

‘The Political Dimensions of the World Economic Crisis: An Arab World Perspective’

Madrid, 28 October 2009

FINAL DECLARATION

The Experts gathered by Casa Árabe and the Club of Madrid at the Roundtable on “*The Political Dimensions of the World Economic Crisis: an Arab World Perspective*”, held in Madrid on October 28, 2009 agreed the following:

1. The Arab world is not a homogeneous reality. Similarly, the economic crisis affecting the region has also had different effects depending on the characteristics of each country.
2. The oil-exporting countries were the ones who suffered the most the consequences of the crisis, due to the descend of oil prices and the exposure of its financial products in international markets, but also are the ones that have the best prospects for recovery, mainly due to the increase in oil prices in recent months, which is expected to persist over the medium term, and to the growth dynamics that have been introduced since the major infrastructure and development projects were launched.
3. Meanwhile, importing countries were affected by the fall in global demand through decreases in remittances, foreign investment, tourism and exports. Although the decline in oil prices and food gave some temporary respite to their trade balances, they may experience greater difficulties in the future, especially until demand and growth recover in certain markets from which they are heavily dependent.
4. An increase in unemployment and the deterioration of the real economy and quality of life of citizens could generate discontent and social protest in some states, especially those with fragile governments, as in Palestine, Iraq and Sudan.
5. Reforms must be deepened to promote economic development, with a special emphasis on the real economy in order to create 100 million jobs in the next decade for a growing youth population.
6. Among the proposed measures, the promotion of political and economic cooperation between the Arab countries in order to facilitate them to gain influence in international economic decisions and to manage in a more rational and efficient way the natural resources of the region, is highlighted. In this sense, the difficulties and challenges that exist, so that these projects of cooperation and integration are successful in the short and medium term, were also recognized. Likewise, there was advocacy for a review of the relations between Europe and the Arab world with the aim of identifying economic complementarities between the two regions which are manifold.

7. Arab sovereign funds, which for years have absorbed the economic boom caused by high oil prices, are reconsidering, after losses realized on investments in financial institutions, their investment strategy. The above mentioned funds can play an important role in promoting investment and development projects which promote real economic growth in Arab countries instead of simply investing in international financial institutions.
8. It is essential to improve the education of future generations of Arab countries. It is convenient to promote research and improve the quality of education in Arab countries to maximize the vast human capital of the Arab countries and allow its full integration into the knowledge society.
9. To attract foreign investment it is imperative that both the governments and the Arab economic institutions achieve a greater predictability, transparency and planning in their economic policy.
10. The current economic crisis has cast doubt on the credibility of the liberalization and economic openness processes in many Arab countries. It is important, however, in this sense, not to return to interventionist patterns but to qualify and resize the Arab state role and dimension in the economy according to the situation of each country. In some cases there is still bloated state apparatus, which should be streamlined, while in others, an effort should be made to ensure the social coverage networks to cushion the effect of the crisis in certain vulnerable sectors of the population. The role of government in all cases must be active in creating a clear and transparent legal and regulatory framework for the proper functioning of the markets.
11. Regarding possible processes of democratization in the region, the crisis could lead to greater demand for transparency and democracy, but it seems unlikely that the economic slowdown may strongly erode Arab governance systems.