

How the Arabs Compare Arab Human Development Report 2002

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On July 2, 2002, the United Nations Development Program (UNDP) released the Arab Human Development Report 2002. The report, compiled by a "group of distinguished Arab intellectuals" led by Egyptian statistician Nader Fergany, has resonated in the Western and Arab media. With uncommon candor and a battery of statistics, the report tells a sorry story of two decades of failed planning and developmental decline. One inescapable conclusion emerges from its sober pages of tables and charts: the Arab world is in decline, even relative to the developing world.

"The report was written by Arabs for Arabs," announced a U.N. official.^[1] Arabs did read it (it was also released in Arabic), and Arab authorship made its arguments more palatable to Arab intellectuals and policymakers. A columnist in Al-Ahram Weekly urged "a serious, deep reading" of the report, since "no changes will occur without Arabs first facing the facts, however unpalatable they may be."^[2] The editor of the Saudi Arab News wrote that the report "should be distributed to all Arabs," and "should be compulsory reading."^[3]

But it was not just Arabs who read the report. "If you want to understand the milieu that produced bin Ladenism, and will reproduce it if nothing changes, read this report"—so wrote New York Times columnist Thomas Friedman.^[4] From another direction, Independent correspondent Robert Fisk found that the report "all too accurately sums up the barren, ossified life of so many Arab countries."^[5] Historian Victor Davis Hanson wrote that the report's findings "lend credence to almost everything brave scholars like Bernard Lewis and Daniel Pipes have been saying for years."^[6] Analysts who agree over very little else agreed that the report deserved close reading.

The core assumption of the report is that poverty is not merely a matter of income. As Fergany put it: "A person who is not free is poor. A woman who is not empowered is poor. And a person who has no access to knowledge is poor."^[7] By all these criteria, the Arab region—even some of its wealthiest corners—could only be described as impoverished. In line with this approach, the report went beyond the U.N.'s standard Human Development Index (HDI)—an amalgam of four developmental measures^[8]—to include other measures of political and social freedom.

While many Arab intellectuals rail against globalization, the report accepts it as an inevitable consequence of modernity and measures Arab performance—economic, scientific, social, and political—by global standards. One of the most remarkable aspects of the report is its resort to explicit comparison of the Arab region with other regions. The report deliberately draws comparisons that emphasize the depth of the crisis, in a bid to shatter the complacency and denial that afflict the Arab discourse on development. The most provocative comparisons stack the Arab world against the so-called "Asian Tigers" and Israel. According to the report, it is comparison "with regions that have done better [than the Arab region], that matters in any discussion of enhancing human development in the Arab region. Comparing the region with those [regions] that have done less well could invite undesirable self-congratulation in the face of major challenges."

The following excerpts from the report include passages that explicitly compare the Arab world with other world regions. Middle East Quarterly has rearranged the excerpts around themes and omitted references to supporting tables and graphs. This constitutes only a small sampling of the 168-page report, which also contains in-depth analyses of trends, detailed statistical tables and graphs, methodological caveats, and policy recommendations. The full report is available at

Mouths to Feed

The combined population of the region covered by this report was about 280 million in 2000, approximately equal to that of the United States but only around one fourth of India's population and one fifth that of China. In global terms, the Arab countries account for about 5 per cent of world population; this share has approximately doubled over the past 50 years.

Fertility rates have declined significantly in many Arab countries but are still high by international standards. The countries covered by the World Bank's Middle East and North Africa (MENA) classification had an average fertility rate of 6.2 in 1980, which had fallen to 3.5 by 1998—still well above the world average of 2.7.

The World Bank's World Development Indicators give, for countries in its Middle East and North Africa classification, an average life expectancy of 68 years in 1998, one year higher than the world average.

In all Arab countries, life expectancy for women either equals or exceeds that for males, but the difference between the two sexes is 2.5 years or less in around two thirds of the countries; for the remainder, the difference is between 3 and 3.5 years. The global average difference is around 4 years, and in countries with high human development, it can be as much as 11 years. This suggests that there is room for improvement in women's chances for survival in Arab countries. One area for action is reduction of high maternal mortality rates. The region's maternal mortality rate is double that of Latin America and the Caribbean and four times that of East Asia.

Stagnant Growth

Meeting the challenge of achieving more equitable societies, polities, and economies requires a determined effort to attack poverty. A World Bank study on poverty reduction shows that the MENA [Middle East and North Africa] countries have had the lowest regional incidence of extreme poverty in recent years, with less than 2.5 per cent of the population living on or below the \$1/day income level for dire poverty adopted for the Millennium Development Goals. The study suggests that this has been due to essentially egalitarian income-distribution practices and to the ability of the region's poor to capitalize on periods of economic growth, particularly between 1970 and 1985.

While the Arab countries have the lowest level of dire poverty in the [developing] world, it remains the case that one out of every five people lives on less than \$2 per day, according to World Bank estimates for the Middle East and North Africa.

GDP [Gross Domestic Product] in all Arab countries combined stood at \$531.2 billion in 1999, less than that of a single middle-size European country, Spain, (\$595.5 billion). Over the period 1975-1998, real GDP in the Arab world (in the geographically selective sense adopted here)^[9] rose from \$256.7 billion in 1975 to \$445.7 billion in 1998 in constant prices. The average annual rate of growth over the period as a whole was 3.3 percent.

At first glance, this result seems respectable, slightly above the world average (2.9 per cent). The countries of East Asia and the Pacific and South Asia have done better, with averages of 7.4 per cent and 5.2 percent, respectively, but the region has outperformed Latin America and the Caribbean and sub-Saharan Africa, with rates of 3 per cent and 1 per cent, respectively.

However, the period average masks wide variations by sub-period. Arab countries saw very strong growth during the second half of the 1970s: 8.6 per cent (1975-1980), followed by a very sharp drop between 1982 and 1990 (0.7 percent), the so-called lost decade, and then a return

to more modest averages (3.8 percent) between 1990 and 1998. The overall trend was downward over the period as a whole.

Less Per Capita

While the relationship between real GDP growth and population growth is complex, for the geographically selective set of Arab countries discussed here, it has meant that real per capita income for the period 1975-1998 as a whole grew very slowly, by around 0.5 percent a year, in effect, a situation of quasi-stagnation. Meanwhile, the global average increase was more than 1.3 per cent a year, implying a relative deterioration in the average standard of living in the Arab region compared to the rest of the world. In regional terms, only sub-Saharan Africa did worse than the Arab countries, having seen an actual fall in real GDP per capita over the past quarter century. Latin American and Caribbean countries saw a modest average improvement of 1 per cent while South Asia averaged a 3 per cent rate; the best performer, East Asia and the Pacific, achieved 5.9 per cent growth.

Meaningful international comparisons of real GDP per capita need to be based on purchasing power parity (PPP), using OECD [Organisation for Economic Co-operation and Development] countries as the comparator. In 1975, real PPP GDP per capita in the Arab world was 21.3 per cent [of the average OECD citizen], barely more than one fifth of the OECD level. By 1998, the real PPP income of the average Arab citizen had fallen to 13.9 per cent, or one seventh, of that of the average OECD citizen.

By contrast, East Asia and Pacific countries moved from a ratio of about 1:20 in 1975 to about 1:7 in 1998.^[10] South Asia, despite a heavy demographic burden, achieved some degree of modest convergence. Countries in Latin America and the Caribbean (and sub-Saharan Africa) suffered a deterioration of their relative position and substantial divergence from OECD averages. Among Arab countries, only Egypt and to a lesser degree Jordan and Tunisia had a tendency towards convergence with OECD countries. All other countries, without exception, moved in the opposite direction.

Education Shortfall

Arab countries have made great strides in education, particularly since the middle of the twentieth century. Nevertheless, educational achievement in the Arab countries as a whole, judged even by traditional criteria, is still modest when compared to elsewhere in the world, even in developing countries.

In an age of knowledge intensity, poor knowledge acquisition, let alone its production, is a serious shortfall. A telling indicator of the poor level of educational attainment in the Arab countries is the persistence of illiteracy rates that are higher, and educational enrollment rates that are lower, than those of dynamic less developed countries in East Asia and Latin America.

While education has made headway among the younger generations, illiteracy has proved difficult to eradicate. Therefore, the overall educational achievement among adults in Arab countries remains low on average. Arab countries have nevertheless made tangible progress in improving literacy: the estimated rate of illiteracy among adults dropped from approximately 60 per cent in 1980 to around 43 per cent in the mid-1990s. However, illiteracy rates in the Arab world are still higher than the international average and are even higher than the average in developing countries. Moreover, the number of illiterate people is still increasing, to the extent that Arab countries embark upon the twenty-first century burdened by over 60 million illiterate adults, the majority of whom are women.

The mid-1990s witnessed higher total enrollment rates for the secondary and tertiary levels in the Arab countries (54 per cent and 13 per cent, respectively) compared to developing countries (49 per cent and 9 per cent, respectively). However, these percentages are lower by far than

those prevailing in the industrialized countries for that period (106 percent^[11] and 60 percent, respectively). Arab countries are not expected to catch up with the industrialized countries' mid-1990s enrollment levels for all three levels of education before 2030.

There are indications that rising expenditure on education in the Arab world began to taper off after 1985. Education spending increased, in current prices, from \$18 billion in 1980 to \$28 billion in 1995. However, the rate of increase since 1985 has been much slower than that during the period 1980-1985, unlike the situation in both developed and developing countries. On the basis of the rather defective indicator often used in international comparisons—education expenditure as a percentage of GNP [Gross National Product]—Arab countries do better than developing and developed countries alike and the percentage was on the rise between 1980 and 1985. However, the percentage was lower in 1995 than in 1985.

A better indicator for the purpose of this analysis is per capita expenditure on education. At current prices, this indicator rose over the years from 1980 to 1985. However, this rise was followed by a deterioration during the latter half of the 1980s. While Arab countries continued to spend more on education per capita than developing countries as a group, their relative edge has been eroding since the mid-1980s. In addition, per capita expenditure on education in Arab countries dropped from 20 per cent of that in industrialized countries in 1980 to 10 per cent in the mid-1990s.

Unfortunately, private tuition has become indispensable in order to obtain high grades on public qualifying examinations for enrollment in higher education, especially with respect to the disciplines considered most likely to lead to better professional and career prospects. The result is that these disciplines are becoming almost exclusively the preserve of financially privileged groups. Thus, education has begun to lose its significant role as a means of achieving social advancement in Arab countries, turning instead into a means of perpetuating social stratification and poverty.

Science and Tech Backwater

Arab countries have some of the lowest levels of research funding in the world. R&D [research and development] expenditure as a percentage of GDP was a mere 0.4 for the Arab world in 1996, compared to 1.26 in 1995 for Cuba, 2.35 in 1994 for Israel, and 2.9 for Japan.

Science and technology output is quantifiable and measurable in terms of the number of scientific papers per unit of population. The average output of the Arab world per million inhabitants is roughly 2 per cent of that of an industrialized country. While Arab scientific output more than doubled from 11 papers per million in 1985 to 26 papers per million in 1995, China's output increased eleven-fold from one paper per million inhabitants in 1981 to 11 papers per million in 1995. The Republic of Korea increased its output from 6 to 144 papers per million inhabitants over the same period. India's output, by contrast, barely changed over the period 1981-1995: its output increased from 17 publications per million inhabitants in 1981 to 19 per million in 1995.

In 1981, China was producing half the output of the Arab world; by 1987, its output had equaled that of Arab countries; it now produces double their output. In 1981, the Republic of Korea was producing 10 percent of the output of the Arab world; in 1995, it almost equaled its output. On a per capita basis, the output of the Arab world is within the range of the top R&D-producing group in the developing world: Brazil, China, and India.

Technological development is rather weak in the Arab countries. This is evidenced by the relative position of Arab countries on the UNDP technology achievement index (TAI), which referred to the late 1990s. The TAI could be calculated for only five Arab countries: Algeria, Egypt, Sudan, Syria, and Tunisia—another indication of the poverty of data on knowledge acquisition in Arab countries.

None of these were classified as "leaders," a category that included countries such as Israel and the Republic of Korea. Sudan was classified as "marginalized," while the other four Arab countries were classified as "dynamic adopters," in the same category as Brazil.

In spite of significant internal variability and compared to leaders in the world, Arab countries in general clearly lag behind in technology creation (measured by patents granted to residents) and diffusion of recent innovations (measured by the share of high- and medium-technology exports in total goods exports). On the other hand, Arab countries fared relatively better on diffusion of old innovations (measured by telephone lines relative to population).

Benefiting from research and technological output depends critically on a robust system of national and international linkages among practitioners. Brazil, China, and the Republic of Korea have established system linkages and policies in order to benefit from their national knowledge base. They have adopted technology policies that have enabled them to sustain a high rate of growth combined with a high rate of technology acquisition.

By contrast, the connectivity of Arab scientists within the Arab world is poor at the national and regional levels. The connectivity of individual Arab scientists with international science is better simply because international relations in science provide the means for cooperation. Many of the significant technology-rich industries in the Arab world have been parachuted in as "black boxes" via international consulting and engineering development organizations (CEDOs). However, these installations are not linked to local or regional CEDOs and R&D organizations. Until such connectivity is established, such installations cannot contribute to the scientific and technological development of the Arab world.

During the past 30 years, there has been a massive transformation of industrial firms in OECD countries; outsourcing and subcontracting have contributed to breaking down the vertically integrated firm. Integration has instead taken the form of joining a global web of technological expertise; meanwhile, out-sourcing has promoted the transfer of technology to Asian and Latin American subcontractors along with the transfer of employment from high-cost to low-cost countries. A number of Asian countries in particular have successfully secured a considerable share of subcontracting from major transnational corporations. This contributed to the formation of the celebrated Asian Tigers and others, such as Indonesia, Malaysia, and Thailand. Few Arab countries have benefited from the globalization of outsourcing.

Information Isolation

The figures for translated books are discouraging. The Arab world translates about 330 books annually, one fifth of the number that Greece translates.

Numerous studies have examined the digital divide between various parts of the world, measuring it through a barrage of statistical indices, including the number of stationary telephone lines, personal computers (PCs), websites and Internet users and their ratio to the total population. As expected, the Arab world ranks low on some of these indicators. For example, Arabs represent 5 per cent of the world population but only 0.5 per cent of Internet users.

In comparisons between Arab countries and other parts of the developing world, the Arab region does not score too badly with respect to telephone lines and personal computers per thousand people. But it ranks last with respect to websites and Internet users, the two indices that are more relevant to the level of information development and representative of society's involvement in information and communication technology.

Labor Lag

Growth in Arab countries has been seriously hampered by low and declining labor productivity.

Low productivity is a major challenge for the region. According to World Bank data, GNP per worker in all Arab countries combined was less than half that of two comparator developing countries: Argentina and the Republic of Korea.

Dividing Arab countries into three groups (each of which accounts for about one third of the Arab workforce) according to the share of oil in GNP sharpens this picture. In the first group of nine Arab countries that are richest in oil resources, productivity barely exceeds half the level in the two comparator countries; for the middle group with respect to oil's share in GDP (Egypt, Syria, and Tunisia), productivity is less than one sixth of the comparators'; in the oil-poor Arab countries (Djibouti, Jordan, Lebanon, Mauritania, Morocco, Somalia, Sudan, and Yemen) it is less than one tenth. This result suggests that excluding the effect of oil revenues might reduce productivity estimates for Arab economies to a greater extent than the simple overall comparison given above.

More important than measures of the level of productivity, however, are measures of changes in it over time. World Bank estimates of total factor productivity in the Middle East and North Africa (MENA) region showed a steady decline (-0.2 per cent a year) from 1960 to 1990, compared to rapid acceleration in other parts of the world. Data from the *1998/1999 World Development Report* permit comparisons of GDP per worker in nine Arab countries with that in faster-growing developing countries during the periods 1980-1990 and 1990-1997. On this basis, annual productivity is estimated to have risen by 15 per cent in China, 8 per cent in the Republic of Korea, and 6 per cent in India but only 4 percent in the Arab countries.

Low levels of growth and productivity can be partly explained by the fact that Arab countries lag behind faster-growing developing countries in a key human-capabilities variable: years of education. A comparison with the three Asian Tigers is revealing. In 1960, per capita output in Arab countries was higher than that of the three Tigers. The latter were, however, more advanced in terms of years of education, with a difference in educational attainment of around three years. Over the period 1960-1992, the difference in educational attainment actually doubled, to six years. Not surprisingly, GNP per worker in Arab countries dropped to less than half of that in the Republic of Korea.

At the sectoral level, the United Nations Industrial Development Organization (UNIDO) provides comparative data for the industrial sector. Industrial labor productivity in the region (proxied by the organization's North Africa and West Asia region) was estimated in the early 1990s to be roughly the same as in 1970 (when it had been close to European and Japanese levels). In the face of rising productivity elsewhere, this has meant a significant relative decline. According to UNIDO, Arab industrial labor productivity per worker fell as a percentage of the North American level in constant 1985 dollars from 32 per cent in 1970 to 25 per cent in 1980 and 19 per cent in 1990. It is noteworthy that the decline took place after the oil boom, which started in 1974, after an investment of \$2,000 billion in gross fixed-capital formation by 1992, and after a massive expansion in educational systems at all levels.

Freedom Deficit

There is a substantial lag between Arab countries and other regions in terms of participatory governance. The wave of democracy that transformed governance in most of Latin America and East Asia in the 1980s and Eastern Europe and much of Central Asia in the late 1980s and early 1990s has barely reached the Arab states. This freedom deficit undermines human development and is one of the most painful manifestations of lagging political development. While de jure acceptance of democracy and human rights is enshrined in constitutions, legal codes, and government pronouncements, de facto implementation is often neglected and, in some cases, deliberately disregarded.

Political participation is less advanced in the Arab world than in other developing regions. In many countries in Latin America, East and South-East Asia, and sub-Saharan Africa, freedom

of association is less restricted, governments change through the ballot box, and people's groups have been encouraged to express themselves in various ways. Meanwhile, mass mobilization-type regimes still exist in a number of Arab countries, freedom of association is restricted in other cases, levels of political participation are uneven, and the transfer of power through the ballot box is not a common phenomenon in the Arab world.

Out of seven world regions, the Arab countries had the lowest freedom score in the late 1990s [in the rankings of Freedom House]. The low level of freedom in the Arab region is confirmed by a set of indicators of "voice and accountability" derived from another international database. This set includes a number of indicators measuring various aspects of the political process, civil liberties, political rights, and independence of the media. The Arab region also has the lowest value of all regions of the world for voice and accountability.

Women also suffer from unequal citizenship and legal entitlements, often evident in voting rights and legal codes. The utilization of Arab women's capabilities through political and economic participation remains the lowest in the world in quantitative terms, as evidenced by the very low share of women in parliaments, cabinets, and the work force and in the trend towards the feminization of unemployment.

The proportion of women in Arab parliaments is low. According to UNDP, women occupy 3.5 per cent of all seats in parliaments of Arab countries compared to 4.2 per cent in East Asia (excluding China), 11.0 per cent in sub-Saharan Africa, 12.7 per cent in South-East Asia and the Pacific, 12.9 per cent in Latin American and Caribbean countries, and 21.2 per cent in East Asia (including China).

Rich and Underdeveloped

The Arab region outperforms sub-Saharan Africa and South Asia on the overall HDI [Human Development Index] and on indicators of overall health (life expectancy at birth) and educational attainment (proxied here by adult literacy). It has yet to reach the levels attained by East Asia (with or without China) and Latin America and the Caribbean for these indicators. Evidently, it is the latter comparison, i.e., with regions that have done better, that matters in any discussion of enhancing human development in the Arab region. Comparing the region with those that have done less well could invite undesirable self-congratulation in the face of major challenges.

The relative position of the Arab region improves with respect to the per capita output indicator (PPP basis), where it outperformed the South-East Asia and the Pacific region as well as South Asia and sub-Saharan Africa. The Arab region might thus be said to be richer than it is developed with respect to basic human-development indicators. Since a strong association exists at the global level between per capita output and the HDI, the above data could indicate that Arab countries may have invested more in building physical capital than in developing human resources. A study of 192 countries concludes that human and social capital explains no less than 64 per cent of growth performance. By contrast, physical capital—machinery, buildings, and infrastructure—explains only 16 per cent of growth. This in turn suggests the great scope for future investment by Arab countries in the formation of human capital, a major cornerstone of human development.

The Arab world is at a crossroads. The fundamental choice is whether its trajectory will remain marked by inertia, as reflected in much of the present institutional context, and by ineffective policies that have produced the substantial development challenges facing the region; or whether prospects for an Arab renaissance, anchored in human development, will be actively pursued.

[1] Rima Khalaf Hunaidi, quoted in a U.N. press release, "U.N. Human Development Report Finds Arab Countries Lagging Behind," July 3, 2002, at

[2] Salama A. Salama, "Facing Up to Unpleasant Facts," *Al-Ahram Weekly*, July 11-17, 2002.

[3] Khaled al-Maeena, "A Report which Should Open Arab Eyes," *Arab News*, July 5, 2002.

[4] Thomas L. Friedman, "Arabs at the Crossroads," *The New York Times*, July 3, 2002.

[5] Robert Fisk, "UN Highlights Uncomfortable Truths for Arab World," *The Independent*, July 3, 2002.

[6] Victor Davis Hanson, "A Ray of Arab Candor," *City Journal (Online)*, July 3, 2002, at http://www.city-journal.org/html/eon_7_3_02vdh.html.

[7] "A Person Who Is Not Free Is Poor," interview with Nader Fergany, *Al-Ahram Weekly*, July 11-17, 2002.

[8] The four variables in the HDI: life expectancy at birth, adult literacy rate, enrollment rate at all educational levels, and real GDP per capita.—*Eds.*

[9] Does not include six Arab countries that account for a little less than 15 per cent of the population of Arab countries and about 20 per cent of the GDP for all Arab countries. Complete data are not available for these six countries.

[10] In 1975, China, by far the most populous country in the East Asia and Pacific group, had been devastated by a decade-long "Cultural Revolution."—*Eds.*

[11] A gross enrollment rate may exceed 100 per cent, if there are students enrolled in a level who are younger or older than the age span for that level.—*Eds.*

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