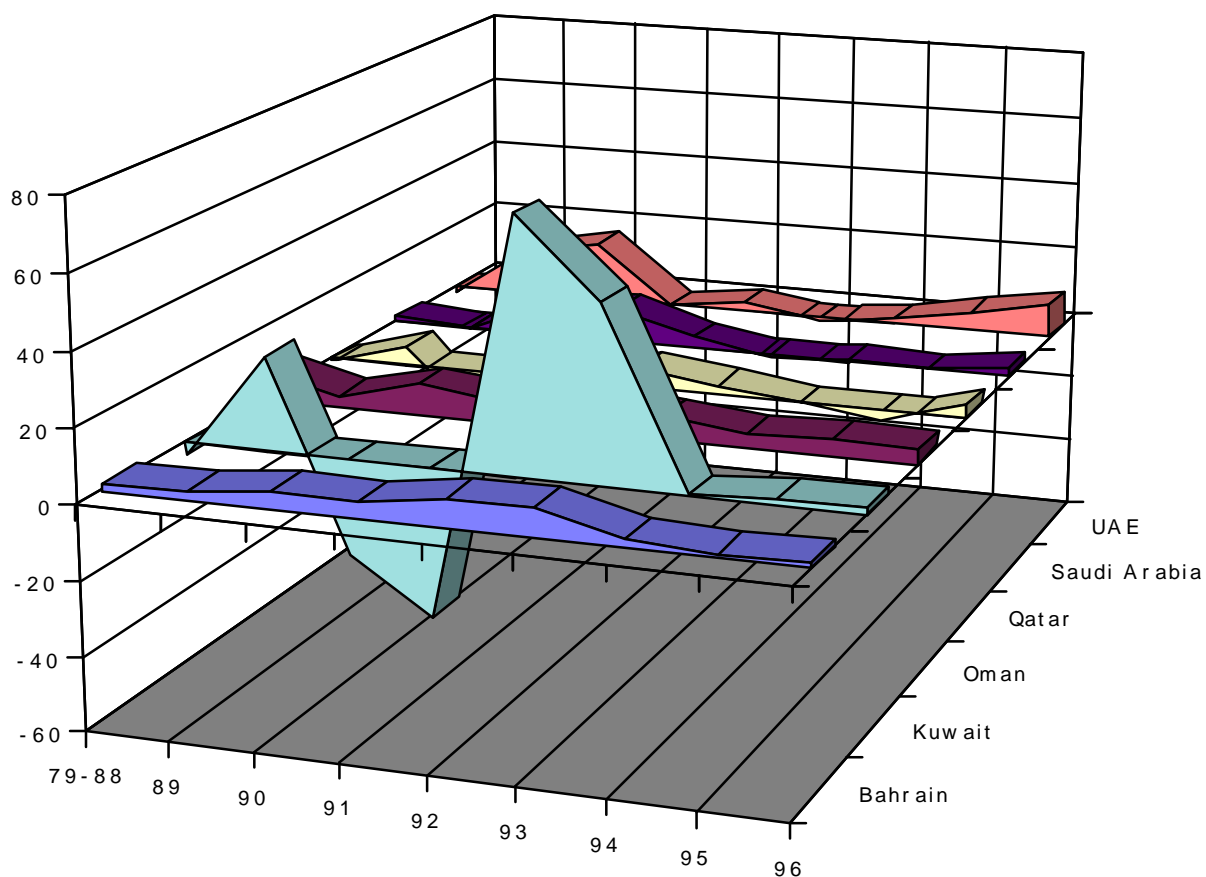
(Percent of Real Annual Change)



Adapted by Anthony H. Cordesman from IMF, World Economic Outlook, May, 1997, pp. 138-139. Iranian growth through 1992 consists largely of post-war recovery, financed through foreign debt/

Trends in the Real Change in GDP in the Southern Gulf: 1979-1996

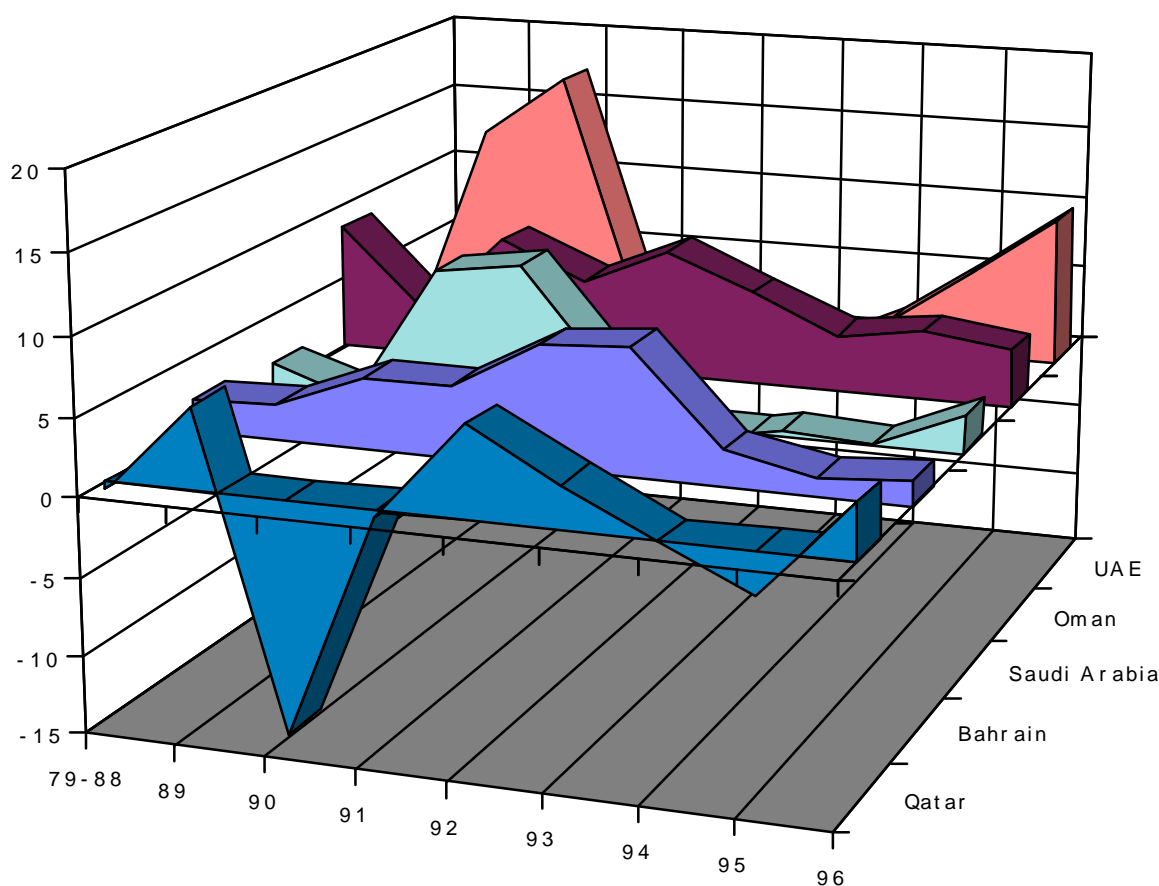
(Percent of Real Annual Change)



Adapted by Anthony H. Cordesman from IMF, World Economic Outlook, May, 1997, pp. 138-139. Adapted by Anthony H. Cordesman from IMF, World Economic Outlook, May, 1997, pp. 138-139. Note: Virtually all of shift is driven by oil export revenues.

Trends in the Real Change in GDP in the Southern Gulf Less the Wartime Impact on Kuwait: 1979-1996

(Percent of Real Annual Change)

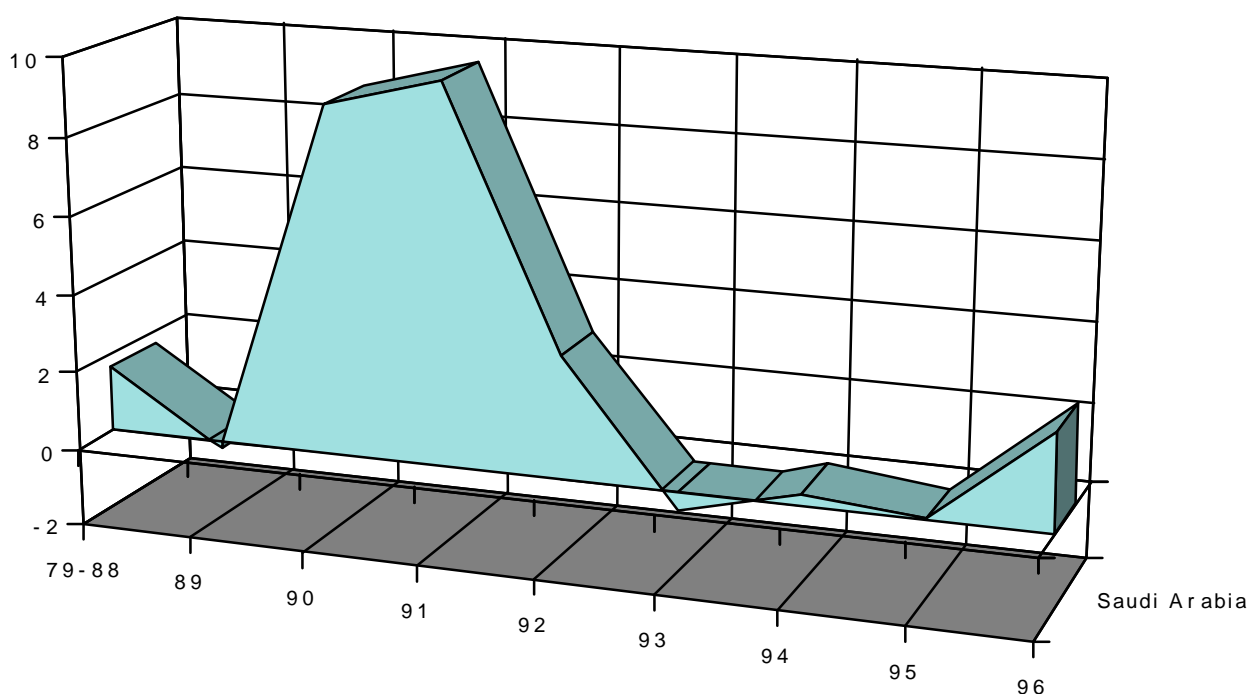


Adapted by Anthony H. Cordesman from IMF, World Economic Outlook, May, 1997, pp. 138-139. Note: Virtually all of shift is driven by oil export revenues.

Copyright Anthony H. Cordesman, all rights reserved.

Trends in the Real Change in GDP in Saudi Arabia: 1979-1996

(Percent of Real Annual Change)



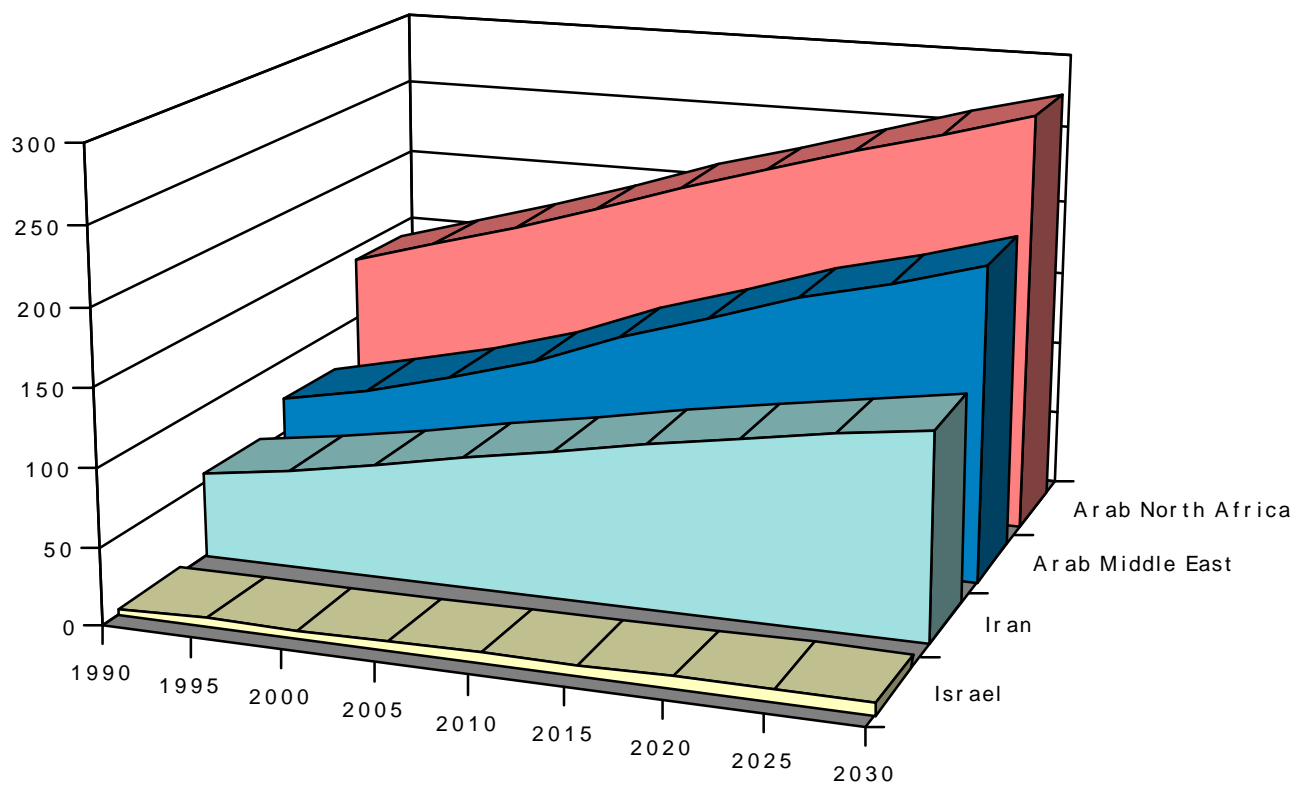
Adapted by Anthony H. Cordesman from IMF, World Economic Outlook, May, 1997, pp. 138-139. Note: Virtually all of shift is driven by oil export revenues.

Demographics, Economics, and Stability

- **Population growth averages over 3% annually and exceeds or equals real economic growth.**
- **True development normally requires 2% more annual growth than population growth.**
- **The population is very young: 40% or more is 14 years of age or younger.**
- **The Gulf States are grossly over-dependent on foreign labor.**
- **Women have very low productivity gain as part of the work force.**
- **“Statism” means many jobs are frustrating disguised unemployment or underemployment.**
- **Jobs in the private service tend to emphasize imports and related service sectors; not real economic development.**
- **Education is slipping in quality and economic relevance; real job experience is dropping as a training tool, and Islamic education tends to have little economic value.**
- **There is no single act of moral and intellectual cowardice and stupidity in the Arab World more universal than the failure of its political leaders, intellectuals, and religious leaders to come to grips with population planning!**

The Population Time Bomb: Demographics of the Middle East: 1990-2030:

(Johns Hopkins/World Bank Estimate Made in 1995 in Millions)

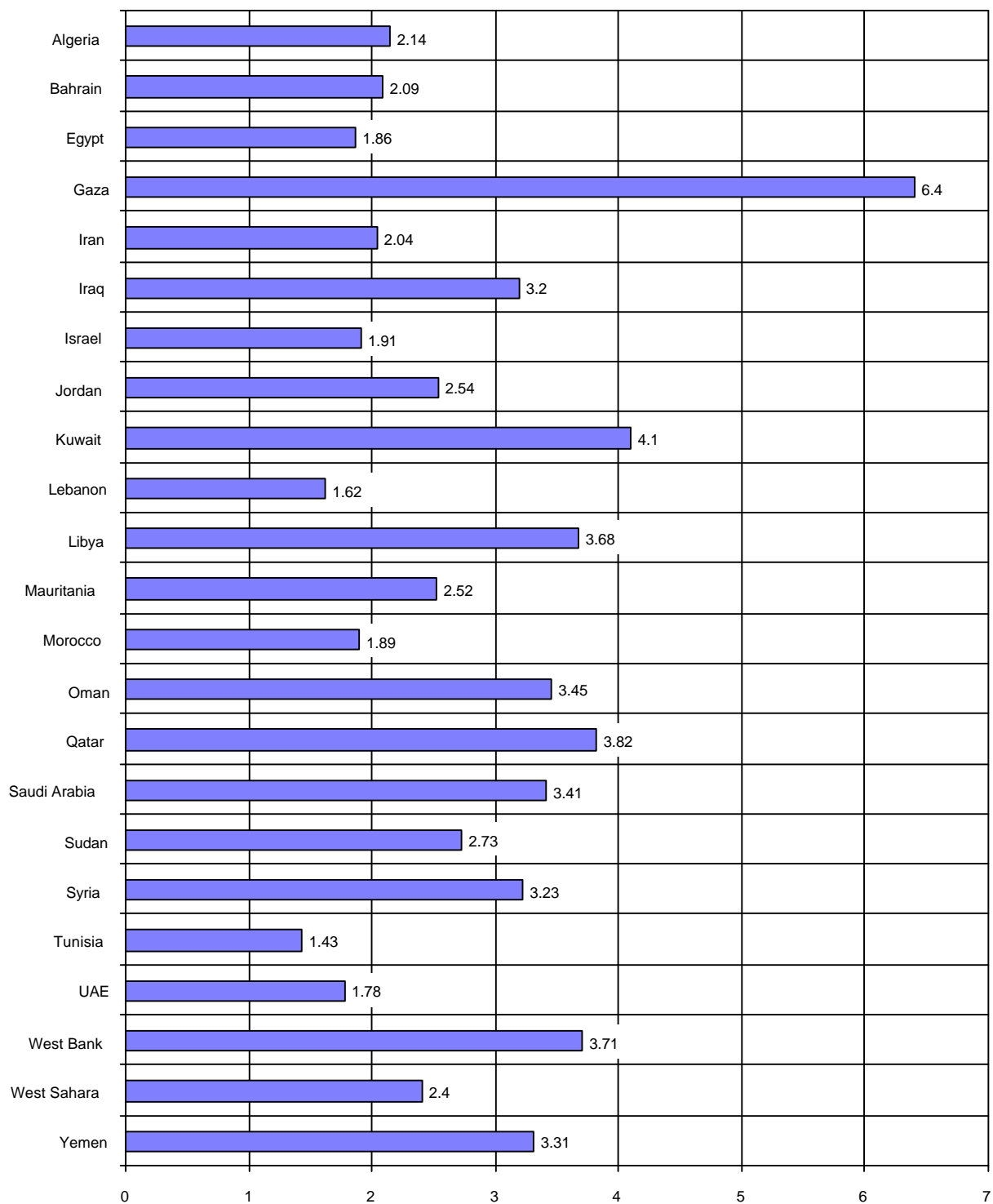


Adapted by Anthony H. Cordesman from World Bank data base for World Population Projections, 1996.

Copyright Anthony H. Cordesman, all rights reserved.

CIA Comparative Estimate of the Population Growth Rate in the Middle East

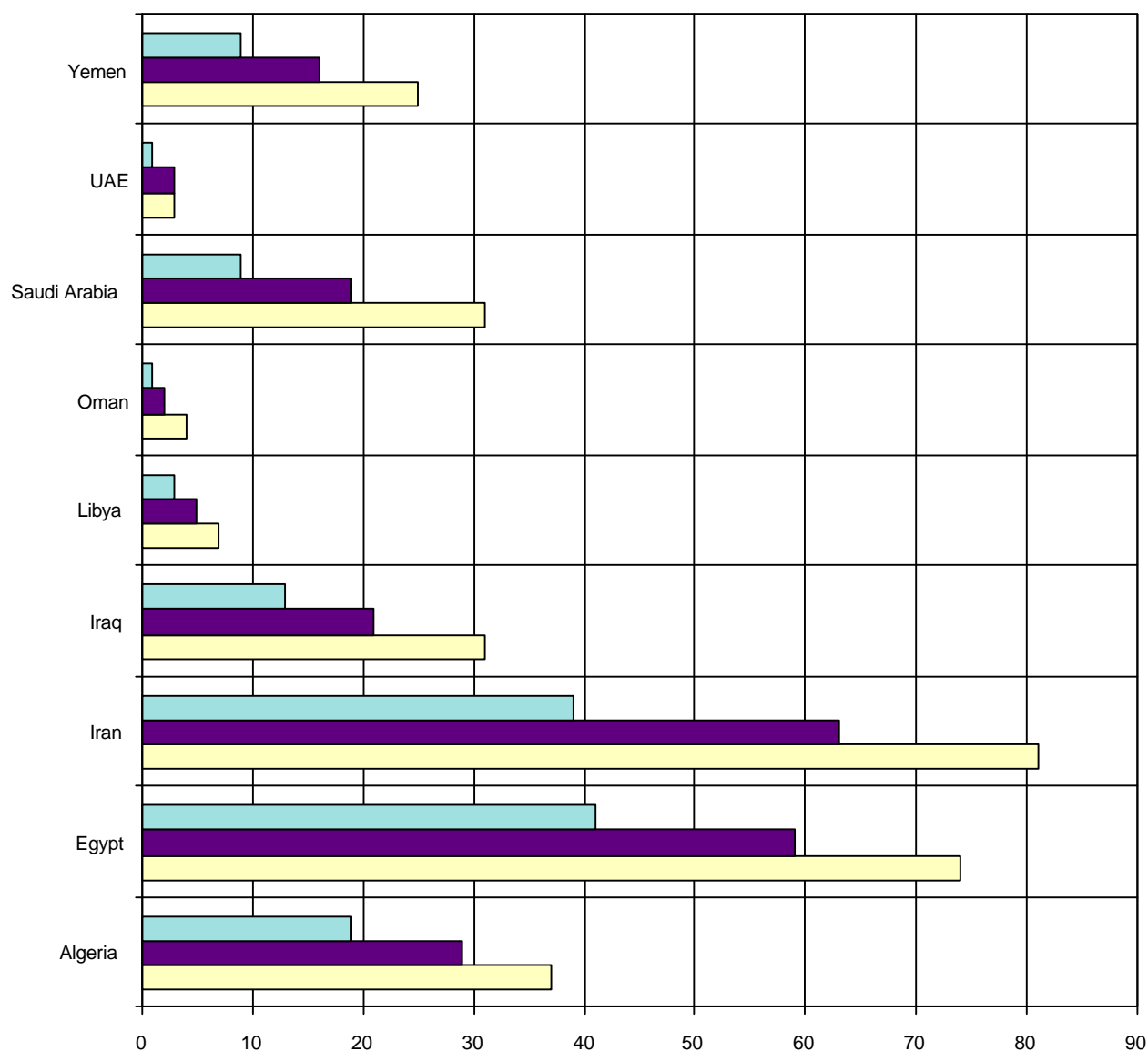
(Percentage Growth in 1998)



Adapted by Anthony H. Cordesman from CIA, World Factbook, 1998.

Copyright Anthony H. Cordesman, all rights reserved.

Increase in Total Population in Selected Countries the Middle East (in millions)

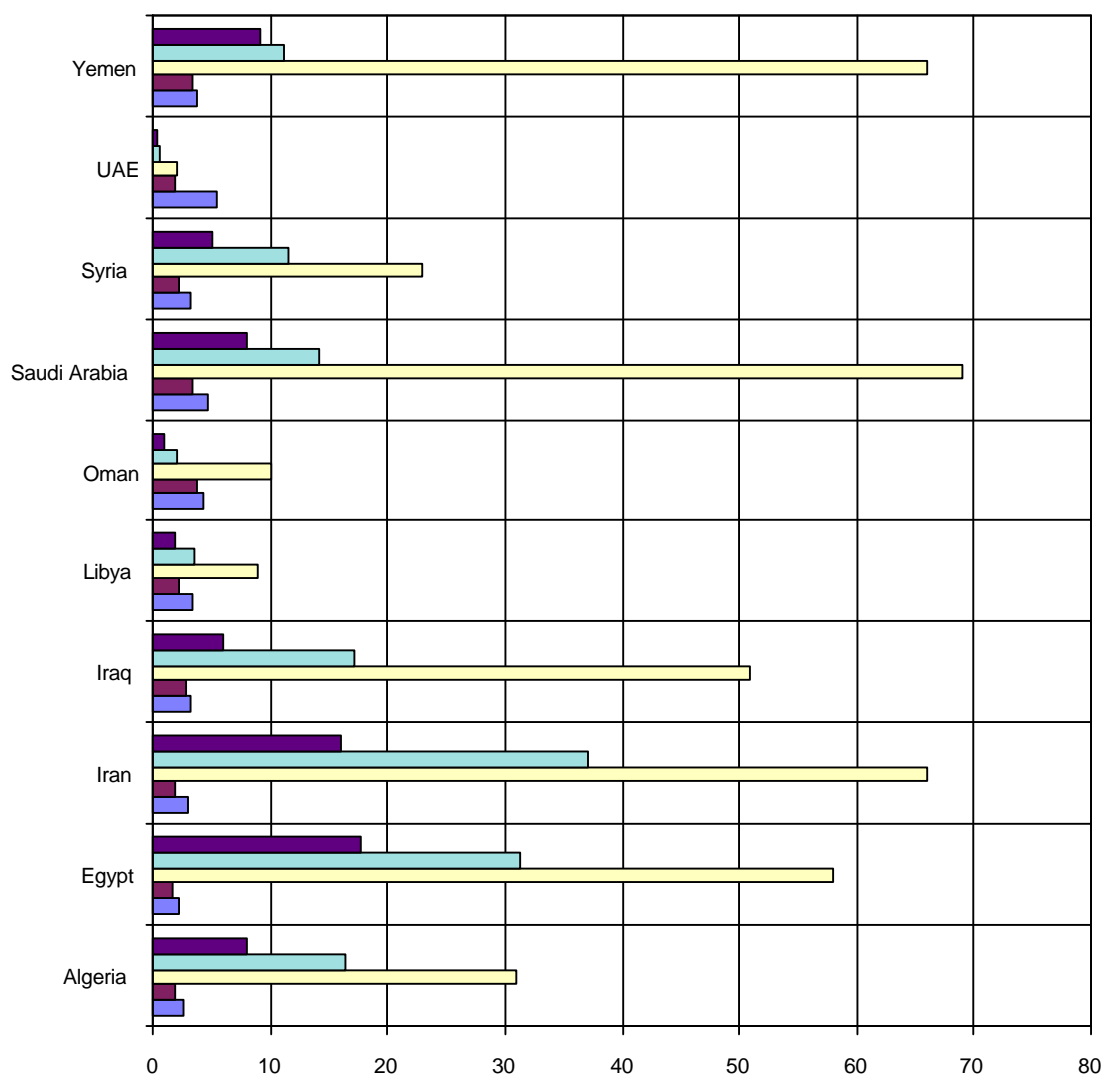


	Algeria	Egypt	Iran	Iraq	Libya	Oman	Saudi Arabia	UAE	Yemen
1980	19	41	39	13	3	1	9	1	9
1996	29	59	63	21	5	2	19	3	16
2010	37	74	81	31	7	4	31	3	25

Source: Adapted by Anthony H. Cordesman from World Bank, World Development Indicators, 1998, pp. 42-44.

Population Growth in Selected Countries the Middle East after 2000

(in millions)

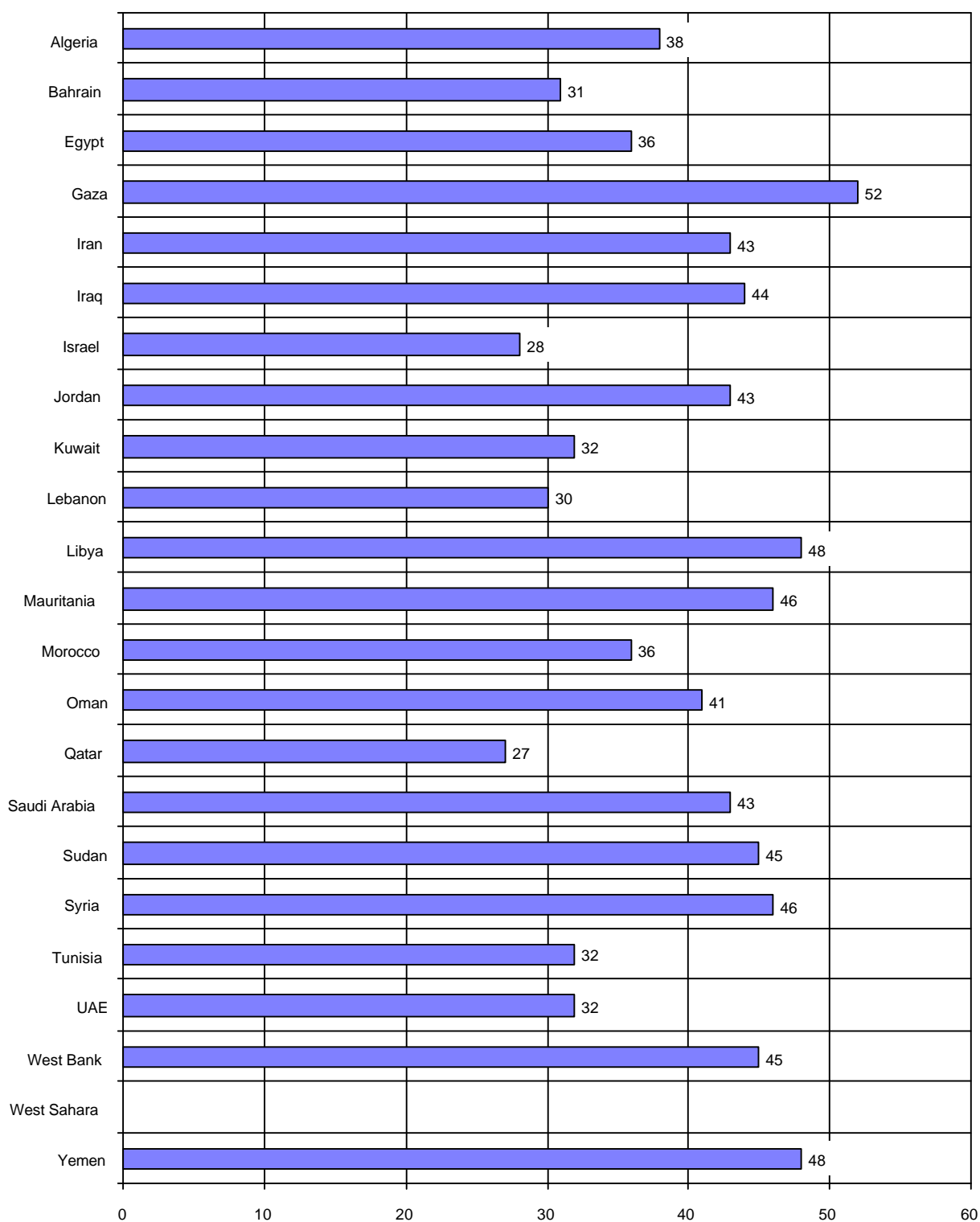


	Algeria	Egypt	Iran	Iraq	Libya	Oman	Saudi Arabia	Syria	UAE	Yemen
■ Mortality Improvements	8.1	17.7	16.1	5.9	1.9	1	8	5	0.3	9.2
■ Momentum Growth	16.4	31.3	37.1	17.2	3.6	2	14.2	11.6	0.6	11.1
■ Growth After 2000	31	58	66	51	9	10	69	23	2	66
■ % of Growth: 1996-2010	1.9	1.6	1.9	2.8	2.3	3.8	3.3	2.3	1.9	3.3
■ % of Growth: 1980-1996	2.7	2.3	2.9	3.1	3.3	4.2	4.6	3.2	5.5	3.8

Source: Adapted by Anthony H. Cordesman from World Bank, World Development Indicators, 1998, pp. 42-44.

CIA Comparative Estimate of the “Youth Rate” in the Middle East

(Percentage of the Population Aged 14 Years or Less in 1998)

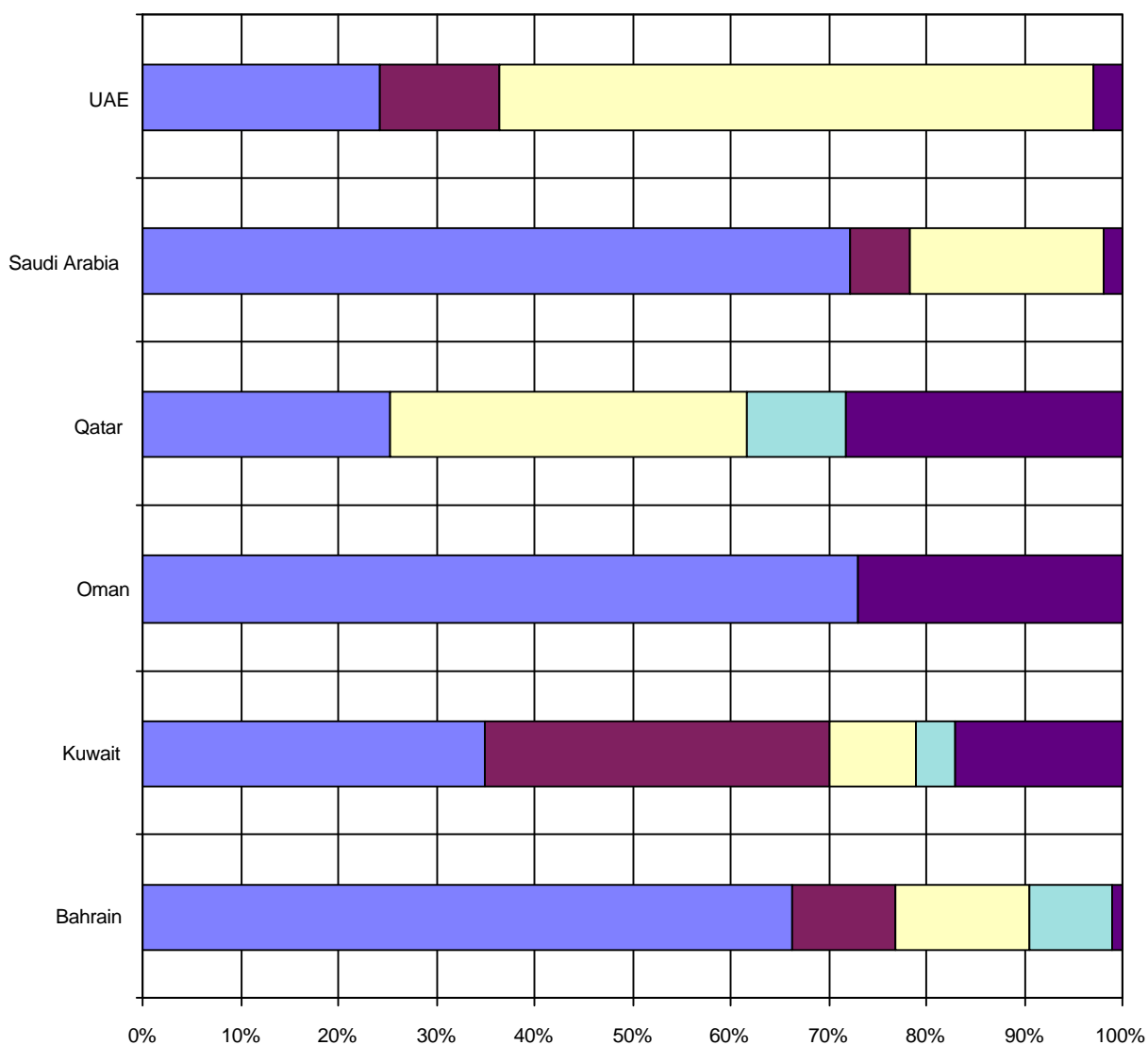


Adapted by Anthony H. Cordesman from CIA, World Factbook, 1998.

Copyright Anthony H. Cordesman, all rights reserved.

Foreign Population in Selected Countries the Middle East

(in percentages of total population)

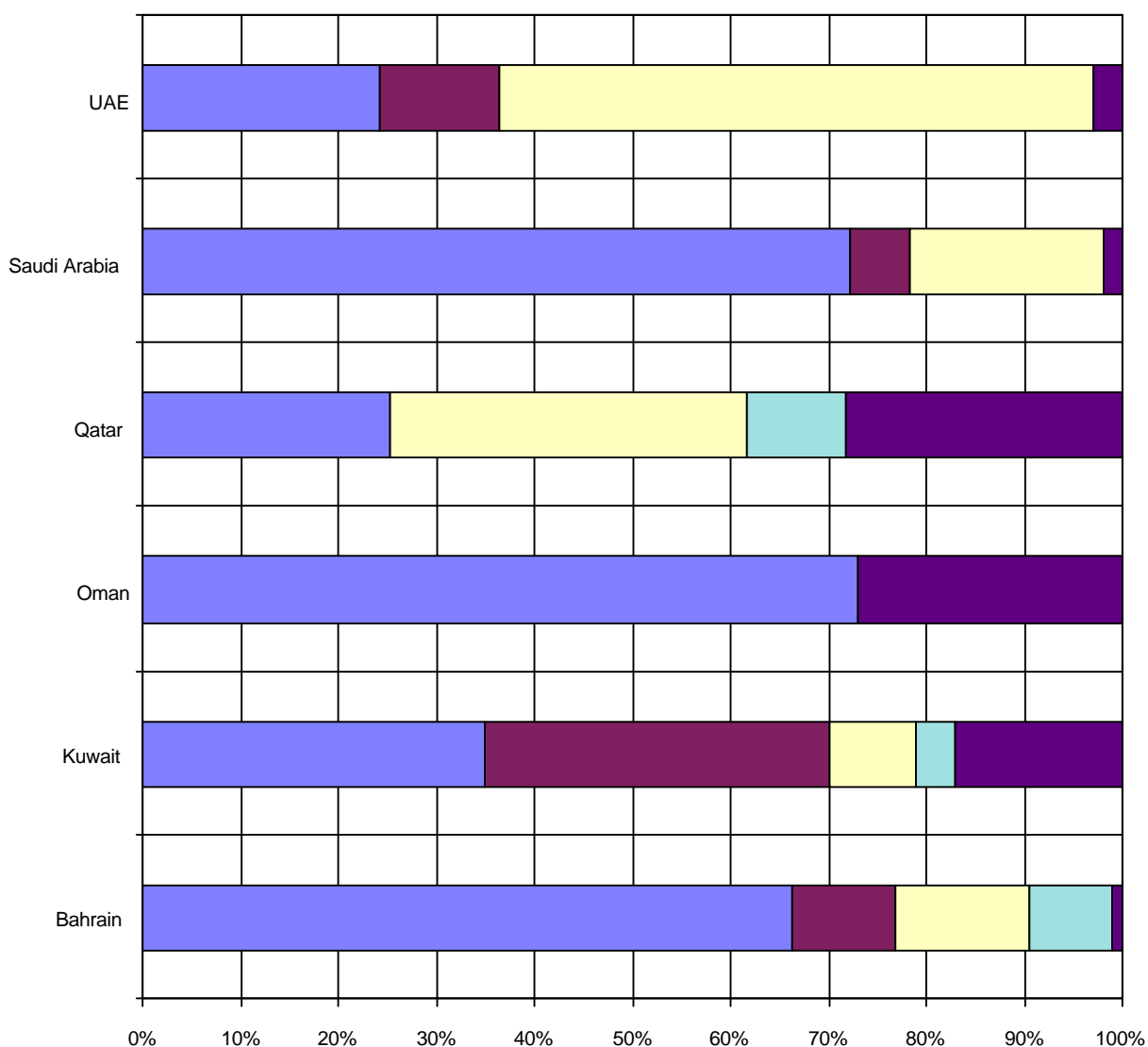


	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
Other	1	17	27	28	2	3
Iranian	8	4		10		
South Asian	13	9		36	20	60
Foreign Arab	10	35			6	12
Native	63	35	73	25	73	24

Source: Adapted by Anthony H. Cordesman from World Bank, *World Development Indicators*, 1998, pp. 42-44.

Foreign Population in Selected Countries the Middle East

(in percentages of total population)

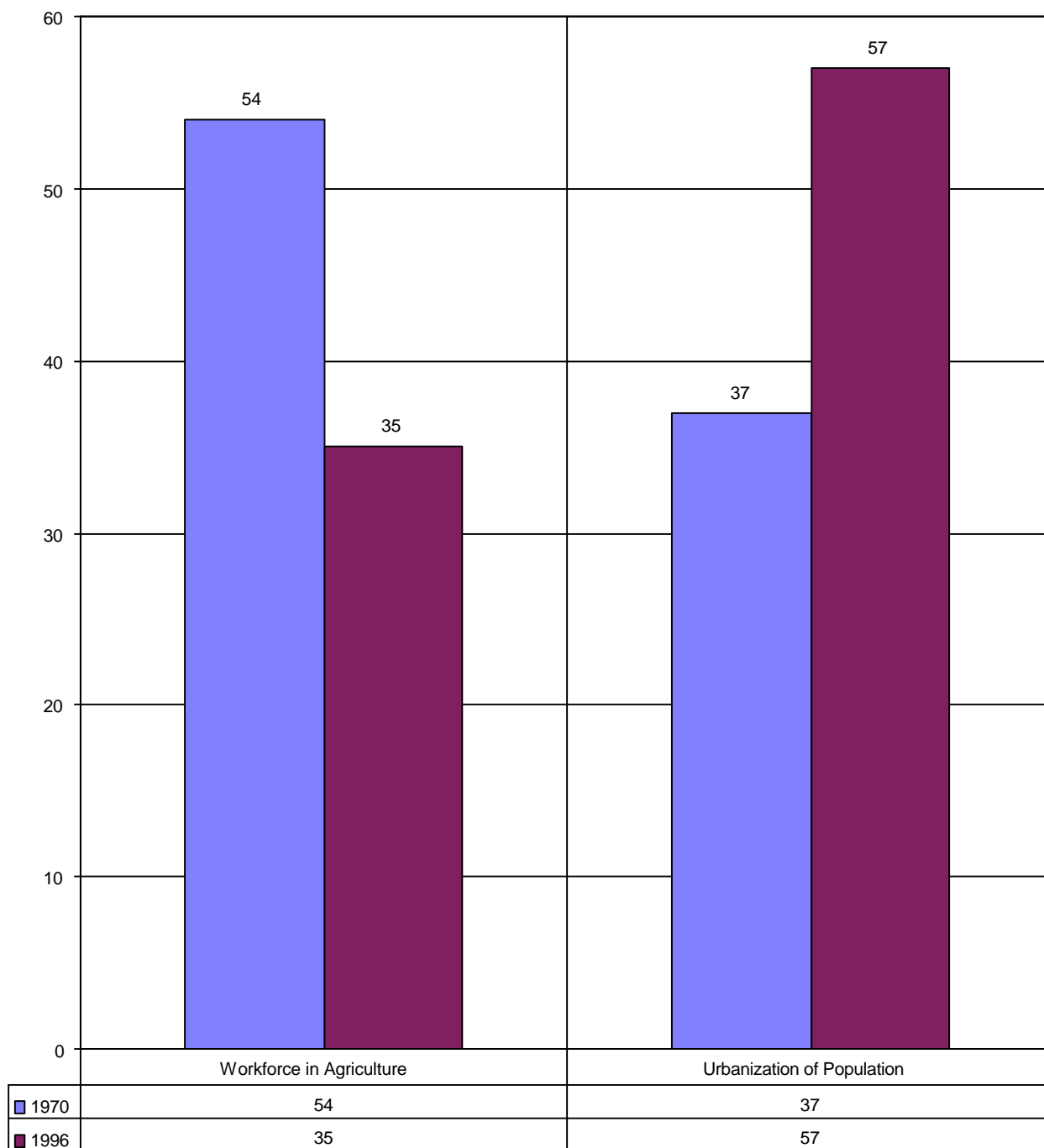


	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
Other	1	17	27	28	2	3
Iranian	8	4		10		
South Asian	13	9		36	20	60
Foreign Arab	10	35			6	12
Native	63	35	73	25	73	24

Source: Adapted by Anthony H. Cordesman from World Bank, World Development Indicators, 1998, pp. 42-44.

Percent of Urbanization and Percent of Labor Force in Agriculture: The Pace of Social Change

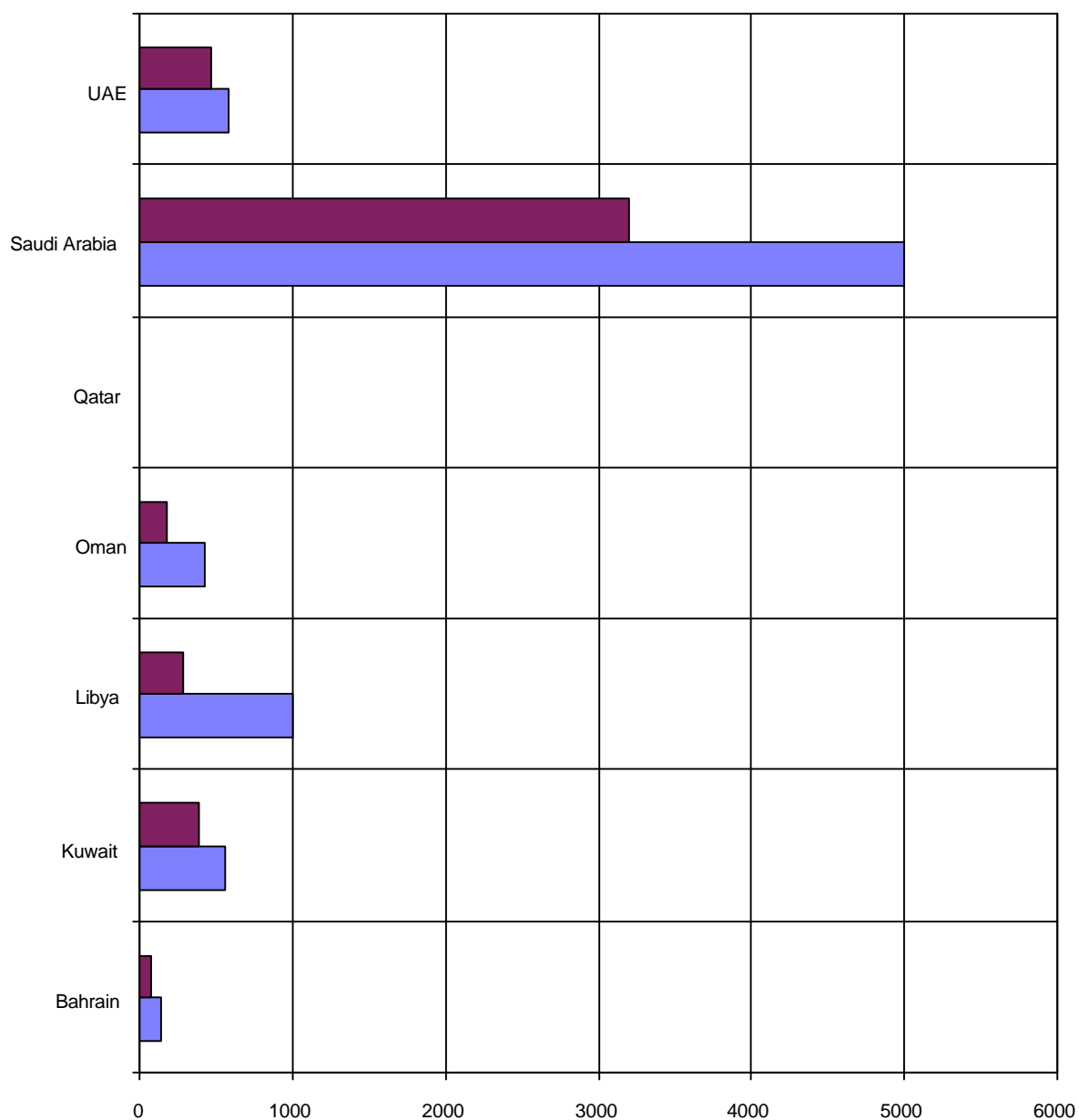
(in percent)



Source: Adapted by Anthony H. Cordesman World Bank, World Development Indicators, 1998, pp. 30-31.

CIA Estimate of the Foreign Labor Force in Selected Middle Eastern Countries

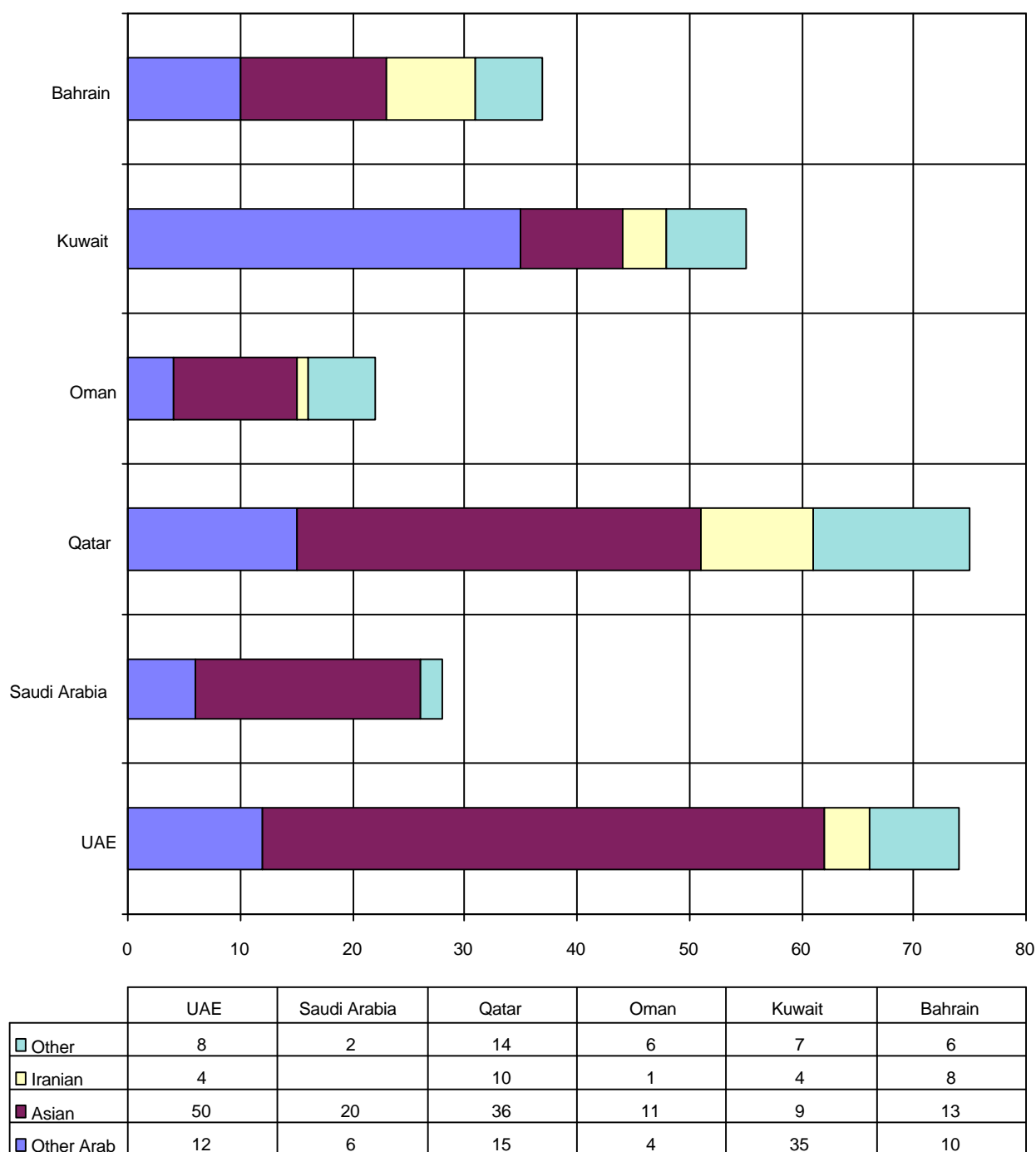
(in millions)



	Bahrain	Kuwait	Libya	Oman	Qatar	Saudi Arabia	UAE
Foreign Workers	81.2	396	280	176		3,200	470
Total Labor Force	140	566	1,000	430		5,000	580

Source: Adapted by Anthony H. Cordesman from CIA, World Factbook, On-line edition.

CIA/IISS Estimate of Non-Nationals as Percent of Total Population in Selected Middle Eastern Countries

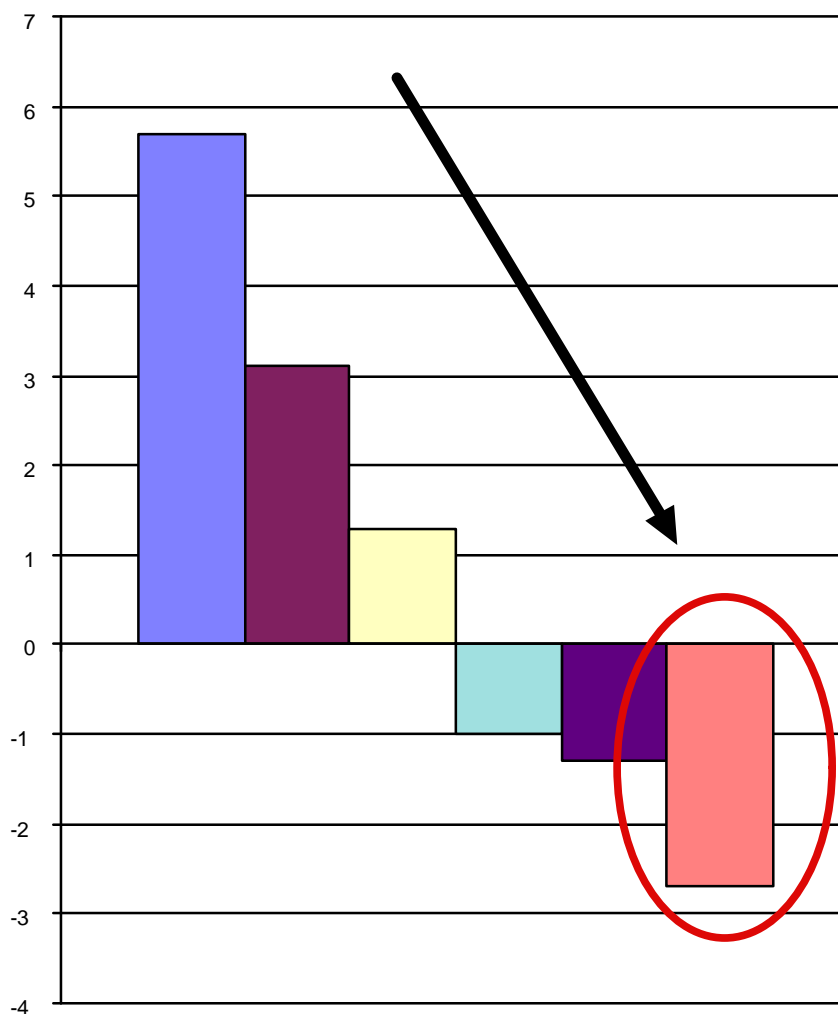


Source: Adapted by Anthony H. Cordesman from CIA, World Factbook, On-line edition.

Increases in Real Per Capita Income Lag Badly Behind Absolute Growth

- **The Middle East and North Africa lagged the entire world during 1980-1991.**
- **Real per capita income declined by well over 25% during the 1980s.**
- **The situation has improved since 1991, but there is still little real growth.**
- **Many of the oil exporting states still have a real per capita income less than 50% of their peak annual level during the oil boom of the early 1980s.**
- **The real problems in per capita income are further disguised by:**
 - **The “Youth Bulge” that is going to enter the work force and need homes and infrastructure;**
 - **Urbanization and rising expectations due to world media.**
 - **Maldistribution of income.**
 - **Lack of achievement-oriented hiring and promotion.**
 - **Chronic underestimation of problems because of difficulties in analyzing trends in purchasing power parity terms**

Negative Development During the 1980s:
Average Annual Change in Real Per Capita GDP: 1980-1991
 (Change in Average Percent of Growth or Decline)

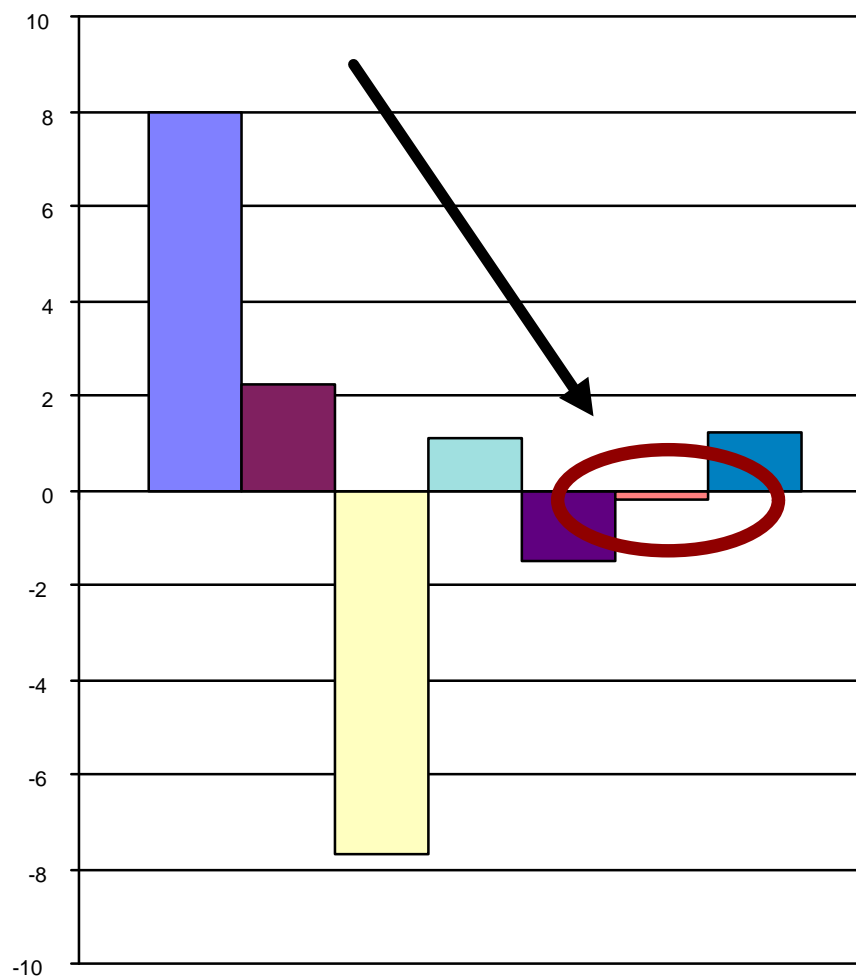


■ East Asia	5.7
■ South Asia	3.1
■ Europe and Central Asia	1.3
■ Latin America and Caribbean	-1
■ Africa	-1.3
■ Middle East and North Africa	-2.7

Source: Adapted by Anthony H. Cordesman from World Bank, Claiming the Future, p. 15

The Growth of Personal Wealth Still Lagged During the Early and Mid 1990s:

(Average Annual Change in Real Per Capita GDP: 1991-1995)

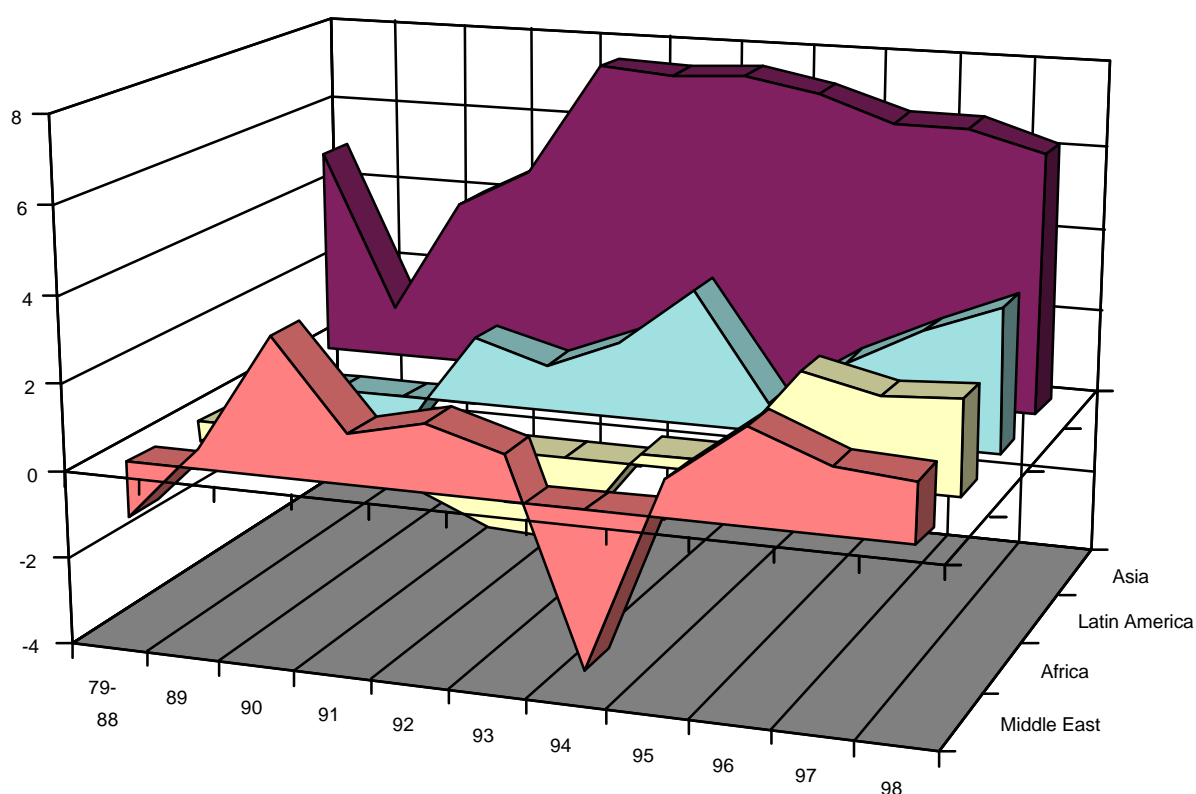


East Asia	8
South Asia	2.2
Europe and Central Asia	-7.7
Latin America and Caribbean	1.1
Sub-Saharan Africa	-1.5
Middle East and North Africa	-0.2
High Income Countries	1.2

Source: Adapted by Anthony H. Cordesman from World Bank, Global Economic Prospects and the Developing Countries, 1996, p. 3.

Trends in the Annual Change in Real Per Capita by Region: MENA vs. The World: 1979-1998

(Percent of Real Annual Change: GDP Divided by Population)

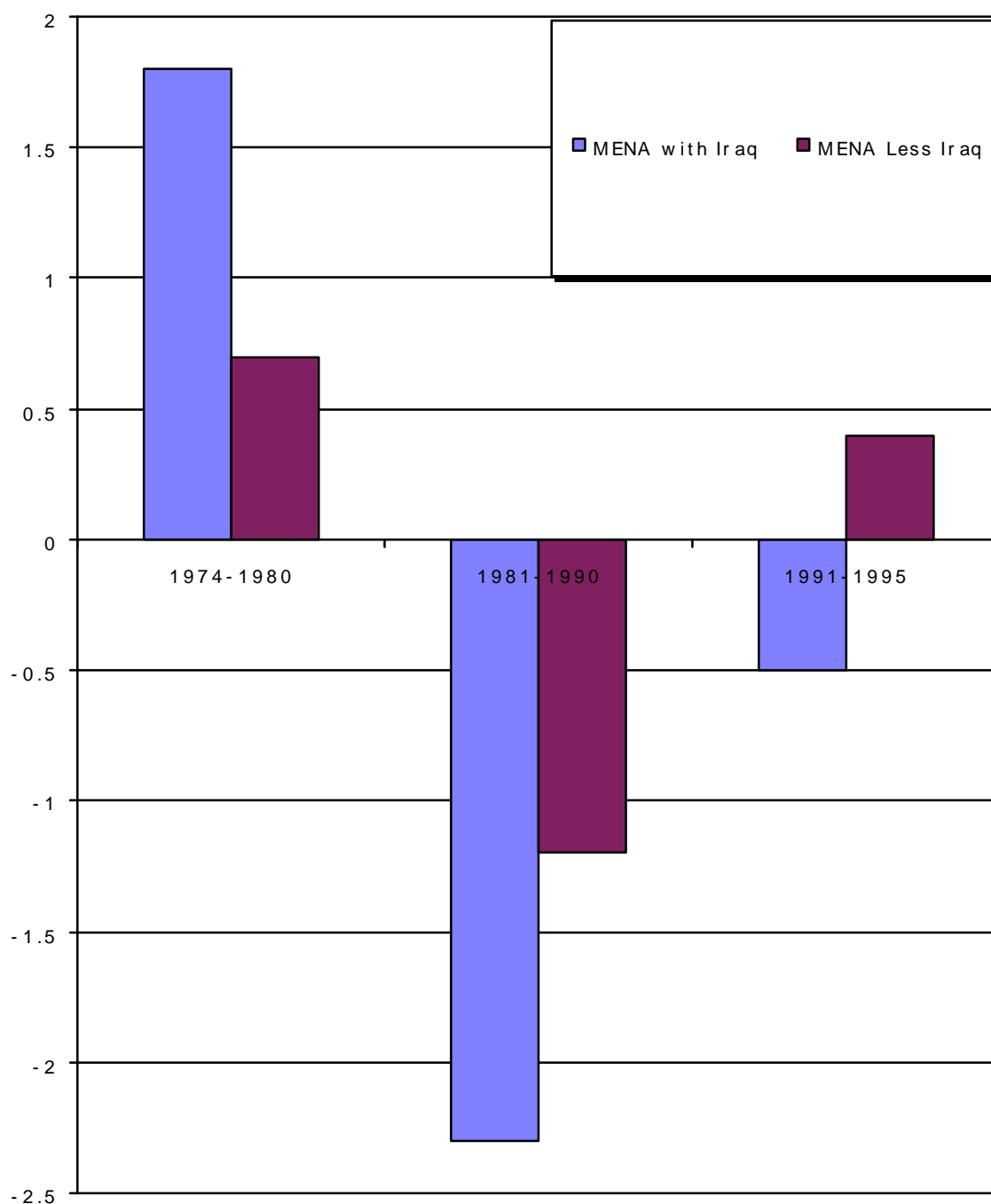


	79-88	89	90	91	92	93	94	95	96	97	98
■ Middle East	-1.3	0.5	3.2	1.2	1.6	1.1	-3.6	0.9	2.2	1.5	1.4
■ Africa	-0.5	0.6	-0.8	-1.1	-1.8	-1.9	0.3	0.3	2.5	2.1	2.2
■ Latin America	0.5	-0.6	-0.8	1.6	1.1	1.8	3.2	0.7	1.8	2.7	3.4
■ Asia	5	1.2	4	4.9	7.6	7.5	7.6	7.3	6.7	6.7	6.2

Adapted by Anthony H. Cordesman from IMF, *World Economic Outlook*, May, 1997, pp. 135-137. The total for the Middle East and North Africa includes Turkey and Yemen, but excludes Algeria, Israel, Morocco & Tunisia.

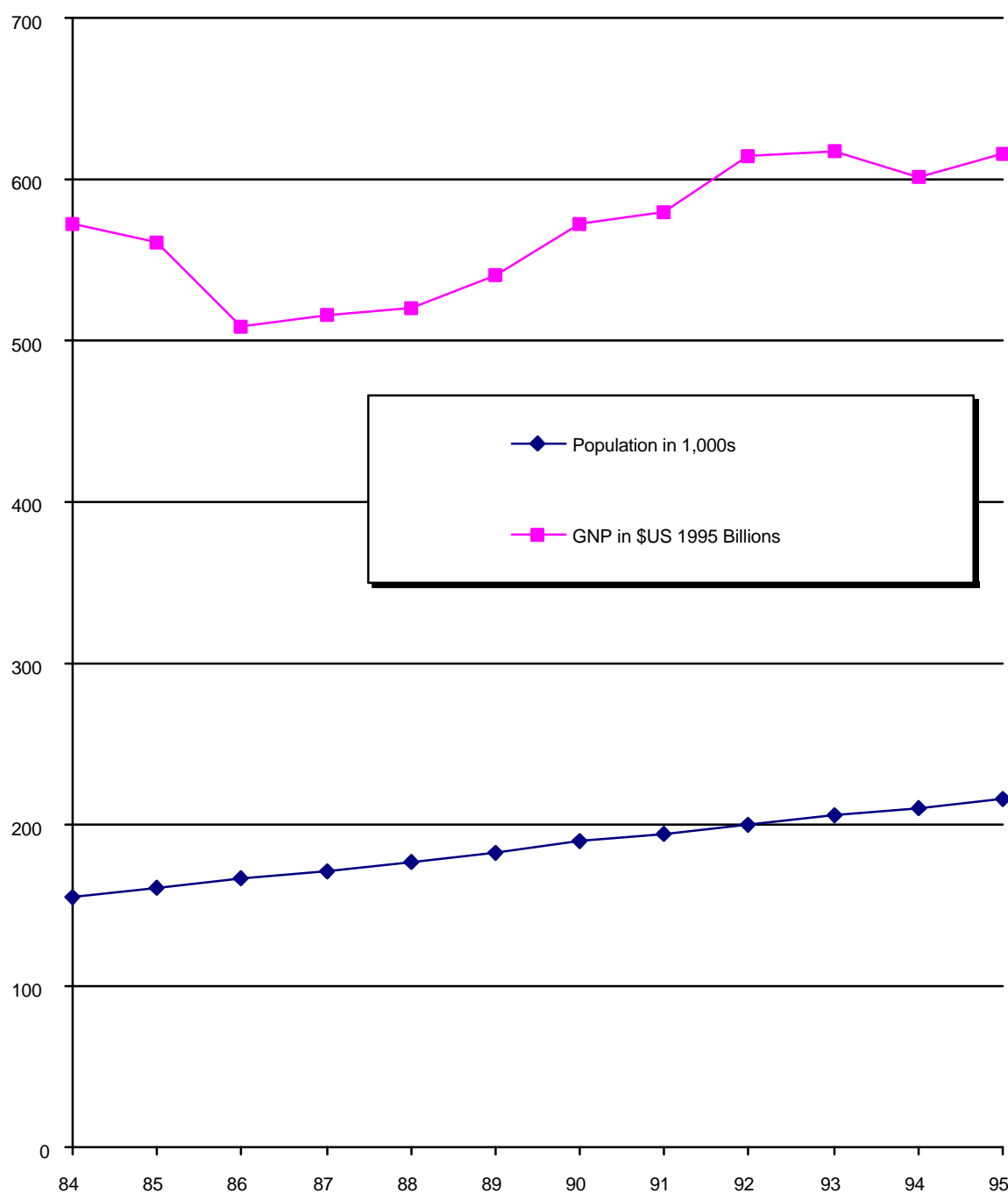
Growth In Per Income Was Negligible Even if Iraq is Excluded

(Average Annual Change in Real Per Capita GDP)



Source: Adapted by Anthony H. Cordesman from data provided by the World Bank

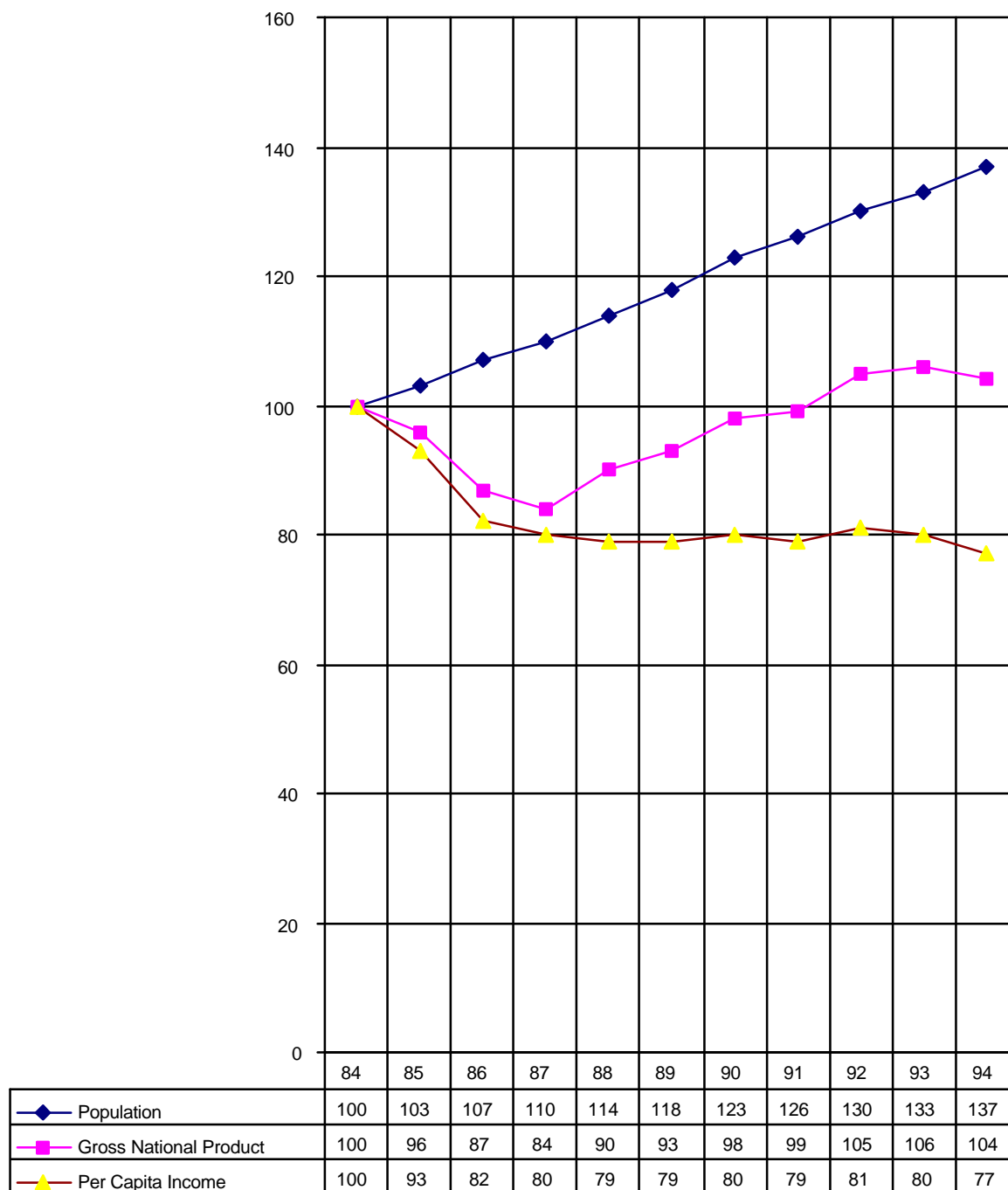
Middle Eastern Economic Growth Lags Population Growth: 1984-1995



Adapted by Anthony H. Cordesman from ACDA, World Military Expenditures and Arms Transfers, various editions. Middle East does not include North African states other than Egypt.

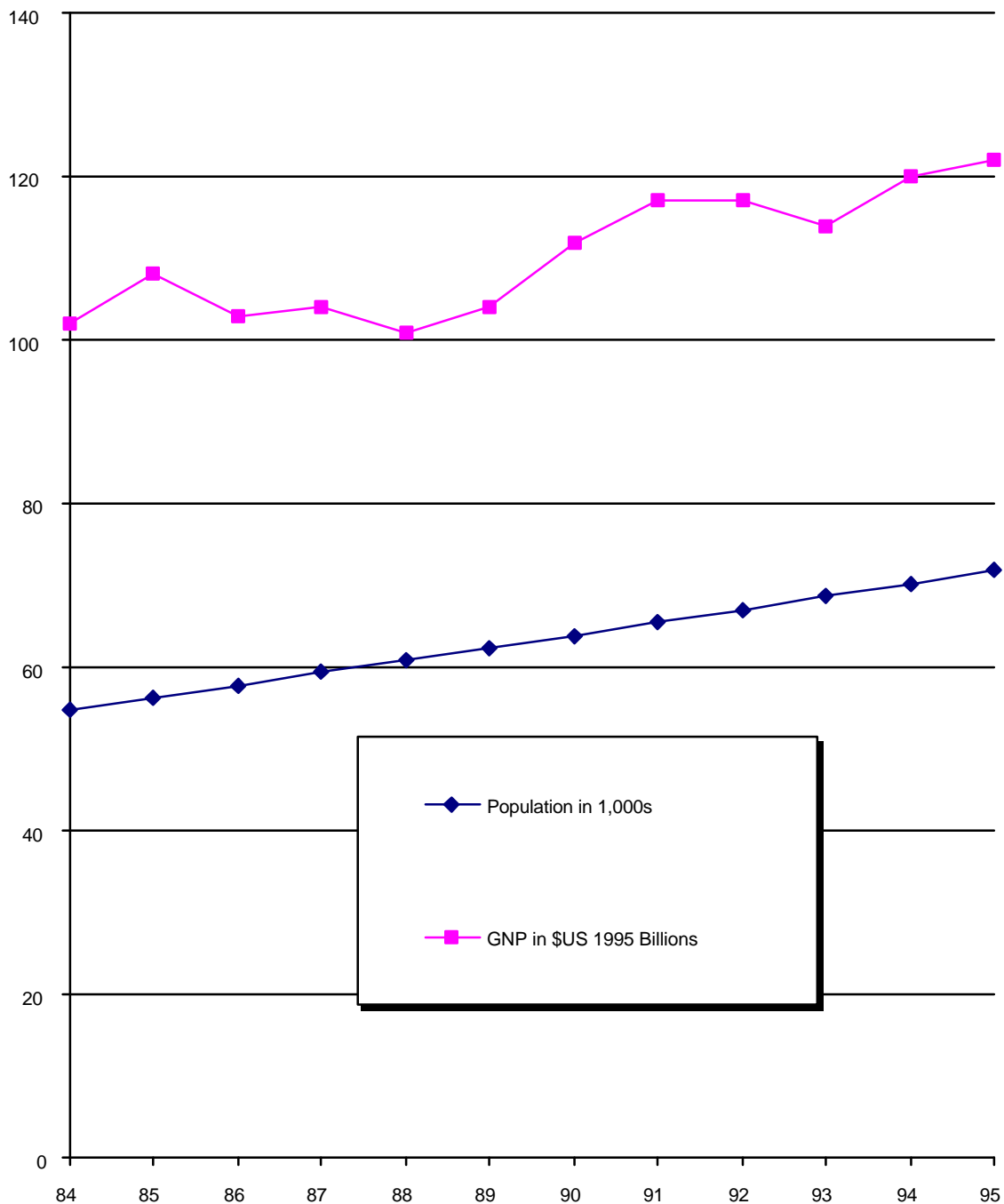
Middle Eastern Population Growth, Low Oil Prices, and Low Overall Exports Combined to Limit Personal Wealth:

(Population, and Per Capita Income Relative to 1984 from 1984 to 1994. 1984=100, and all following years are percentages of 1984 as base year. All expenditure totals are measured in constant 1984 US dollars.)



Adapted by Anthony H. Cordesman from ACDA, World Military Expenditures and Arms Transfers, various editions. Middle East does not include North African states other than Egypt.

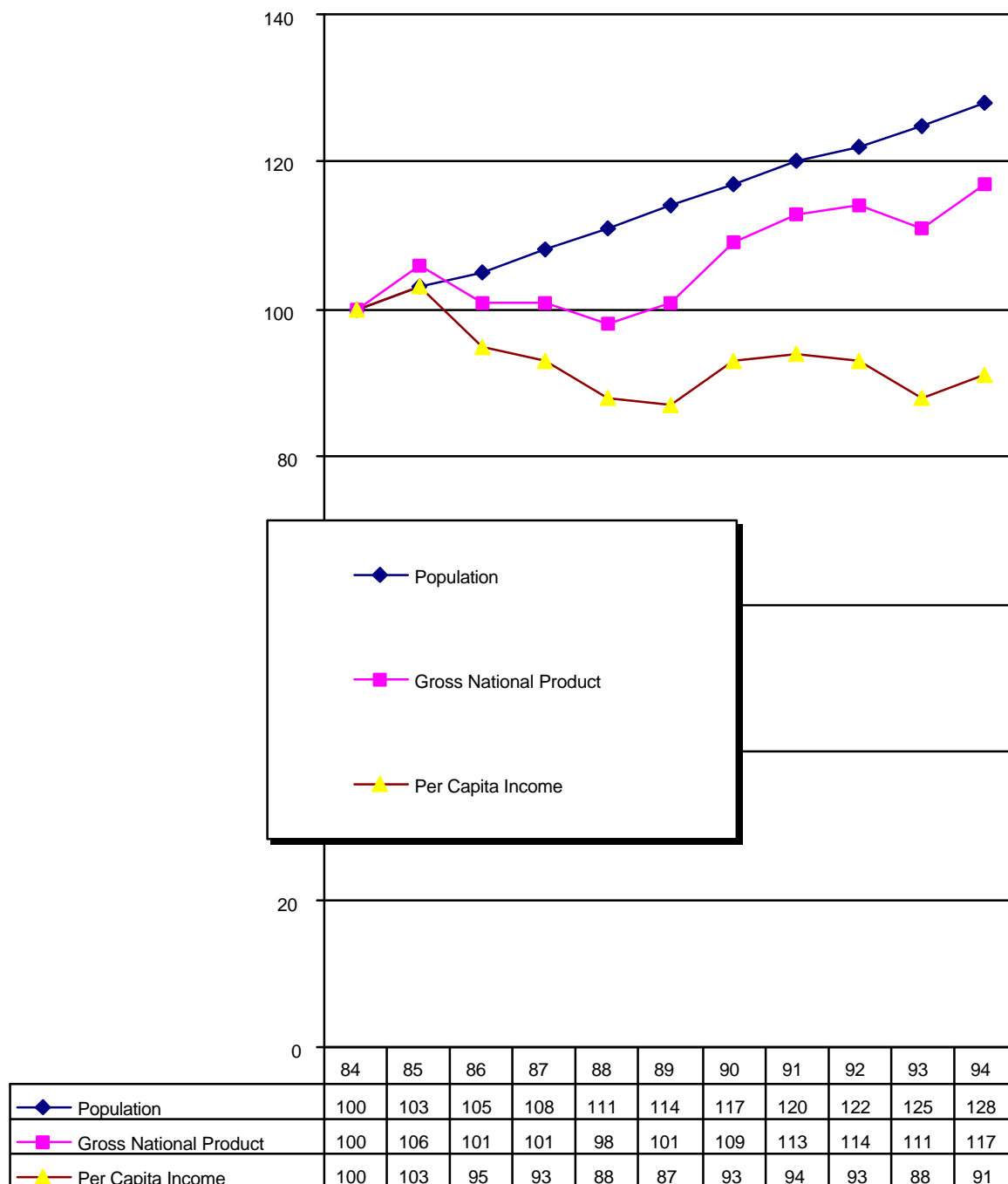
North African Economic Growth Also Lagged Population Growth: 1984-1995



Adapted by Anthony H. Cordesman from ACDA, World Military Expenditures and Arms Transfers, 1995, various editions. Middle East does not include North African states other than Egypt.

And, North African Population Growth, Low Oil Prices, and Low Overall Exports Also Combined to Limit Personal Wealth:

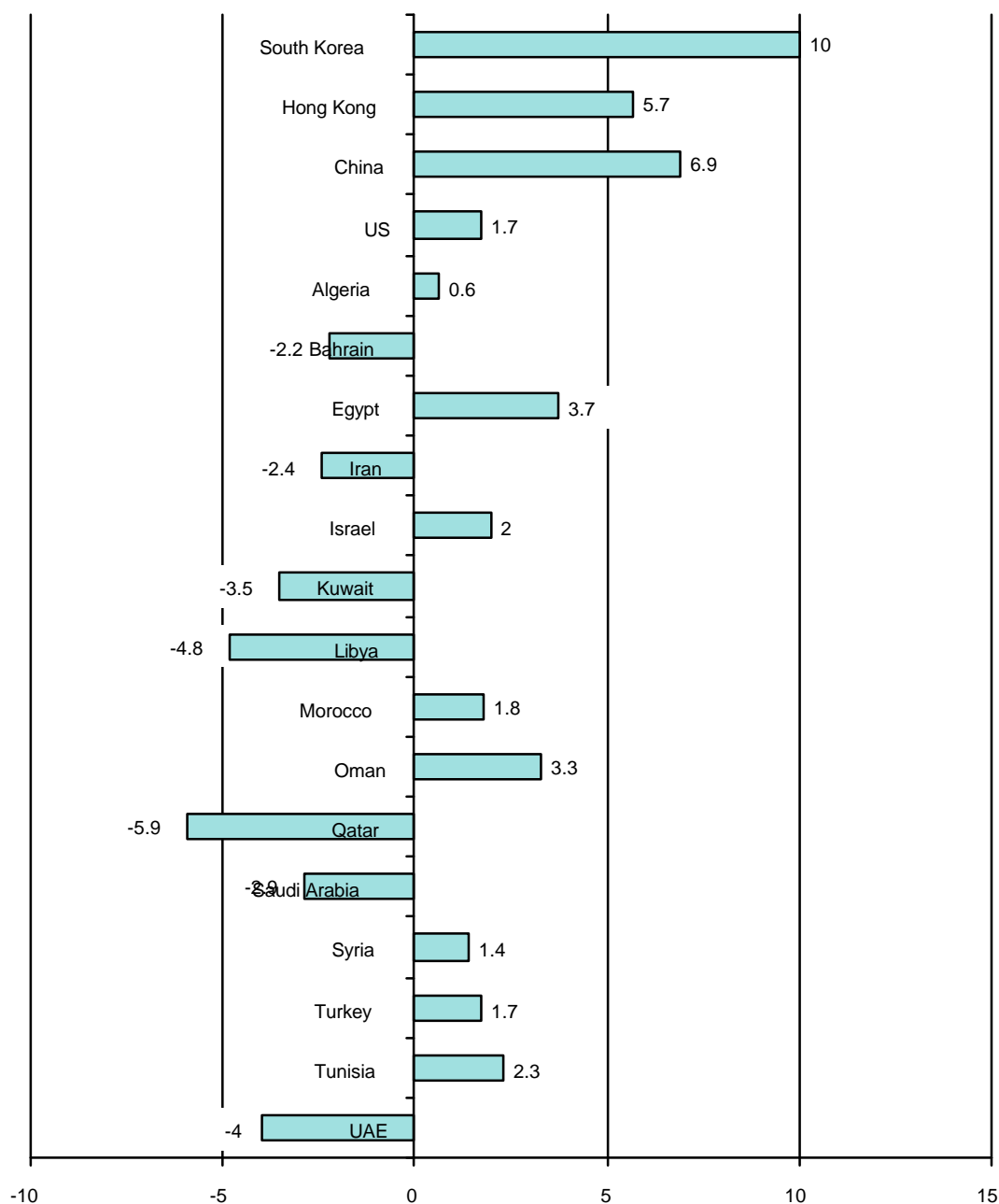
(Population, and Per Capita Income Relative to 1984 from 1984 to 1994 1984=100, and all following years are percentages of 1984 as base year. All expenditure totals are measured in constant 1984 US dollars.)



Adapted by Anthony H. Cordesman from ACDA, World Military Expenditures and Arms Transfers, 1995, various editions. Middle East does not include North African states other than Egypt.

The Impact of Demographics, Oil Prices and Low Economic Growth on Real Per Capita Income During 1970-1995

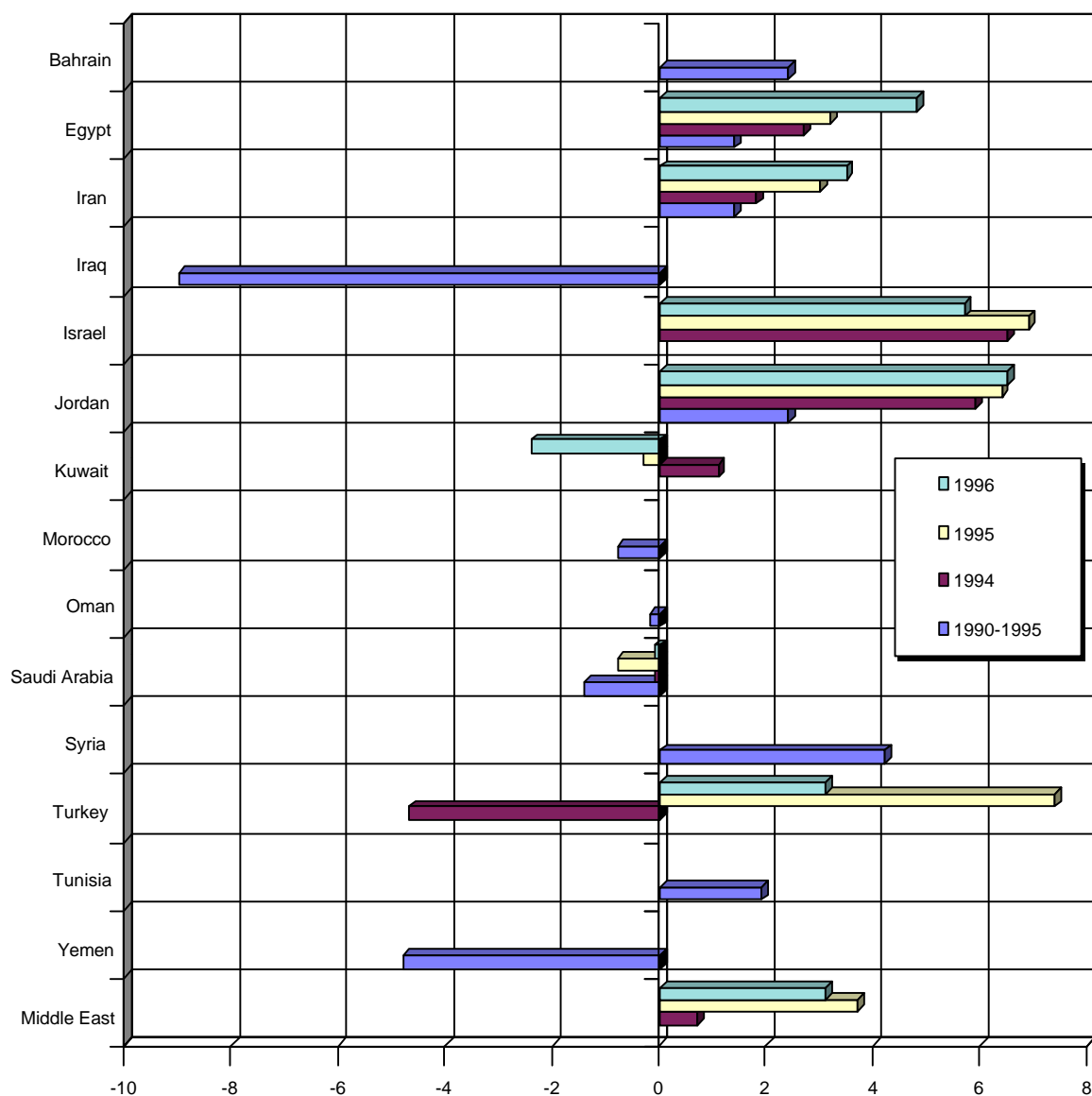
(Percentage of Average Annual Growth in GNP Per Capita)



Adapted by Anthony H. Cordesman from World Bank, World Development Indicators, 1997, Section 1.3.

Things Got Better before the Oil Crash: Recent Trends by Region and Key Country: 1994-1996

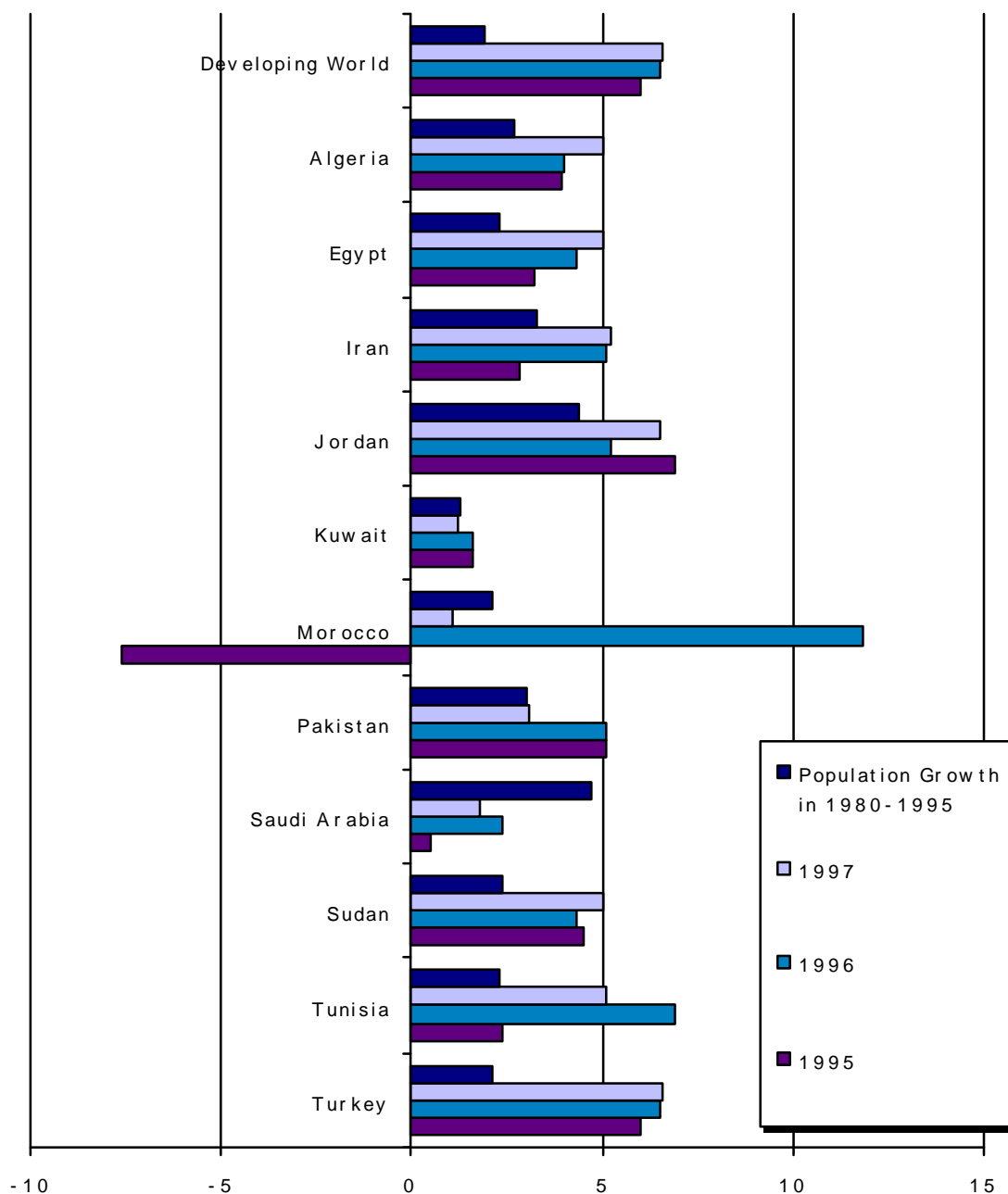
(Change in Average Percent of Growth or Decline in Per Capita Income in Constant Dollars)



	Middle East	Yemen	Tunisia	Turkey	Syria	Saudi Arabia	Oman	Morocco	Kuwait	Jordan	Israel	Iraq	Iran	Egypt	Bahrain
1996	3.1			3.1		-0.1			-2.4	6.5	5.7		3.5	4.8	
1995	3.7			7.4		-0.8			-0.3	6.4	6.9		3.0	3.2	
1994	0.7			-4.7		-0.1			1.1	5.9	6.5		1.8	2.7	
1990-1995		-4.8	1.9		4.2	-1.4	-0.2	-0.8		2.4		-9.0	1.4	1.4	2.4

IMF Estimates of GDP Growth for 1995-1997 by Country versus Population Growth

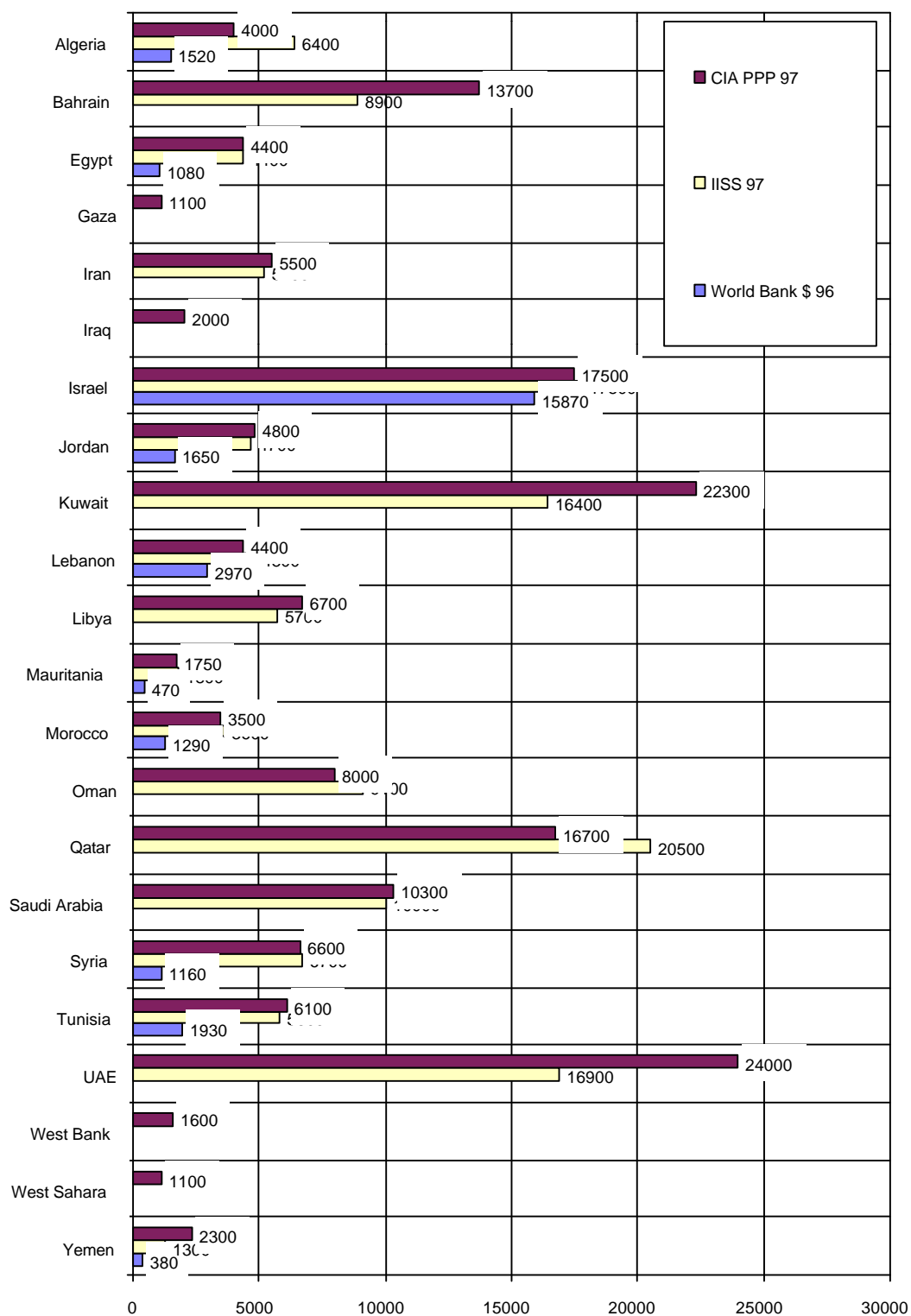
(Percent of Growth in GDP in Current \$US Calculated Using the IMF Method)



Adapted by Anthony H. Cordesman from IMF and Middle East Economic Digest, May 16, 1997, p. 3, and September 12, 1997, p. 2

Countries Now Differ Radically in Per Capita Income

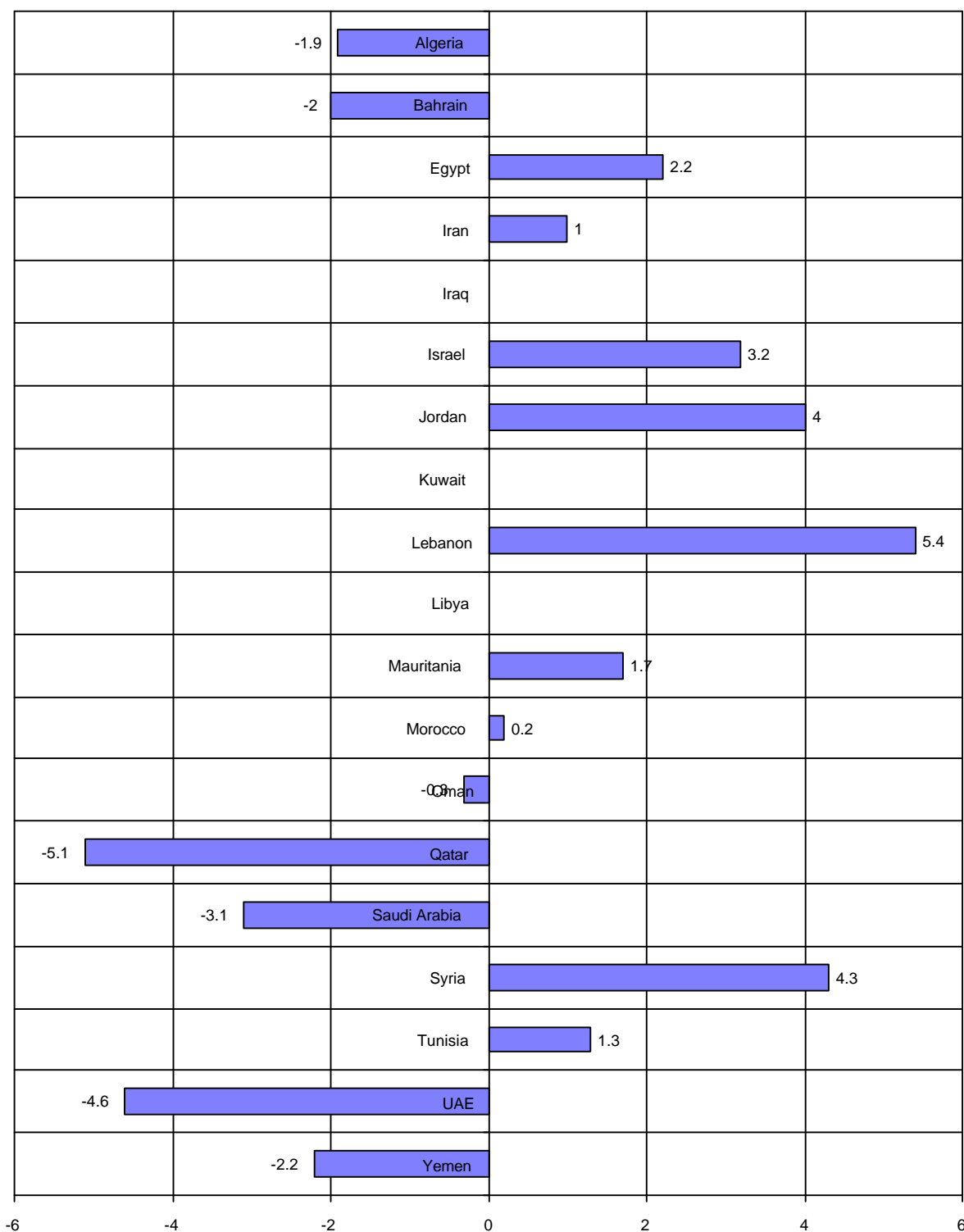
(\$US Current)



Adapted by Anthony H. Cordesman from World Bank, *World Development Indicators*, 1998, pp. 172-174.

Countries Also Differ Radically in Recent *Growth* in Per Capita Income: 1990-96

(Average Percent of Annual Growth)



Adapted by Anthony H. Cordesman from World Bank, World Development Indicators, 1998, pp. 172-174.

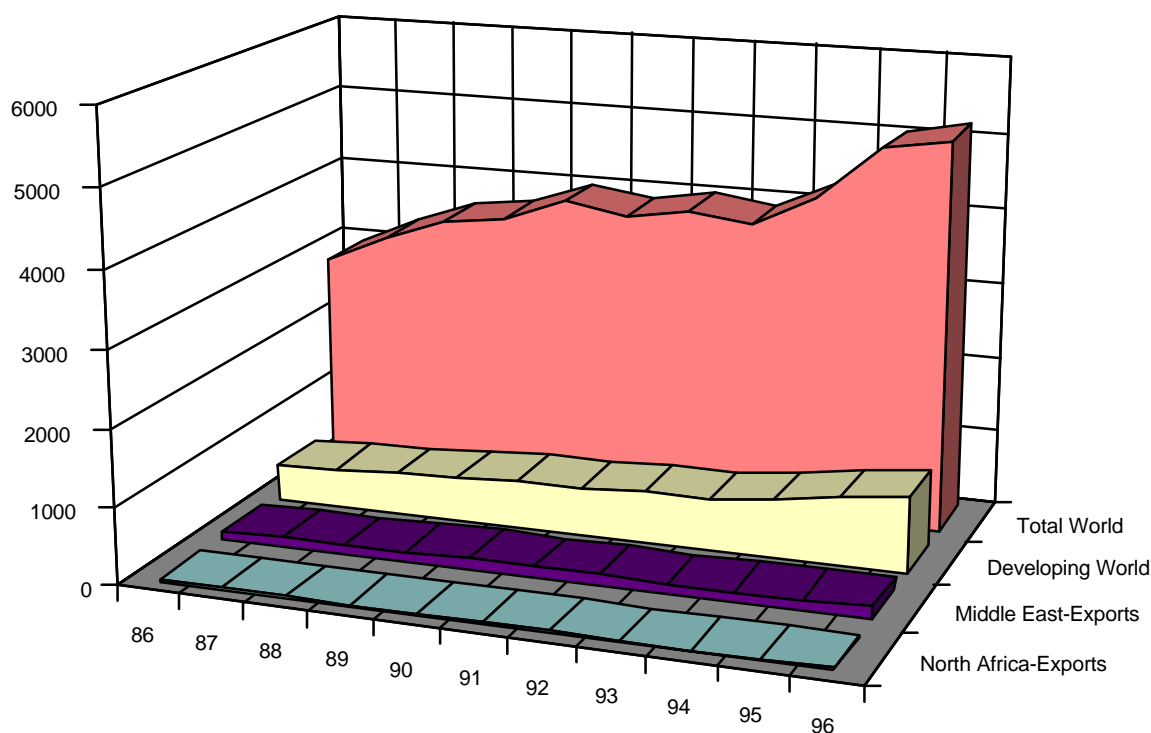
Copyright Anthony H. Cordesman, all rights reserved.

The Middle East Failed to Compete in World Trade

- **Middle Eastern trade has “flatlined” compared to world trade and the overall patterns in developing regions.**
- **Trade surpluses have largely vanished, particularly if debt and foreign investment are included.**
- **The petroleum sector drives virtually all trade due to the lack of regional development and comparative advantage.**
- **But, MENA countries remain a major market and trading partner.**

The Middle East and North Africa Badly Lagged in the Growth of World Trade: 1986-1996

(In Constant \$1996 US Billions)

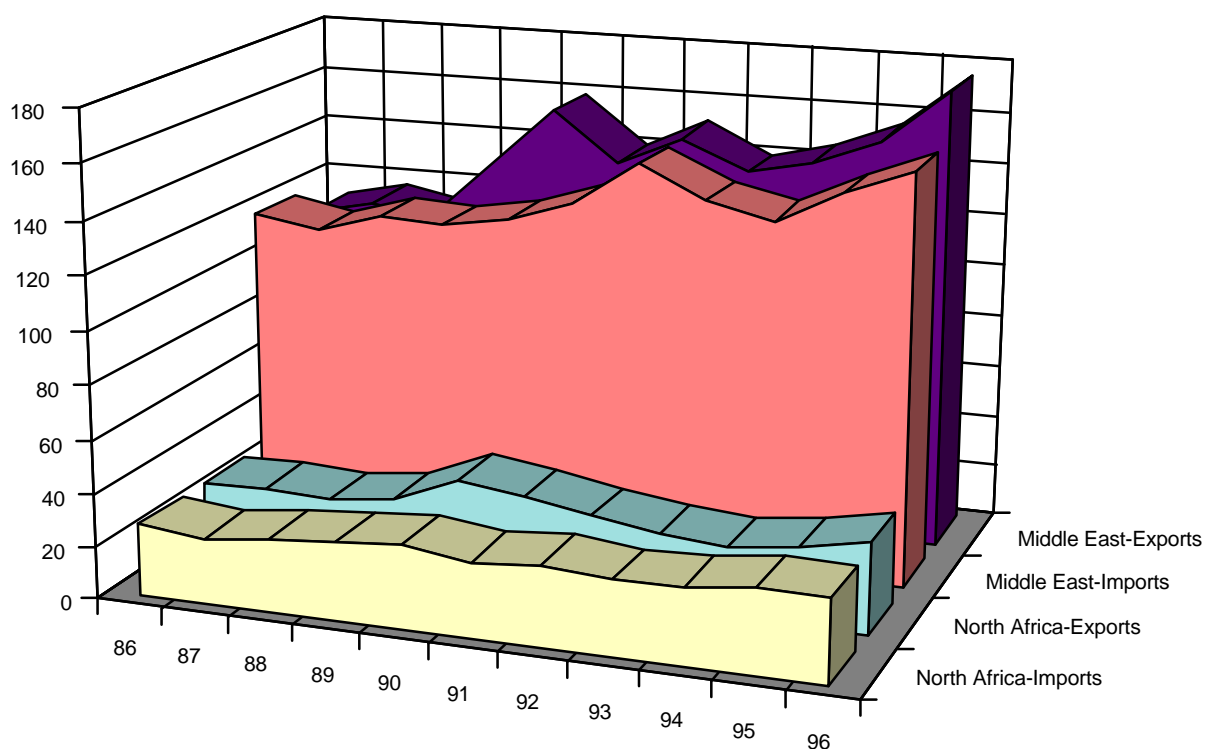


	86	87	88	89	90	91	92	93	94	95	96
North Africa-Exports	26.9	28	26.4	29.1	39.7	35.8	31.8	27.8	25.8	29.3	33.8
Middle East-Exports	109.8	114.9	110.9	134.5	157.1	138.4	149.8	138.5	144	154.1	174
Developing World	465.1	514.7	549	594.4	650.5	623.3	687.9	682.9	770.4	904.3	1001
Total World	2884	3258	3559	3669	3968	3837	3967	3847	4267	4989	5140

Adapted by Anthony H. Cordesman from ACDA, World Military Expenditures and Arms Transfers, various editions. Middle East does not include North African states other than Egypt.

Nevertheless, the Middle East and North Africa Are Still Major Traders: 1986-1996

(In Constant \$1996 US Billions)

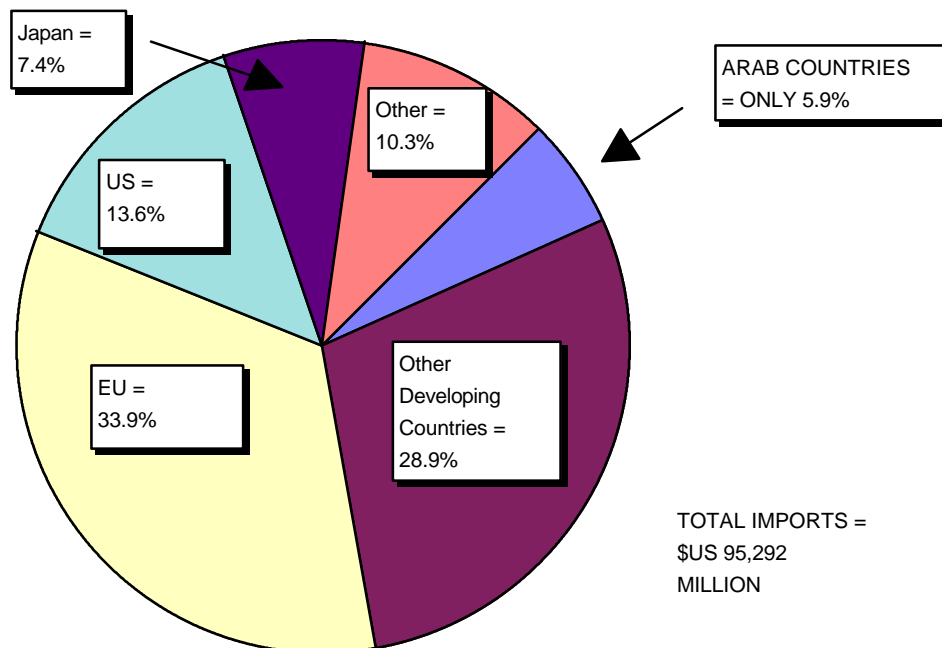
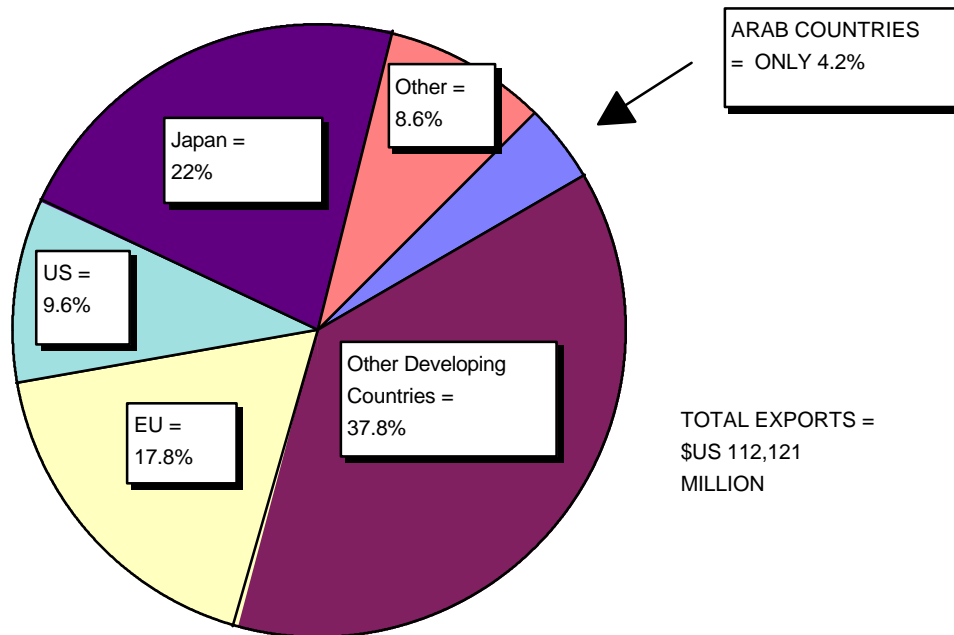


	86	87	88	89	90	91	92	93	94	95	96
North Africa-Imports	27.3	24.6	27.5	29.3	32	28.1	30.1	27.9	28.5	32.2	31.4
North Africa-Exports	26.9	28	26.4	29.1	39.7	35.8	31.8	27.8	25.8	29.3	33.8
Middle East-Imports	119.1	115.1	122.2	121.1	125.7	133.7	150.1	138.5	133	145.1	155.3
Middle East-Exports	109.8	114.9	110.9	134.5	157.1	138.4	149.8	138.5	144	154.1	174

Adapted by Anthony H. Cordesman from ACDA, World Military Expenditures and Arms Transfers, various editions. Middle East does not include North African states other than Egypt.

The Pan-Arab Trade Fantasy: Arab Exports and Imports by Region in 1997

(In Percent of Total)



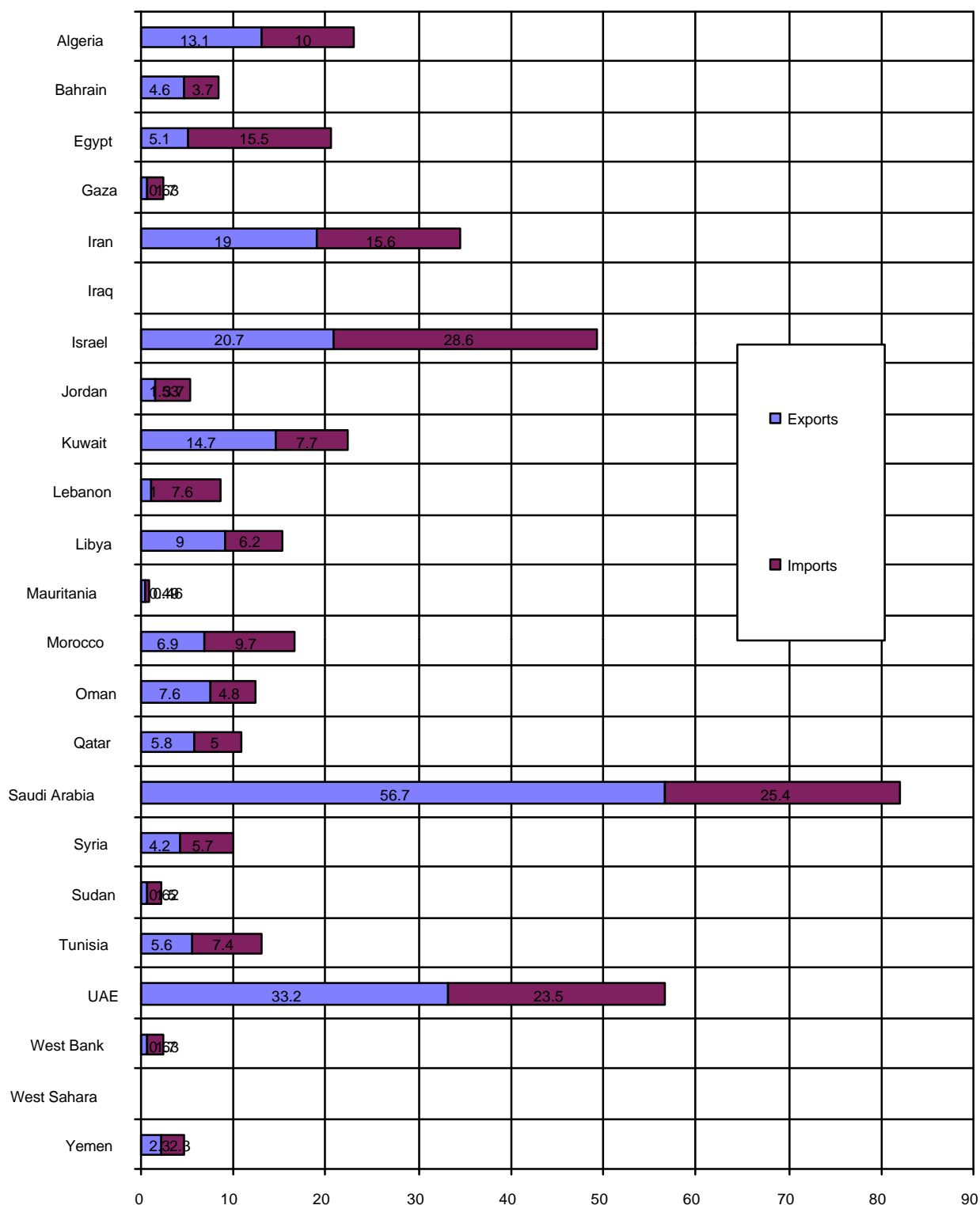
NOTE: Includes Bahrain, Egypt, Gaza, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, UAE, West Bank, Yemen

Adapted by Anthony H. Cordesman from Middle East Economic Digest, July 4, 1997. Source of data: Economic and Social Commission for Western Asia.

Copyright Anthony H. Cordesman, all rights reserved.

Countries Differ Radically in Volume of Trade

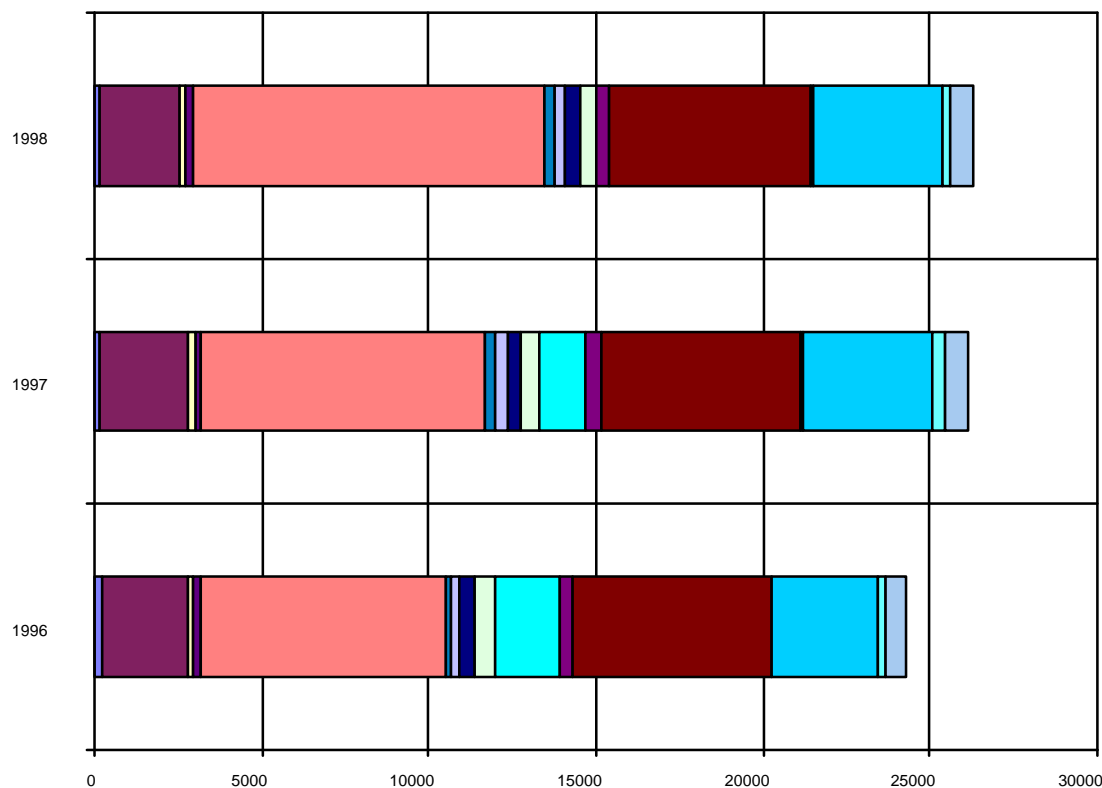
(Exports and Imports in 1997 in \$US Current Billions)



Adapted by Anthony H. Cordesman from CIA, World Factbook, 1998, and IISS, Military Balance, 1998-1999.

US Exports to the Middle East Are Significant in Spite of the Oil Crash

(Cumulative US Exports in 1996-1998 in \$US Current Billions)



	1996	1997	1998
Algeria	631.7	696	650.2
Bahrain	243.6	405.8	294.9
Egypt	3146.1	3840	3840
Gaza	0.5	1.3	4.4
Iran	0.3	0.3	-
Iraq	2.8	81.9	106.5
Israel	6009	5993	5993
Jordan	344.8	402.3	353.1
Kuwait	1979	1394	1479.4
Lebanon	627.4	551.5	514.1
Morocco	457.9	435.1	435.1
Oman	215.3	342	302.7
Qatar	163.2	360	354.1
Saudi Arabia	7295.3	8450.8	10524.9
Syria	226.3	180.5	161.4
Tunisia	189	251.2	196.8
UAE	2527	2605	2369.6
Yemen	255.6	153.5	177.4

TOTAL EXPORTS BY US: \$24.3B in 1996, \$26.1B in 1997, AND \$28.1B in 1998

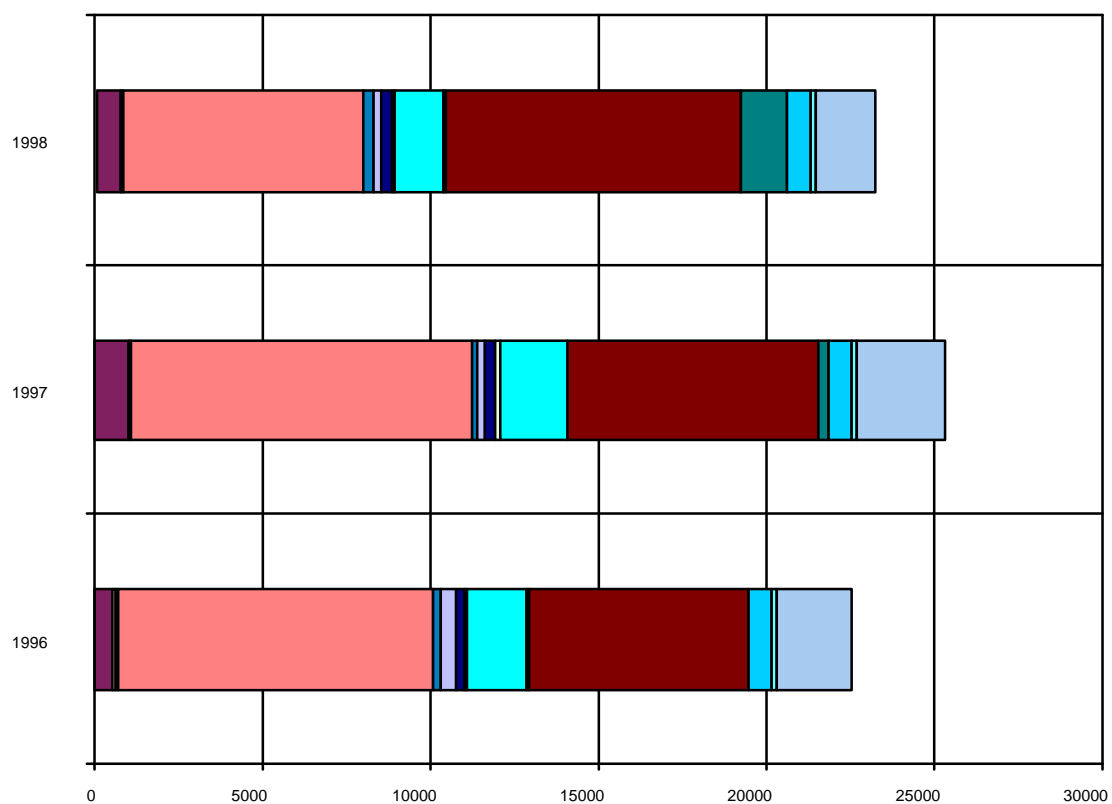
PERCENT OF TOTAL US EXPORTS: 3.9% in 1996, 3.8% in 1997, and 4.1% in 1998

Adapted by Anthony H. Cordesman from US Department of Commerce.

Copyright Anthony H. Cordesman, all rights reserved.

US Imports from the Middle East Are Also Significant

(Cumulative US Exports in 1996-1998 in \$US Current Billions)



	1996	1997	1998
Algeria	2270.4	2645.6	1798.7
Bahrain	124.4	126.3	169.8
Egypt	713.7	694.7	698.6
Gaza	0.3	0.3	0.2
Iran	0.2	1.1	
Iraq		317.1	1360.7
Israel	6546	7459.4	8785.2
Jordan	26.3	26	17.1
Kuwait	1782.1	1998	1470.7
Lebanon	43	80.2	84.6
Libya			
Morocco	272	316.5	367.1
Oman	447.4	260.9	230.4
Qatar	207.1	167.9	237.1
Saudi Arabia	9442.7	10135.1	7168.7
Syria	16.2	30	47.7
Tunisia	81.1	67.1	64.8
UAE	537.9	964.9	708.5
Yemen	30	18.2	43.2

TOTAL IMPORTS BY US: \$22.5B in 1996, \$25.31B in 1997, and \$23.3B in 1998

PERCENT OF TOTAL US IMPORTS: 2.7% in 1996, 2.8% in 1997, and 2.5% in 1998

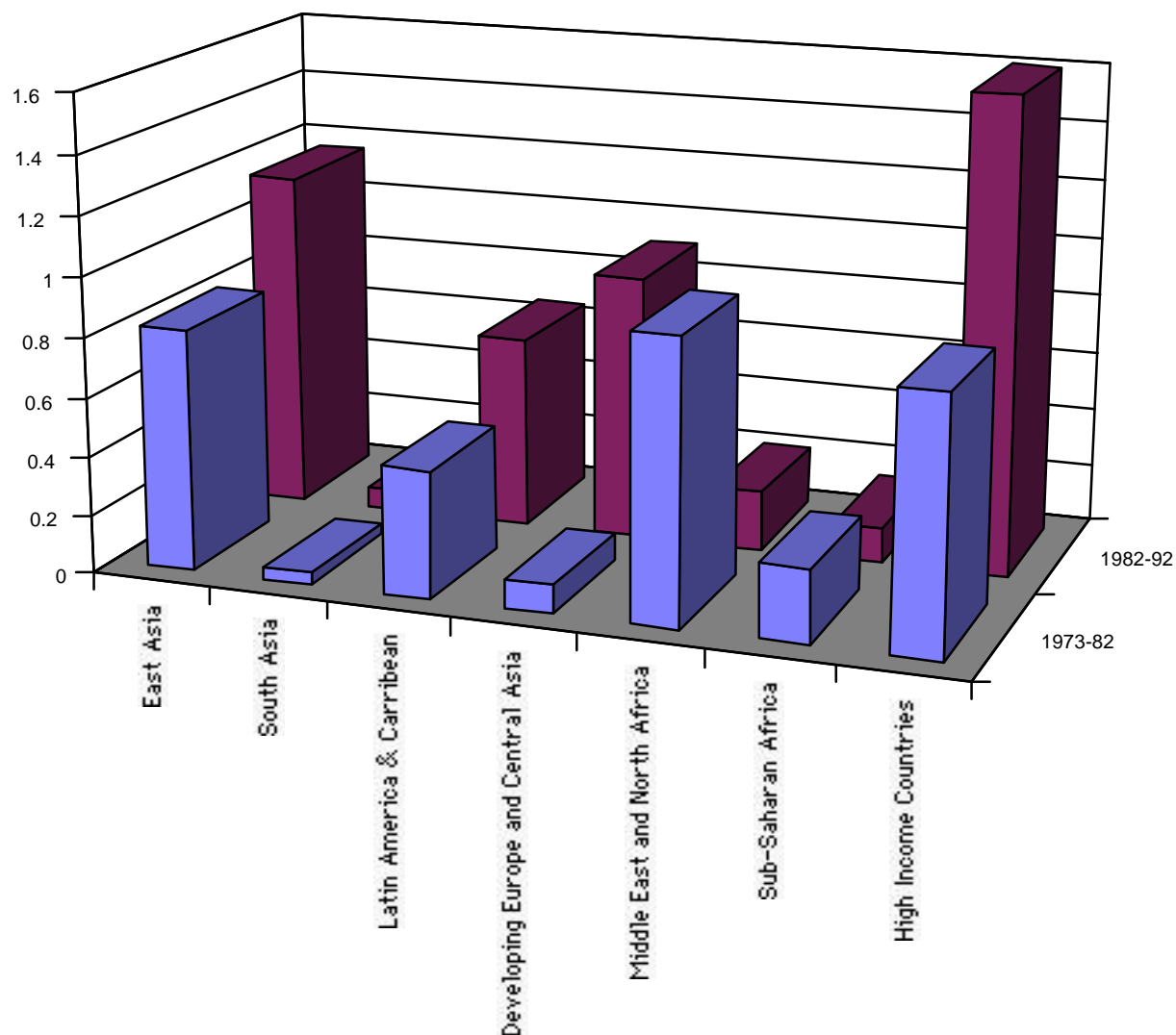
Adapted by Anthony H. Cordesman from US Department of Commerce.

The Middle East has Failed to Compete in Attracting Investment

- **Investment is very low as a percent of GDP.**
- **Foreign direct investment has not been encouraged and has largely “flatlined.”**
- **Private Capital has also gone to other regions.**
- **The rapid growth of MENA stock markets disguises the fact they are very small relative to other developing regions.**
- **Portfolio performance is also poor.**
- **The region is failing to draw on investment to finance the maintenance and improvement of its infrastructure.**
- **Risk assessment is mixed and often negative.**
- **But, MENA countries with economic reform and investment opportunities do attract equity investment.**

The Positive Trend in Foreign Direct Investment in the Middle East Reversed After the Oil Boom Years

(Foreign Direct Investment Flows as a Percent of GDP)

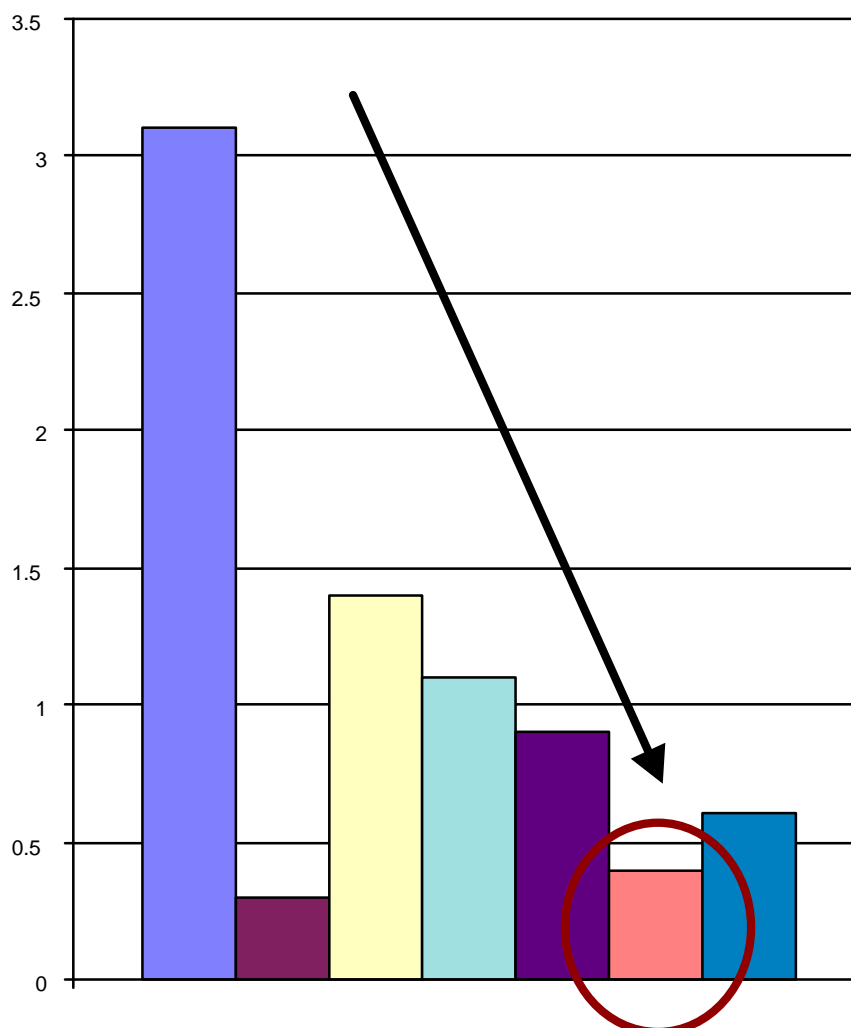


	East Asia	South Asia	Latin America & Caribbean	Developing Europe and Central Asia	Middle East and North Africa	Sub-Saharan Africa	High Income Countries
■ 1973-82	0.82	0.04	0.43	0.1	0.95	0.25	0.85
■ 1982-92	1.15	0.07	0.65	0.9	0.2	0.125	1.6

Source: Adapted by Anthony H. Cordesman from World Bank, Global Economic Prospects and the Developing Countries, 1996, p. 22

Weak Foreign Investment Flows Continued During the 1990s: Foreign Direct Investment Inflows as a Share of GDP: 1993-1995

(Change in Average Percent of Growth or Decline)

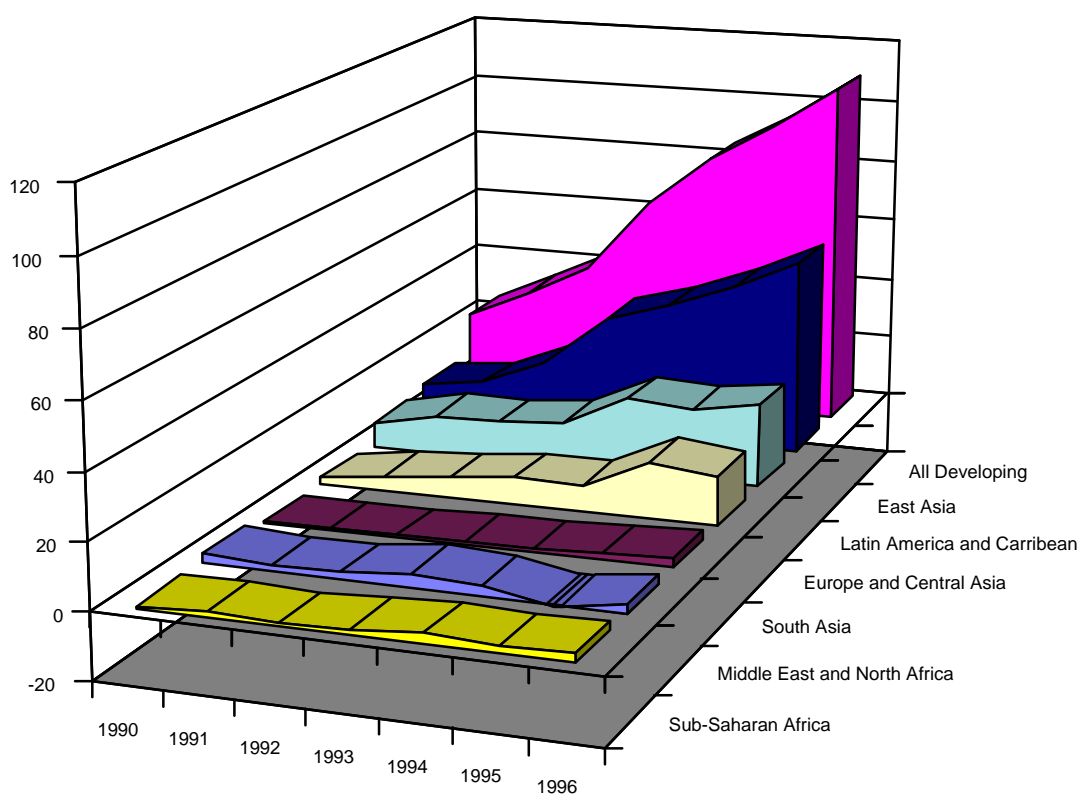


East Asia	3.1
South Asia	0.3
Europe and Central Asia	1.4
Latin America and Caribbean	1.1
Sub-Saharan Africa	0.9
Middle East and North Africa	0.4
High Income Countries	0.6

Source: Adapted by Anthony H. Cordesman from World Bank, Global Economic Prospects and the Developing Countries, 1996, p. 3

The Trend in Total Foreign Direct Investment in the MENA “Flat Lined” During 1990-1996

(\$US billions)

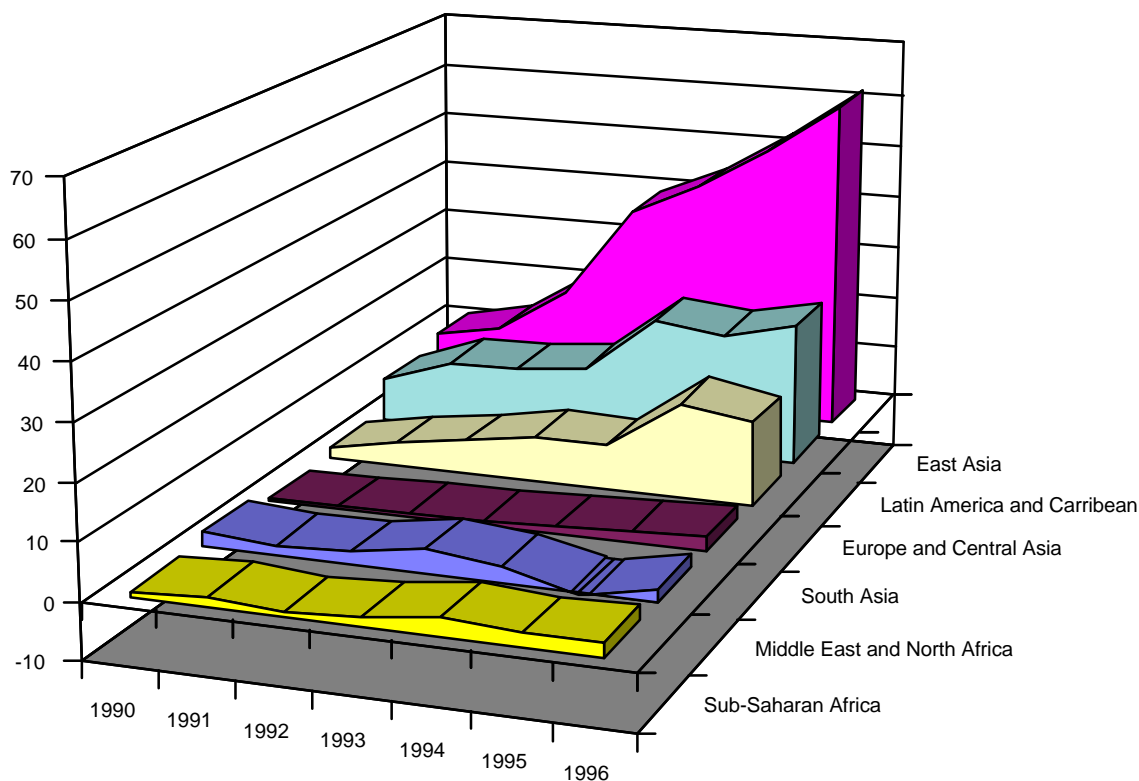


	1990	1991	1992	1993	1994	1995	1996
Sub-Saharan Africa	0.9	1.6	0.8	1.6	3.1	2.2	2.6
Middle East and North Africa	2.8	1.8	2.2	4.2	3	-0.3	2.2
South Asia	0.5	0.5	0.6	0.8	1.2	1.8	2.6
Europe and Central Asia	2.1	4.4	6.3	8.4	8.1	17.2	15
Latin America and Caribbean	8.1	12.5	12.7	14.1	24.2	22.9	25.9
East Asia	10.2	12.7	20.9	38.1	44.1	51.8	61.1
All Developing	24.5	33.5	43.6	67.2	83.7	95.5	109.5

Source: Adapted by Anthony H. Cordesman from World Bank, World Debt Tables, 1996, p. 17, and Global Development Performance, 1997, p. 29.

MENA Foreign Direct Investment Remained Very Low as Share of Total Developing World: 1990-1996

(\$US billions)

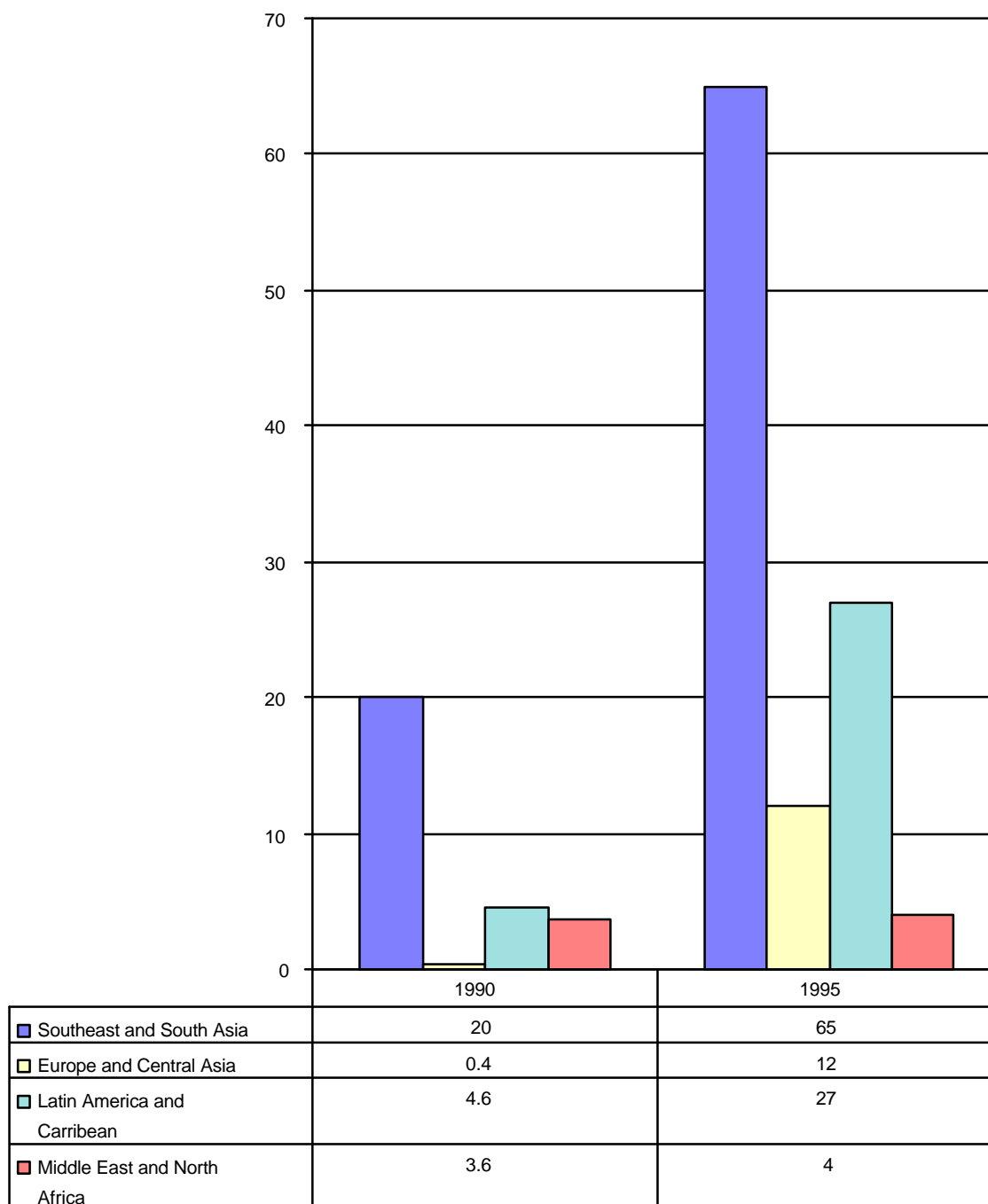


	1990	1991	1992	1993	1994	1995	1996
Sub-Saharan Africa	0.9	1.6	0.8	1.6	3.1	2.2	2.6
Middle East and North Africa	2.8	1.8	2.2	4.2	3	-0.3	2.2
South Asia	0.5	0.5	0.6	0.8	1.2	1.8	2.6
Europe and Central Asia	2.1	4.4	6.3	8.4	8.1	17.2	15
Latin America and Caribbean	8.1	12.5	12.7	14.1	24.2	22.9	25.9
East Asia	10.2	12.7	20.9	38.1	44.1	51.8	61.1

Source: Adapted by Anthony H. Cordesman from World Bank, World Debt Tables, 1996, p. 17, and Global Development Performance, 1997, p. 29.

Comparative Total Foreign Investment: 1990 versus 1995

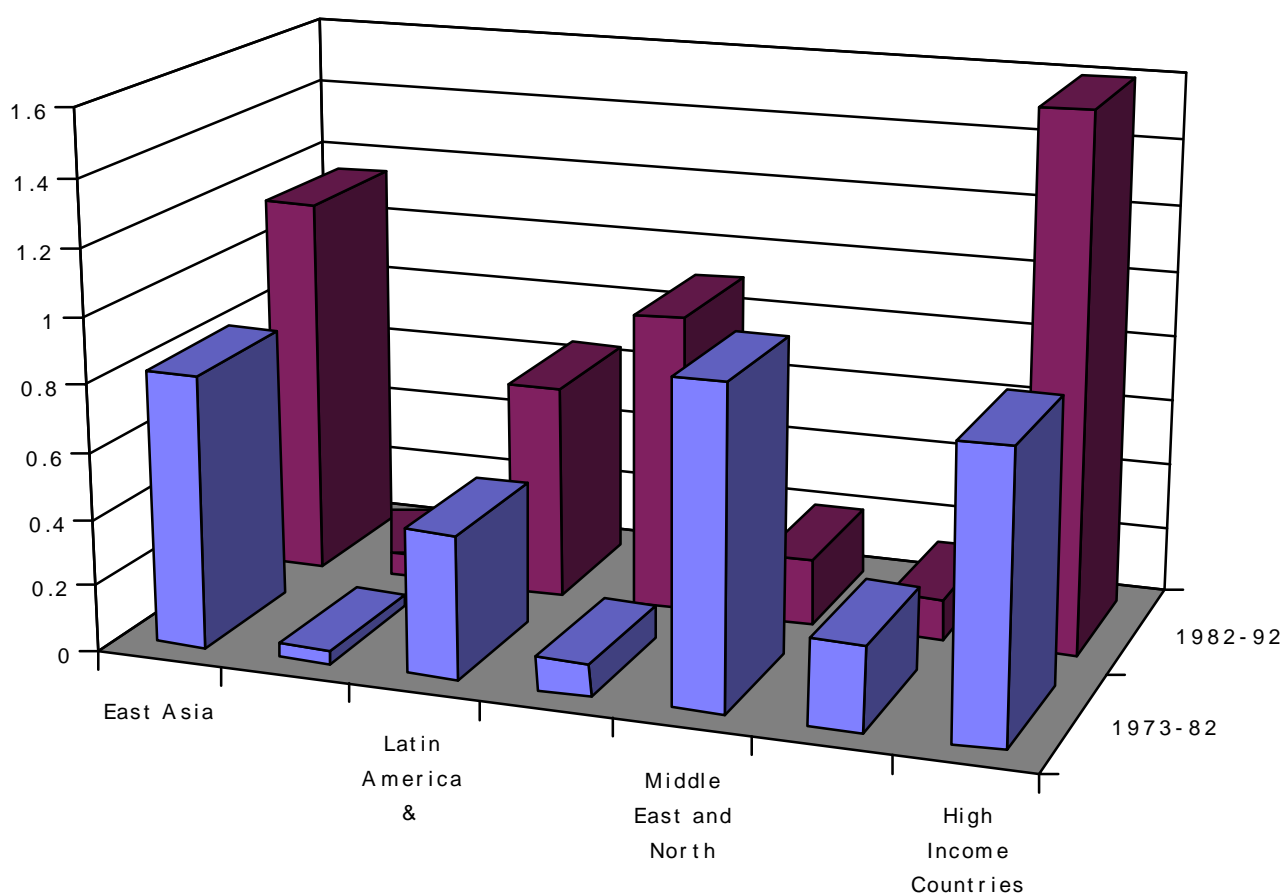
(Percent of Growth or Decline)



Source: Adapted by Anthony H. Cordesman from World Bank.

The Positive Trend in Foreign Direct Investment in the Middle East Reversed After the Oil Boom Years

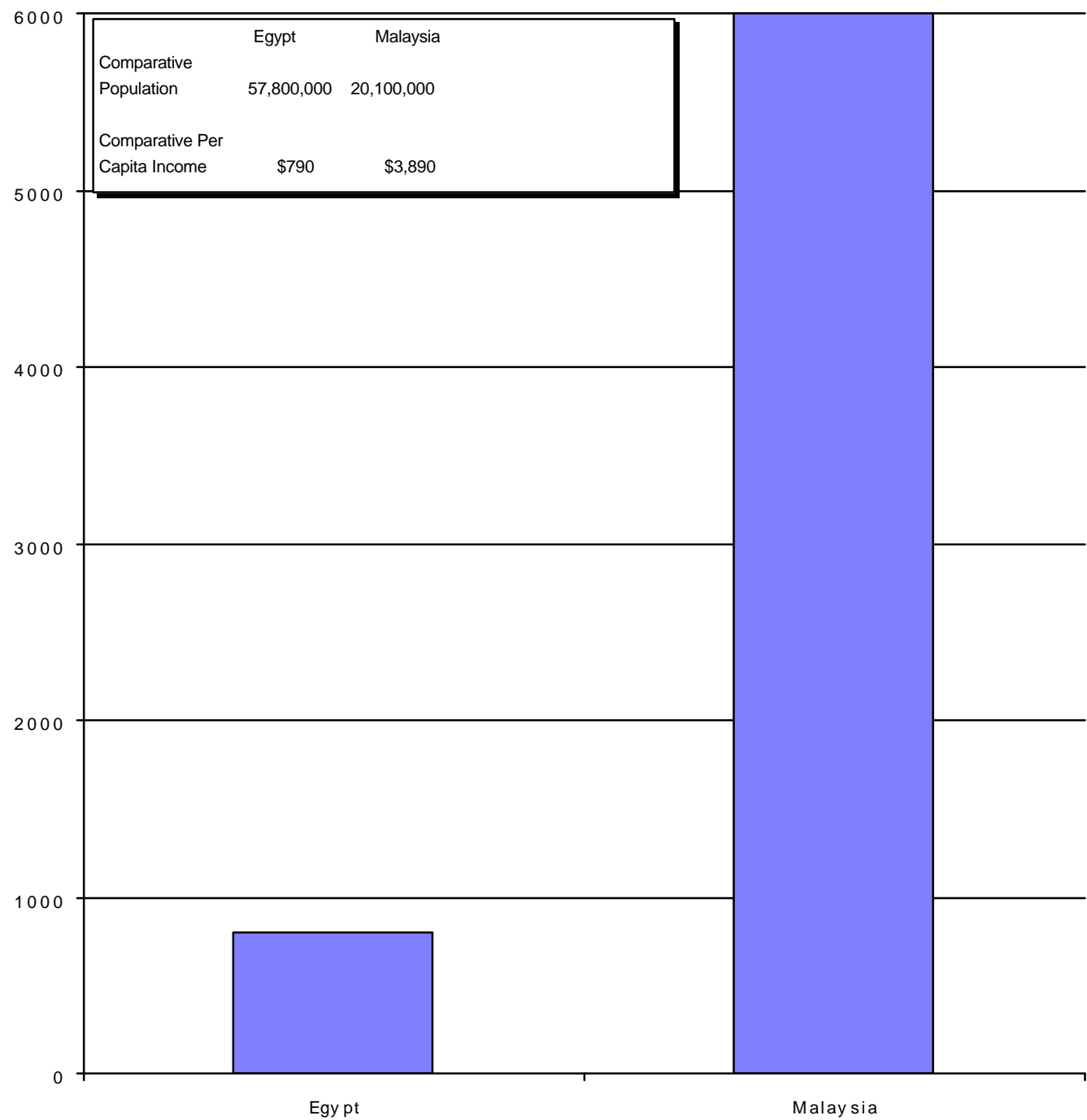
(Foreign Direct Investment Flows as a Percent of GDP)



Source: Adapted by Anthony H. Cordesman from World Bank, Global Economic Prospects and the Developing Countries, 1996, p. 22

Copyright Anthony H. Cordesman, all rights reserved.

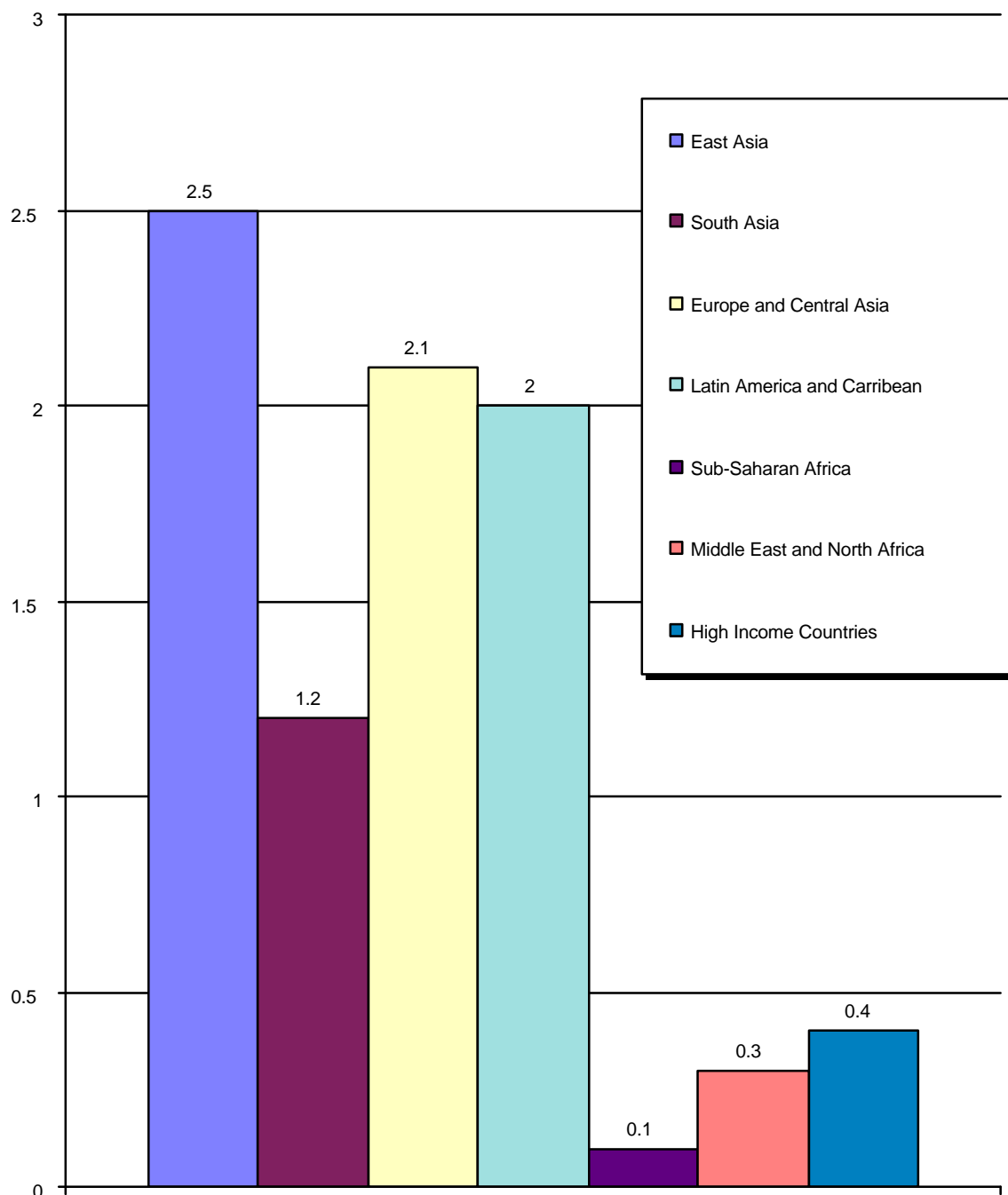
Egyptian Reform versus Malaysian Progress: Comparative Foreign Investment in 1996
(\$US millions)



Source: Adapted by Anthony H. Cordesman from World Bank and from World Bank Atlas, 1997, pp. 16-17 36-37.

The Rate of Private Capital Transfers Lagged That of Other Regions When Measured as a Share of GDP: 1993-1995

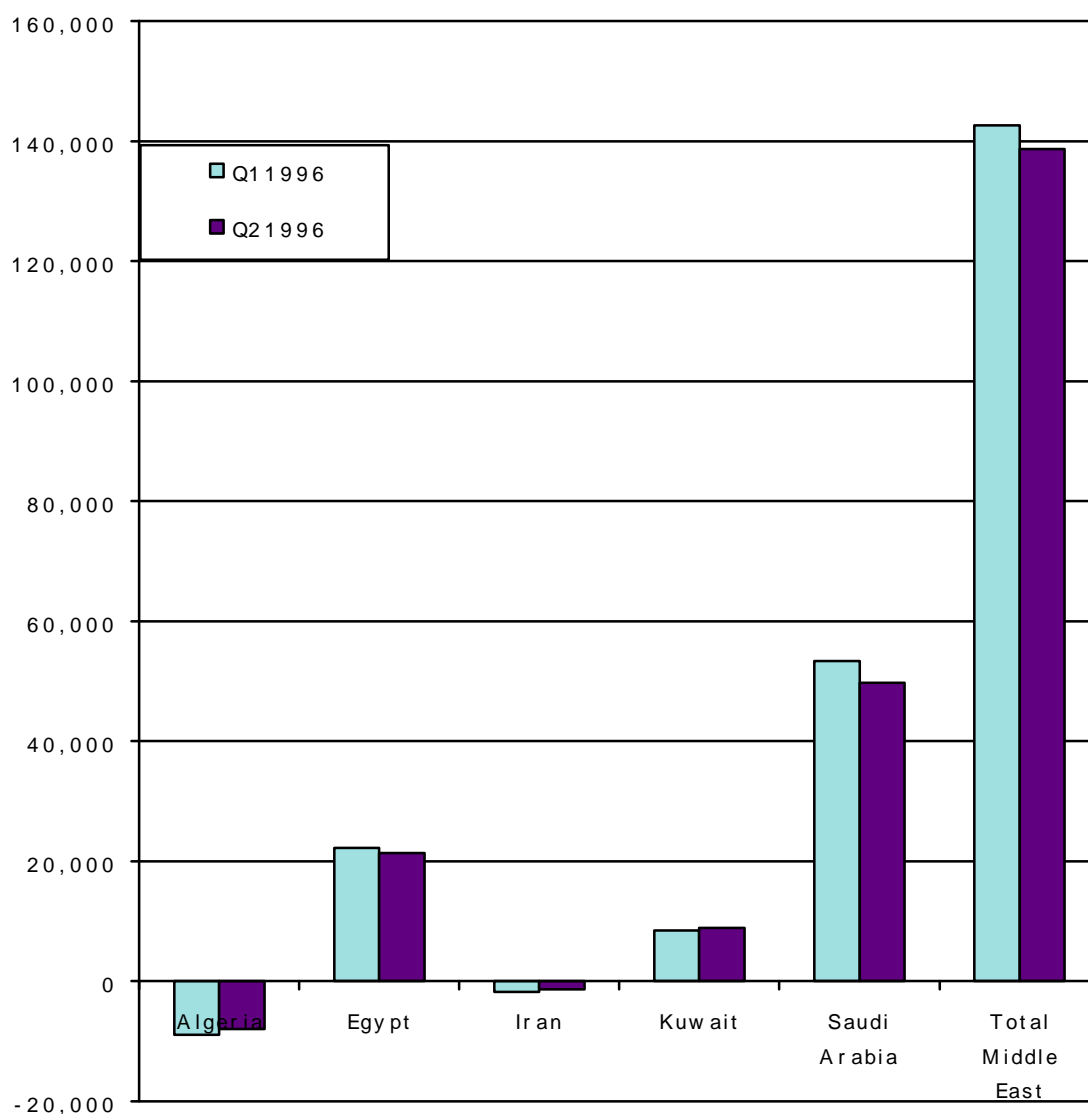
(Change in Average Percent of Growth or Decline)



Source: Adapted by Anthony H. Cordesman from World Bank, Global Economic Prospects and the Developing Countries, 1996, p. 3

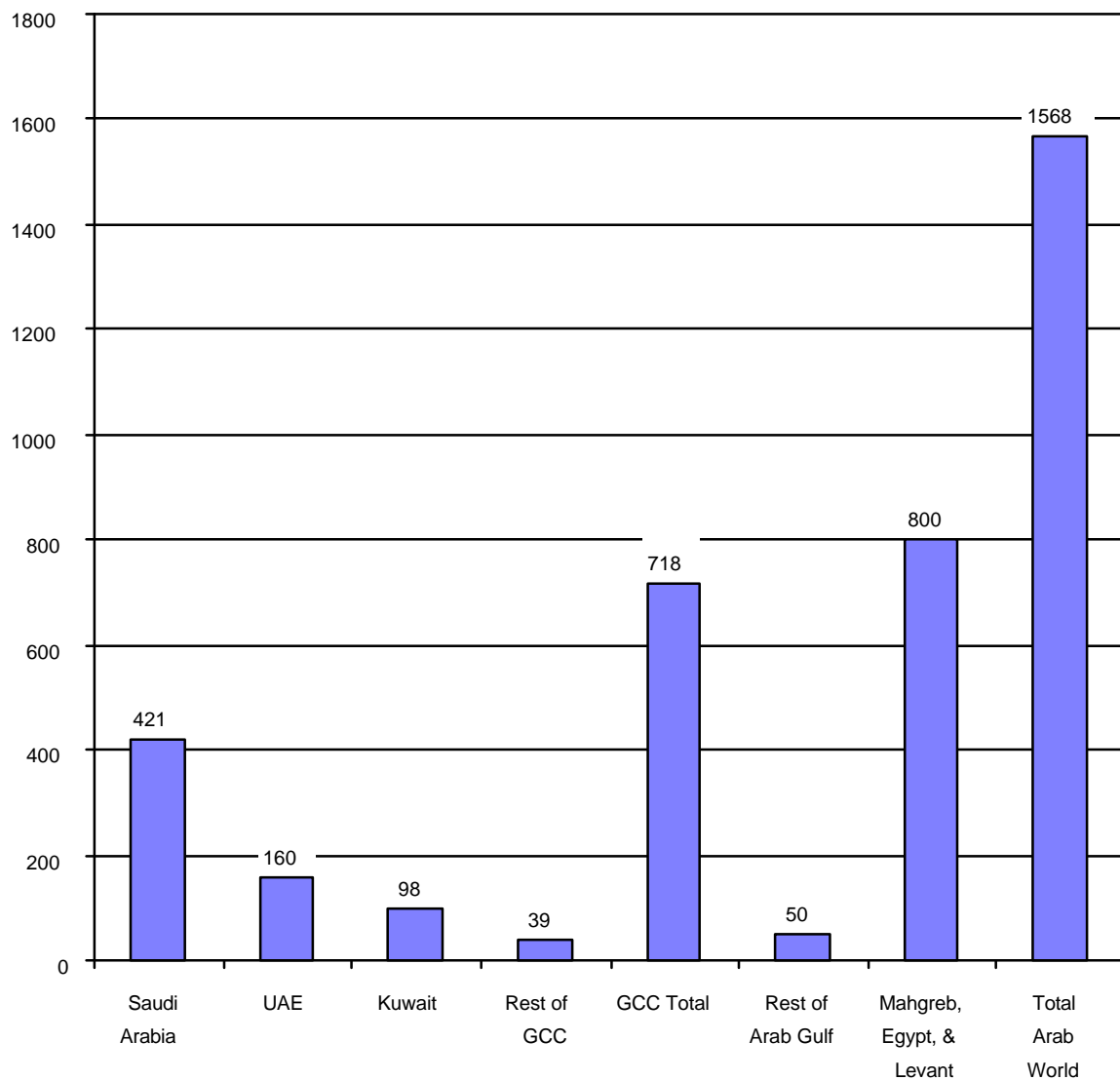
Middle Eastern Foreign Investment Bank Holdings Have Been Sharply Reduced Because of Past Debt and Heavy National Spending

(Middle Eastern Net Bank Assets and Liabilities Outside the Middle East)



Source: Adapted by Anthony H. Cordesman from Economist, December 21, 1996, p. 54.

But, the Arab World Has Considerable Private Wealth of Its Own: \$1,568 Billion is Held by 200,000 People (Current Billions)



Individuals
holding
wealth

78,000	59,000	36,000	12,000	185,000	15,000	-	-
--------	--------	--------	--------	---------	--------	---	---

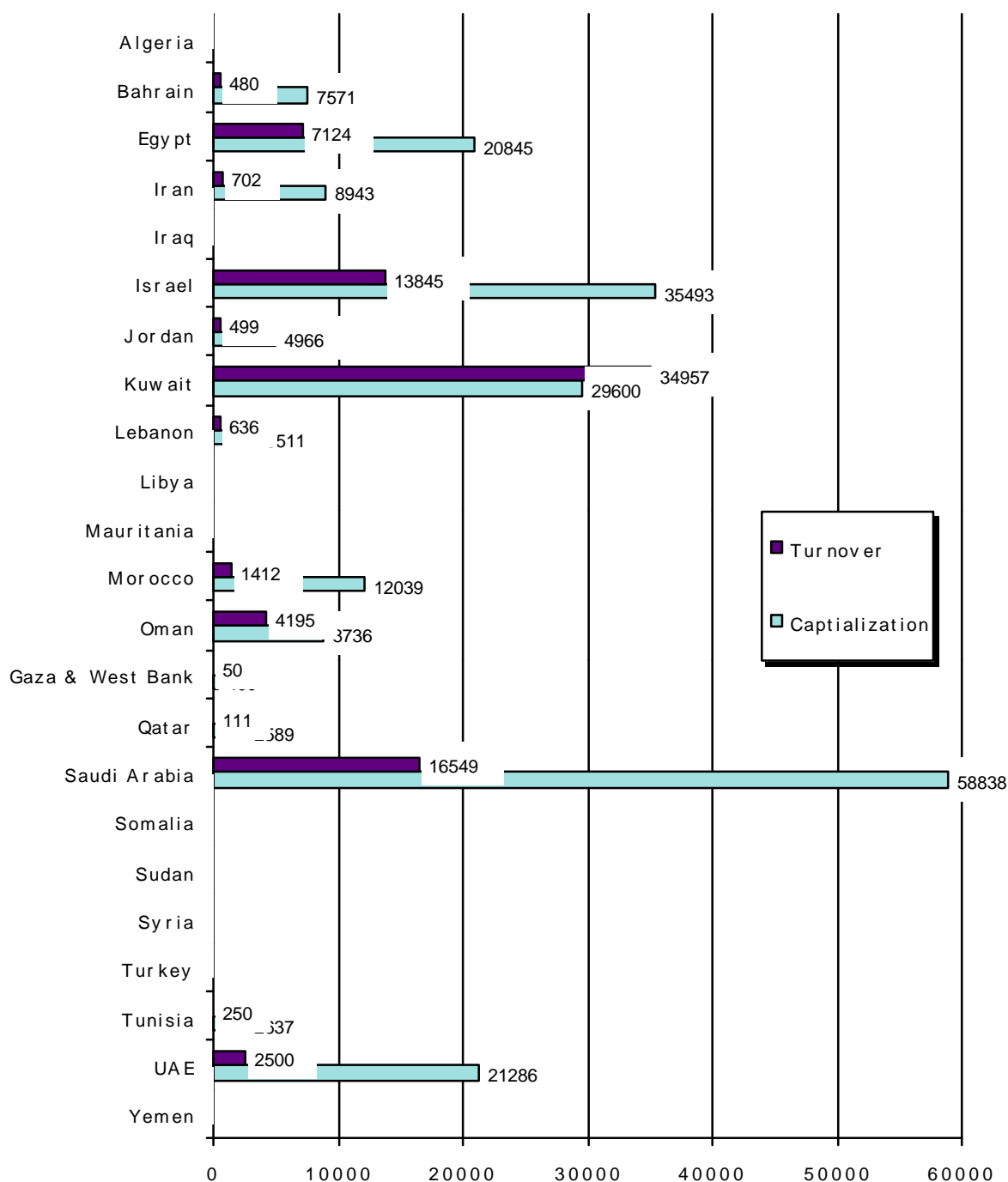
Note: Total region does not include Lebanon and Mahgreb. Merrill Lynch estimates private wealth in these countries at \$800 billion.

Total world private wealth estimated at 16,700 billion. As a result, Saudi Arabia has 2.5% of world total, GCC has 4.2 % of total, Arab world less Mahgreb has 4.6% of total, and Arab world with Mahgreb has 3.4% of total.

Adapted by Anthony H. Cordesman from Merrill Lynch, Gemeni, and Middle East Economic Digest, February 14, 1997, p. 9.

And, Stock Markets Grew Where The Private Sector Was Allowed to Operate

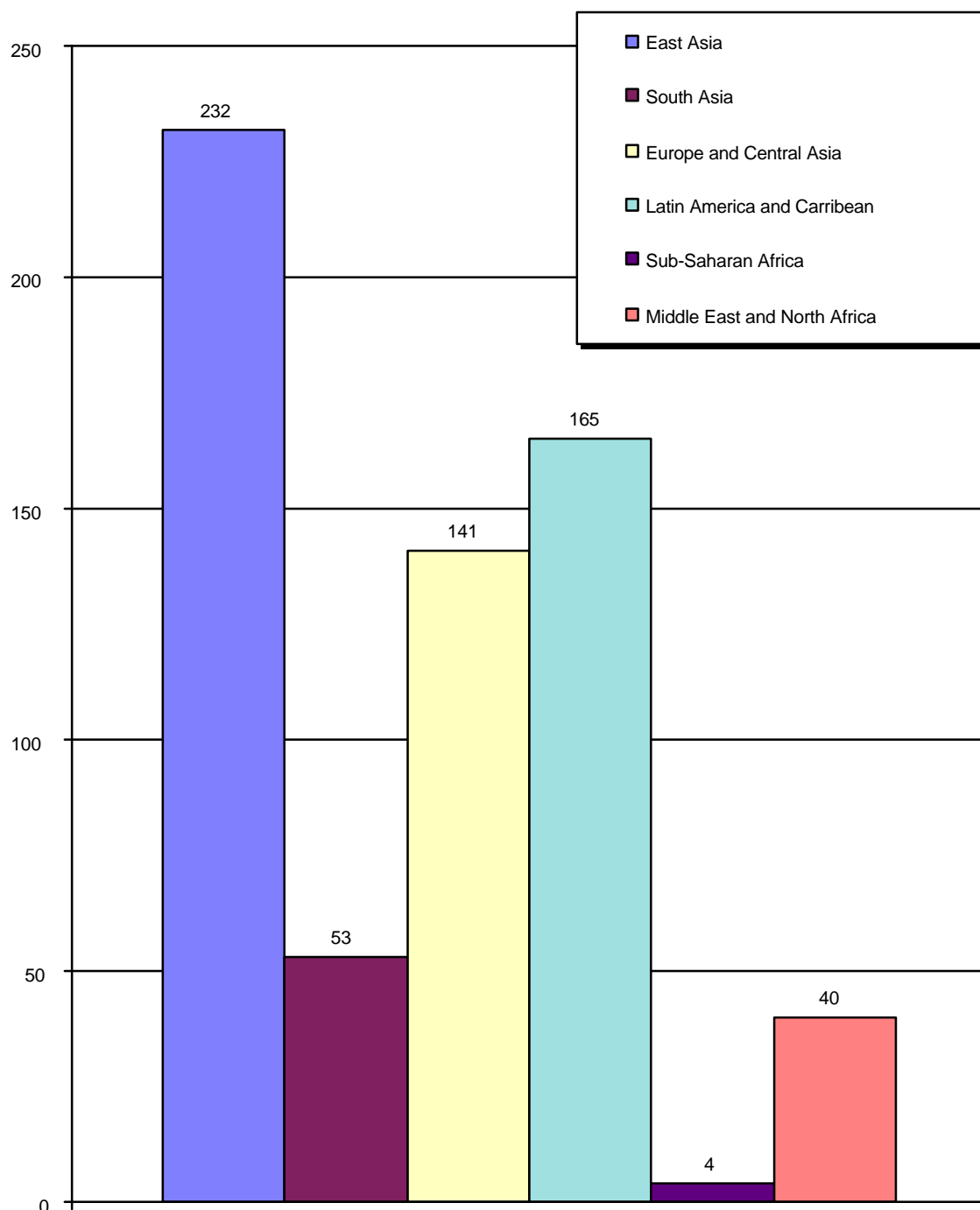
(\$US Millions as of December 31, 1997)



Adapted by Anthony H. Cordesman from Middle East Economic Digest, February 13, 1998, p. 10.

Nevertheless, the MENA Region Did Not Competed in Attracting Private Capital

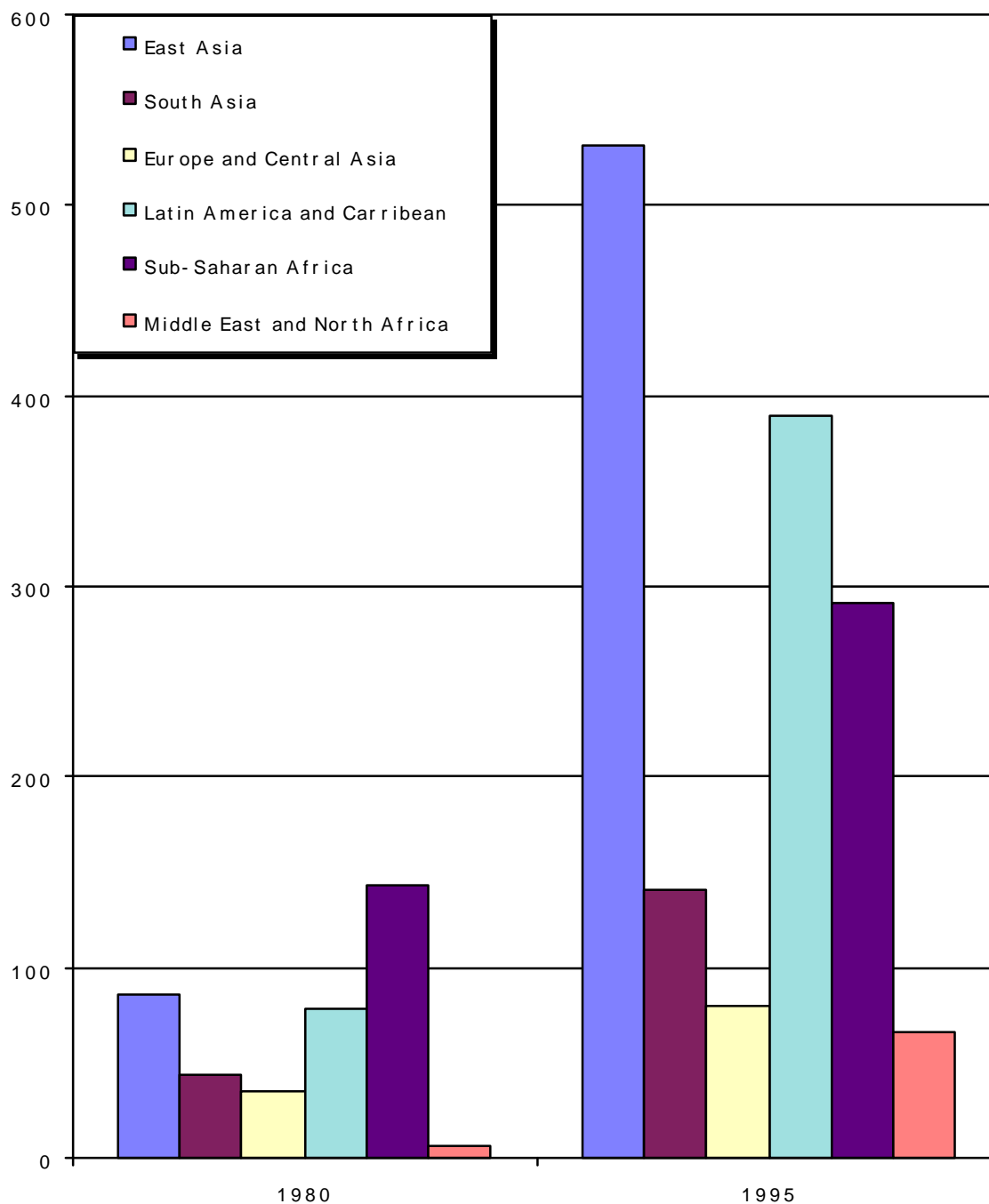
(Accumulated Net Private Resource Inflows: 1985-1993 in \$US Billions)



Source: Adapted by Anthony H. Cordesman from World Bank, Global Economic Prospects and the Developing Countries, 1996, p. 16

MENA Total Market Capitalization is Rising Rapidly, But Lags Badly in Terms of Total Value

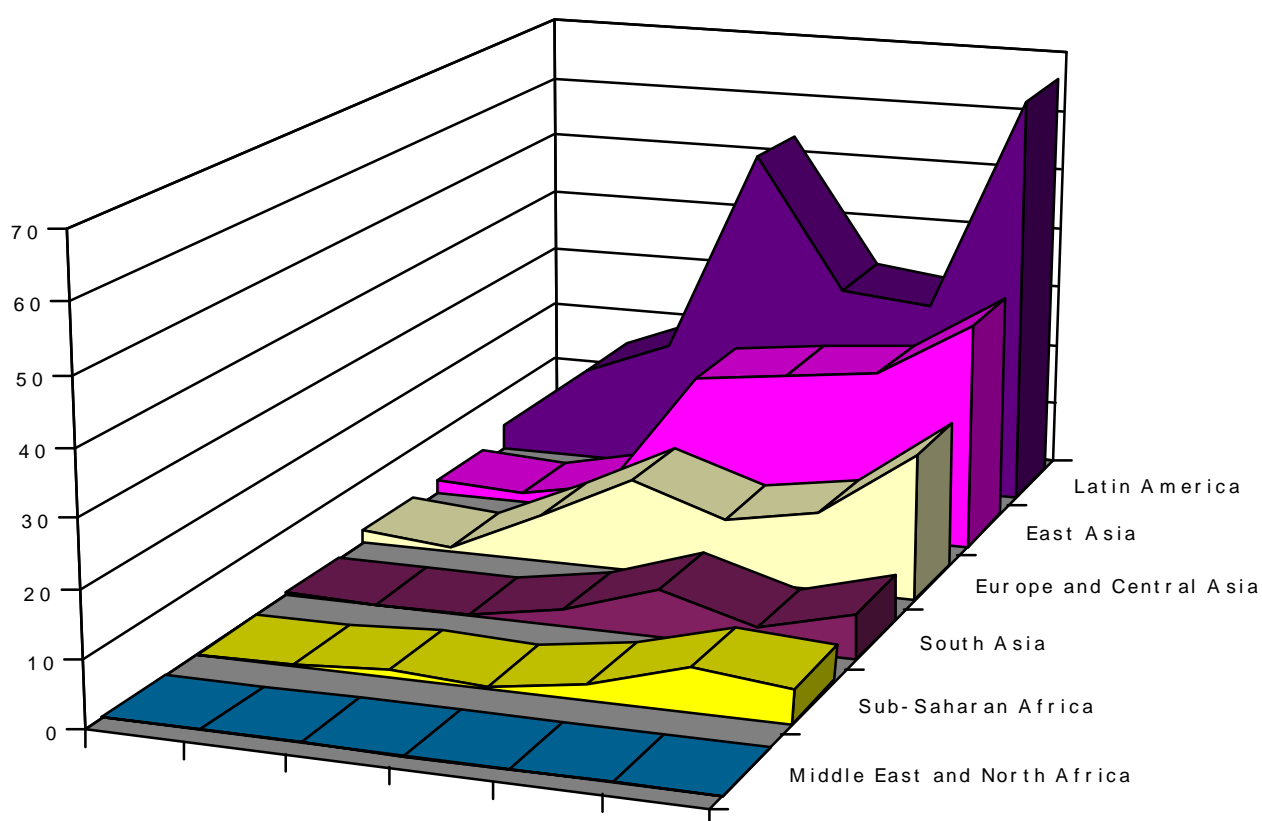
(Accumulated World Stock Market Capitalization in \$US Billions)



Source: Adapted by Anthony H. Cordesman from World Bank, World Development Indicators, 1997, p. 242.

MENA Gross International Portfolio Flows (Equity & Debt) Are Small and Lag Badly Behind the Performance of High Growth Developing Countries: 1990-1996

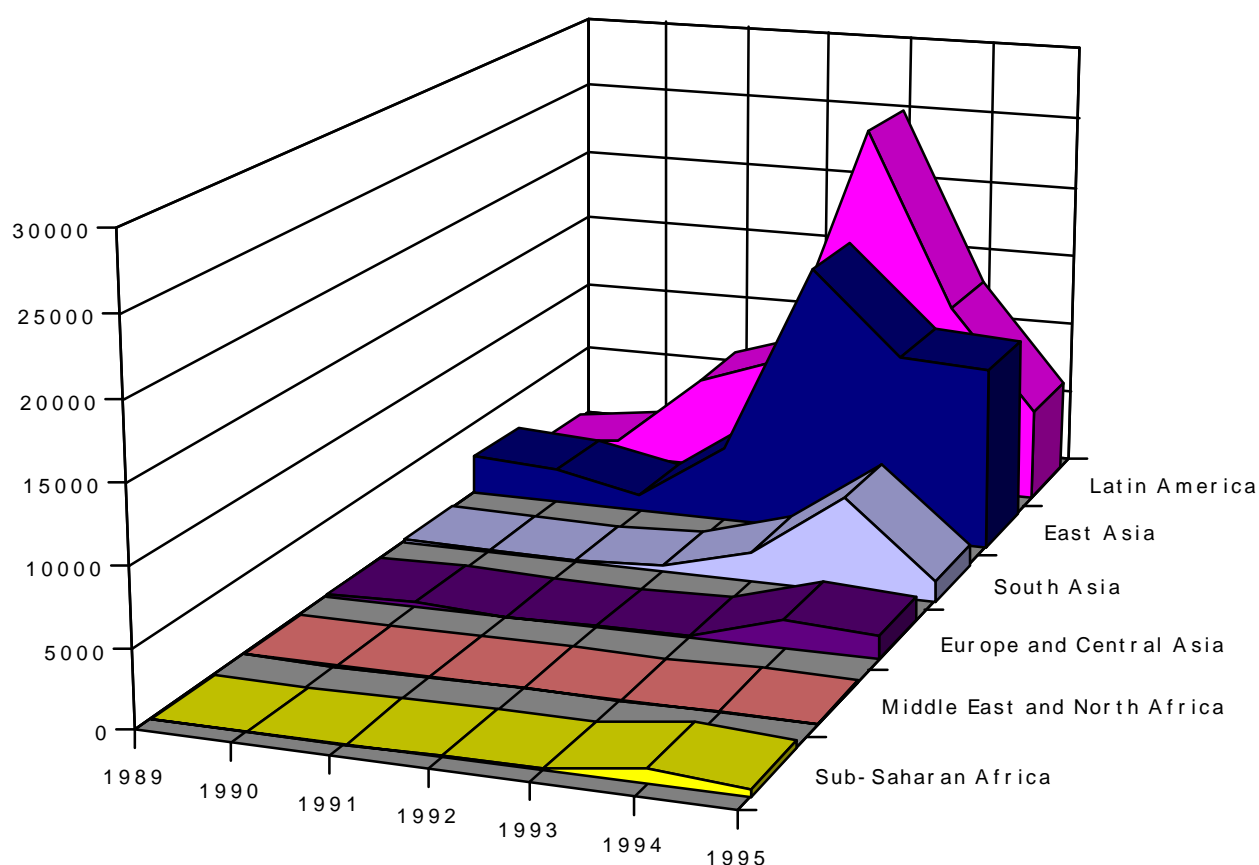
(\$US billions: Includes gross capital raised through international bonds, certificates of deposit, and commercial paper, plus gross funds raised through international equity issues and net foreign investments in local equity markets)



Source: Adapted by Anthony H. Cordesman from World Bank, Global Development Finance, 1997, p. 99.

Copyright Anthony H. Cordesman, all rights reserved.

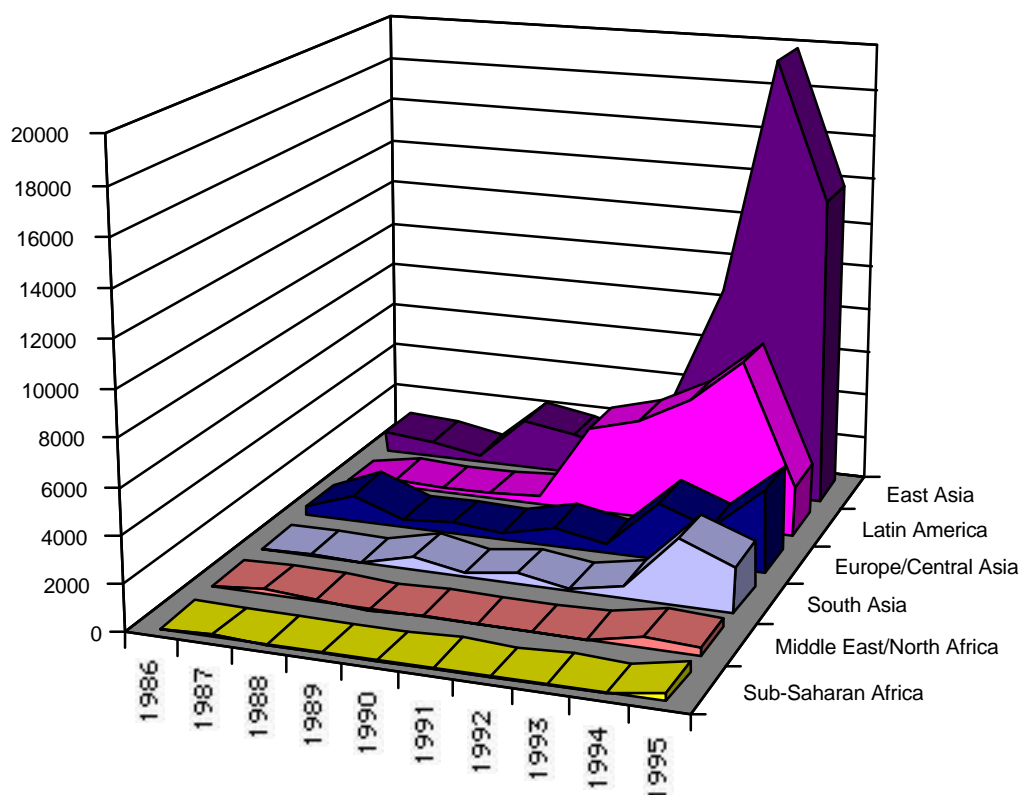
MENA Portfolio Equity Flows (Emerging Market and Private Capital Flows) Are Small and Lag Badly Behind the Performance of High Growth Developing Countries: 1990-1995
(\$US millions)



Source: Adapted by Anthony H. Cordesman from World Bank, World Debt Tables, 1996, p. 103.

The MENA Area Lags in Private International Financing of Infrastructure

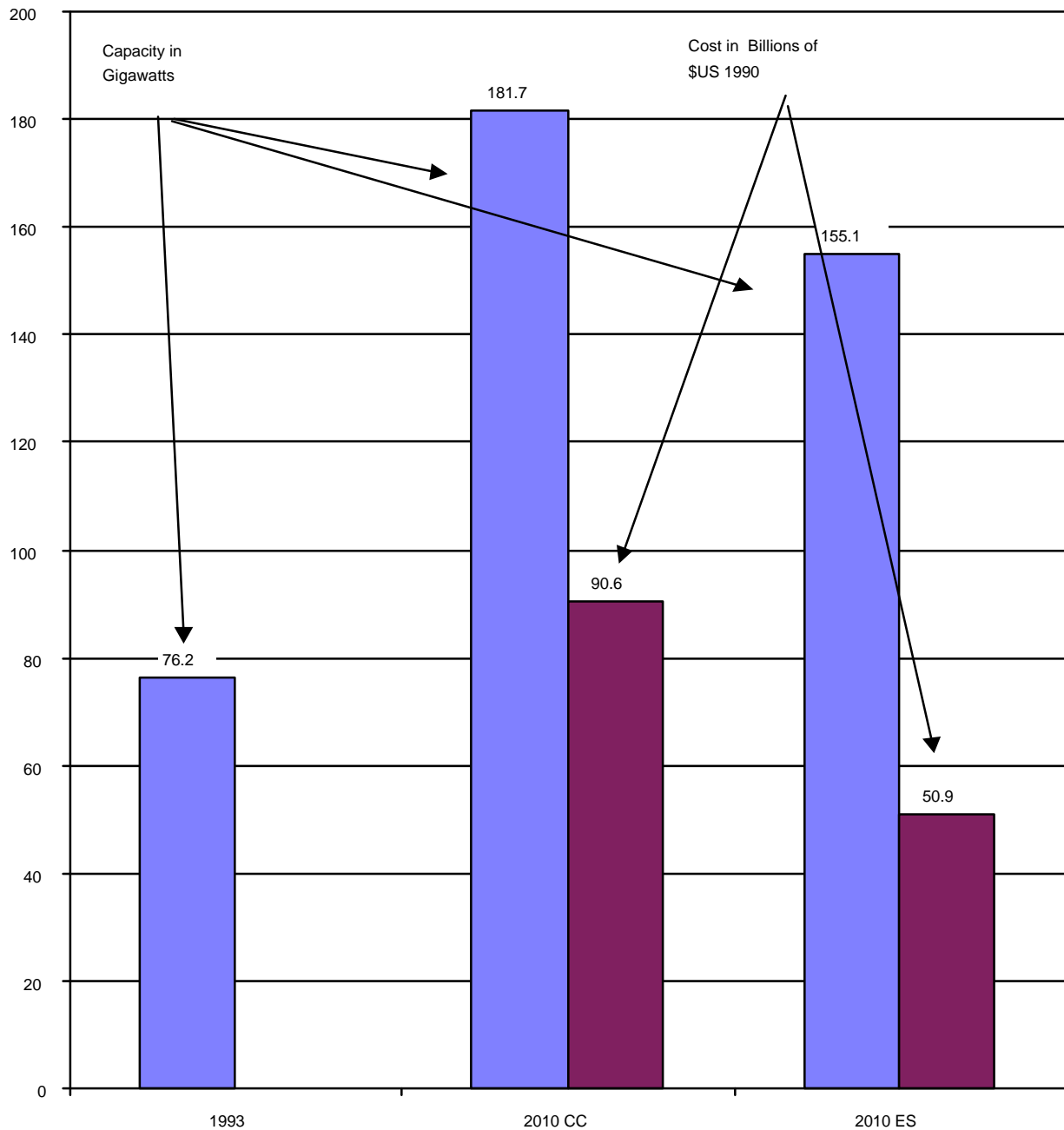
(\$US billions, including loans, bonds, and equity from international capital markets)



	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Sub-Saharan Africa	0	7	0	0	0	6	0	42	0	396
Middle East/North Africa	47	206	50	0	0	0	4	41	474	370
South Asia	0	93	0	583	117	415	120	489	2850	1914
Europe/Central Asia	369	1162	316	466	334	862	448	2496	1662	3657
Latin America	0	382	284	243	392	3841	4431	5630	7543	2248
East Asia	935	693	269	2219	1798	1188	3831	9329	19786	13712

Source: Adapted by Anthony H. Cordesman from World Bank, Global Development Finance, 1997, p. 22.

The Middle East Has Massive New Infrastructure Investment Needs: Electric Power as a Test Case

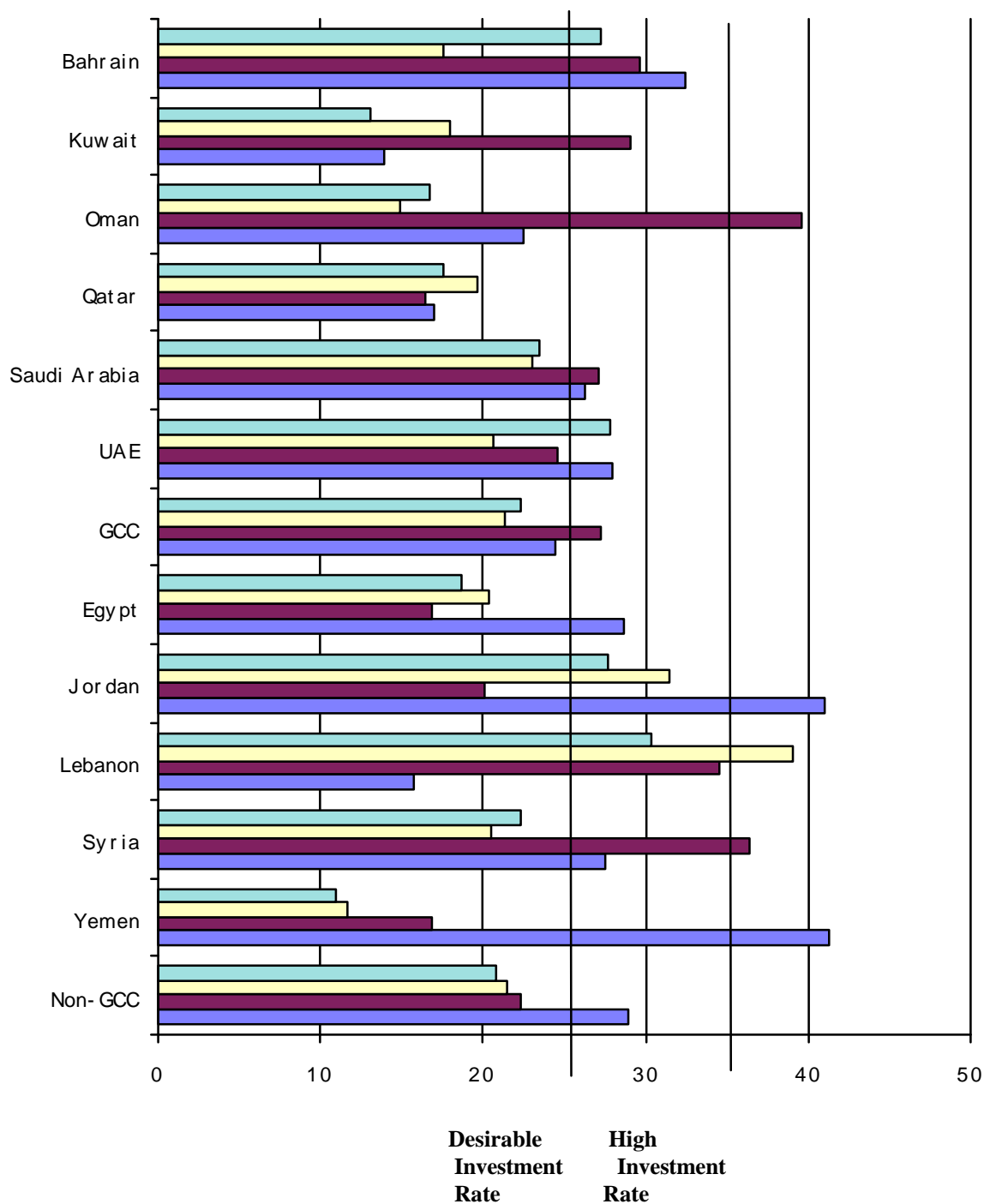


CC = Capacity Constrained or maximum production ES = Energy Savings, or reduced energy use.

Source: Adapted by Anthony H. Cordesman from IEA, World Energy Outlook, 1996, pp. 189-191.

Most Individual MENA Countries Have Low Investment Rates, with No Pattern of Recent Increases

(Investment as percentage of GDP, with GDP measured in constant 1992 prices)



Adapted by Anthony H. Cordesman from Economic and Social Commission for West Asia, and Middle East Economic Digest, February 14, 1997, p. 3.

Many Middle Eastern Countries Were Assessed as High Investment Risks: Estimates of Investment Risk in the Middle East Even Before the “Oil Crash”

<u>Country</u>	<u>COFACE Political Risk Estimate</u>		<u>Moody & S&P Sovereign Ratings</u>	
	<u>Short-Term</u>	<u>Medium-Term</u>	Moody Long-Term Foreign Currency Bonds and Notes	S&P Long-Term Foreign Currency
Algeria	low	very high	-	-
Bahrain	low	good	Ba1	-
Egypt	low	moderately high	Ba2	BBB-
Iran	moderate	very high	-	-
Jordan	low	high	B1	BB-
Kuwait	low	quite good	Baa1	-
Lebanon	low	moderately high	-	-
Libya	moderate	high	-	-
Morocco	low	moderately high	-	-
Oman	low	quite good	Baa2	BBB-
Qatar	low	quite good	Baa2	BBB
Saudi Arabia	low	quite good	Baa3	-
Syria	moderate	quite high	-	-
Tunisia	low	quite good	Baa3	-
Turkey	low	moderately high	-	-
UAE	low	good	Baa1	-
Yemen	low	very high	-	-

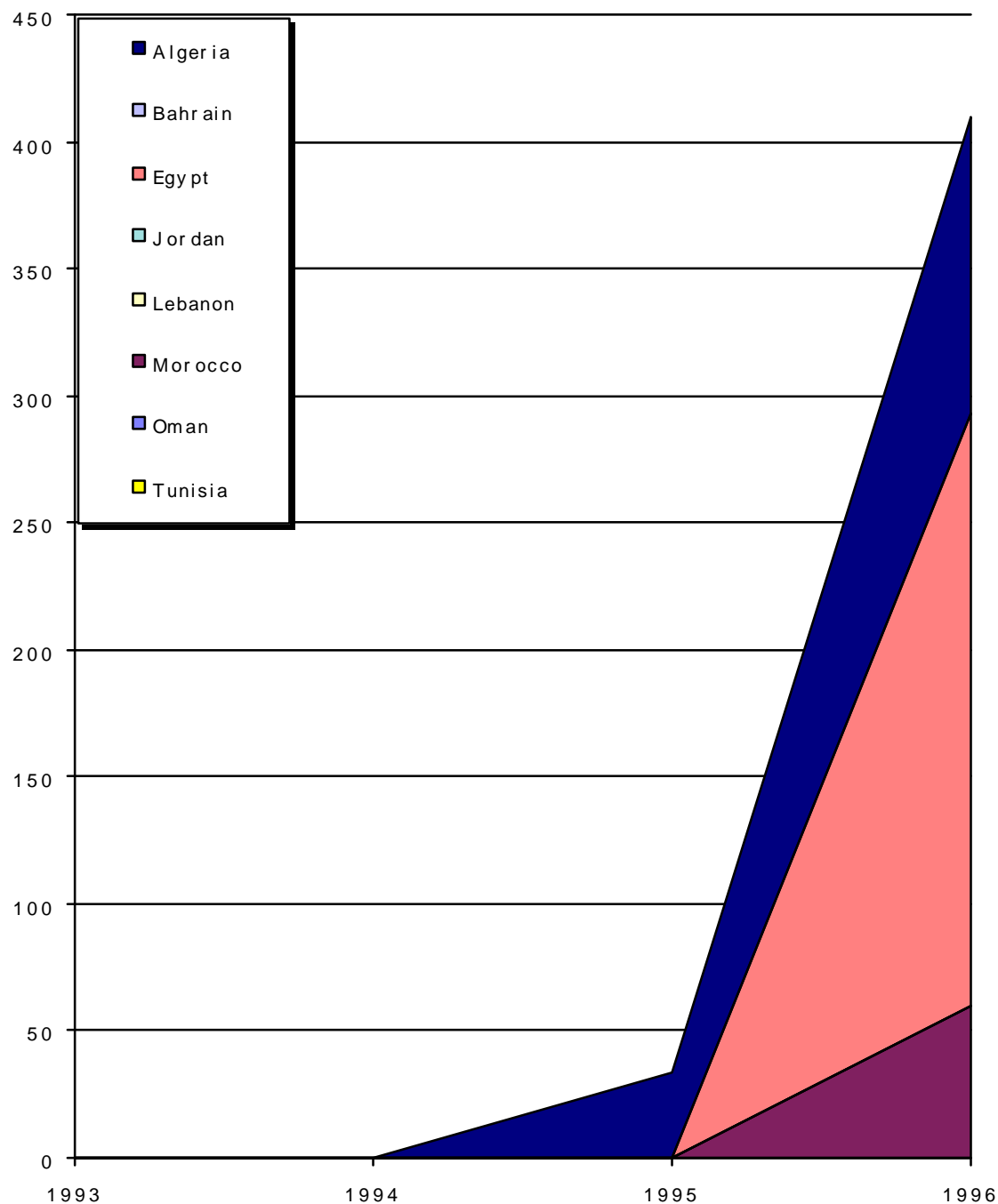
COFACE = France's Export Credit Agency

Investment grade for Moody's is Baa3 and above; BBB- and above for S&P

Source: COFACE, Moody's Investor service, Standard and Poor's, and Middle East Economic Digest, February 14, 1997, p. 2 and February 21, 1997, p. 4.

Some Middle Eastern Countries Were, However, Beginning International Equity Issues: 1993-1996

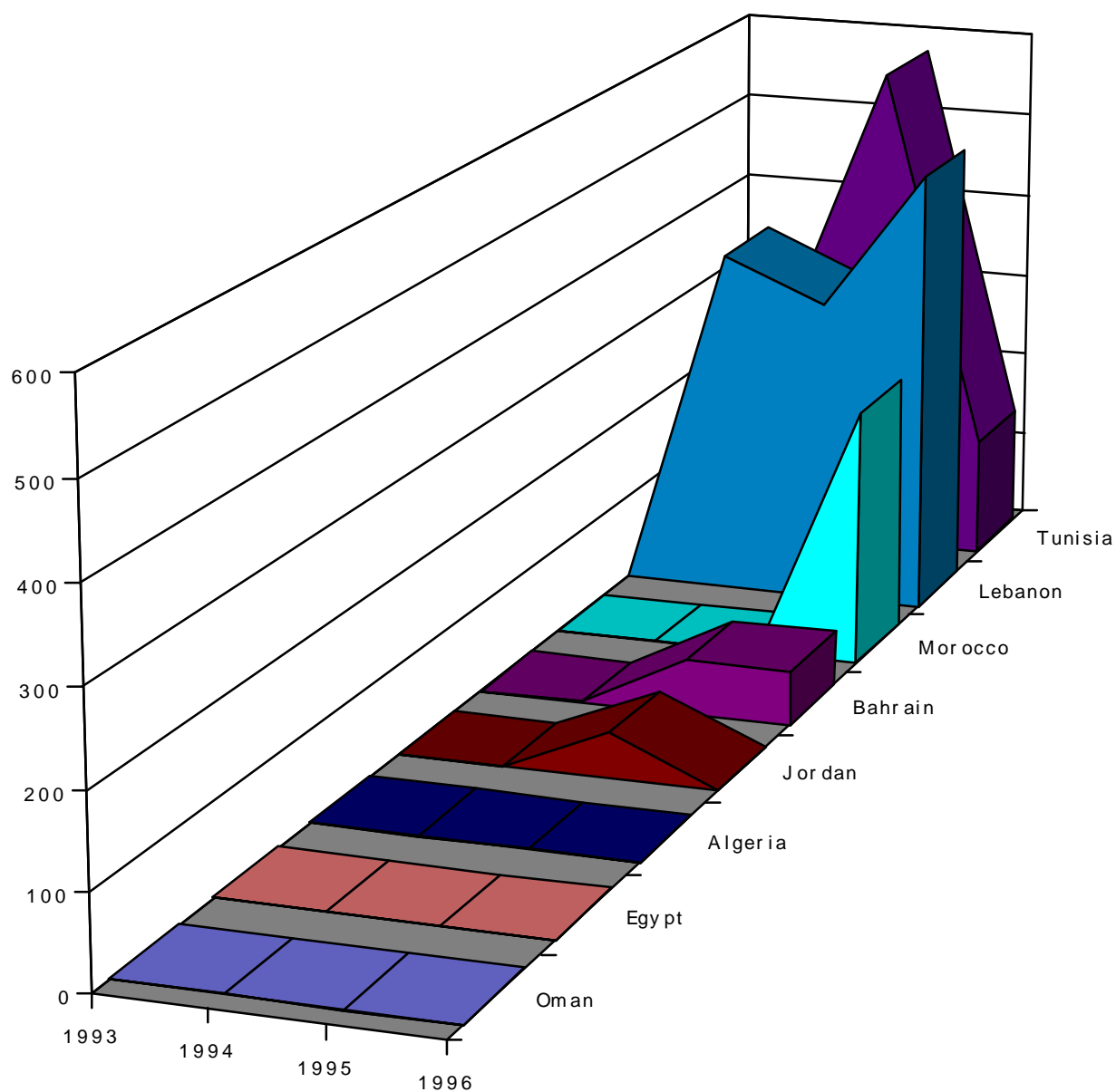
(\$US millions)



Source: Adapted by Anthony H. Cordesman from World Bank, Global Development Finance, 1997, p. 114.

They Were Also Moving Into International Bonds: 1993-1996

(\$US millions)



Source: Adapted by Anthony H. Cordesman from World Bank, Global Development Finance, 1997, p. 112.