



MARKET INSIGHTS

“Experts discuss MENA's economic future at SpecialMeeting24”¹

The economic outlook for the MENA region was the focus of the World Economic Forum's Special Meeting on Global Collaboration, Growth and Energy for Development, held in Saudi Arabia in April. Experts discussed economic growth, stability and challenges in the region. According to the IMF, economic growth is expected to improve moderately to 2.7% in 2024 and reach 4.2% in 2025, as the effects of the Israel-Gaza conflict, shipping disruptions in the Red Sea and oil production cuts gradually fade.

The region has demonstrated resilience in times of uncertainty, with investments in new approaches to manage inflation and foster growth and job creation. Economic integration, highlighted by a young population, natural resources and strategic location, is crucial to success and prosperity. The Gulf Cooperation Council (GCC) has already made progress in this integration, which could unlock nearly \$1 trillion in additional regional GDP. In addition, technology, especially artificial intelligence and climate technology, is attracting investment and creating new growth opportunities, as reflected in Saudi Arabia's Vision 2030, which seeks to diversify the economy and increase sustainability.

Analysis of the Fundación Valenciaport

The **Middle East** and **North Africa** region, commonly known as **MENA**, has undergone **significant changes** over the years, consolidating itself as an **area** of great **geopolitical** and **economic interest**.

Currently, the MENA region is at a **crucial moment** in its **economic evolution**, facing both **challenges** and **opportunities** in the global landscape. While, on the one hand, the recent **volatility** in **global markets**, marked by **geopolitical tensions** and **fluctuations** in **commodity prices**, has generated an **environment** of **uncertainty**. On the other hand, it is worth noting the remarkable **resilience** of the region's economies **amid** recent **disruptions**.

For contextualization, the main **economic influence** in the MENA region comes from its **role** as one of the world's **largest producers** and **exporters** of **oil** and **gas**. In this sense, fluctuations in the prices of these resources have a direct effect on the public finances and economic growth of the countries in the region.

¹ Original news published by "World Economic Forum" and available at: https://www.weforum.org/agenda/2024/05/economic-challenges-opportunities-mena-specialmeeting24/?utm_source=sfmc&utm_medium=email&utm_campaign=2828541_WeeklyAgenda17May2024&utm_term=&emailType=Agenda%20Weekly

To this end, **economic diversification** remains an **urgent priority** for many MENA countries. Initiatives such as **Saudi Arabia's Vision 2030** seek to **reduce dependence** on **oil** and **encourage** the development of **non-energy sectors**. However, **progress** on these reforms is **uneven** and **faces significant obstacles**, from the need to improve the business environment to attracting foreign direct investment.

In **terms of trade**, the relationship between the **Middle East** and **North Africa** region and the **European Union** (EU) is of utmost importance due to the close economic interdependence that has developed over the years. Moreover, this **economic cooperation** has been **strengthened** through various **bilateral** and **regional agreements**, which have allowed **greater market integration** and a more **efficient trade flow**.

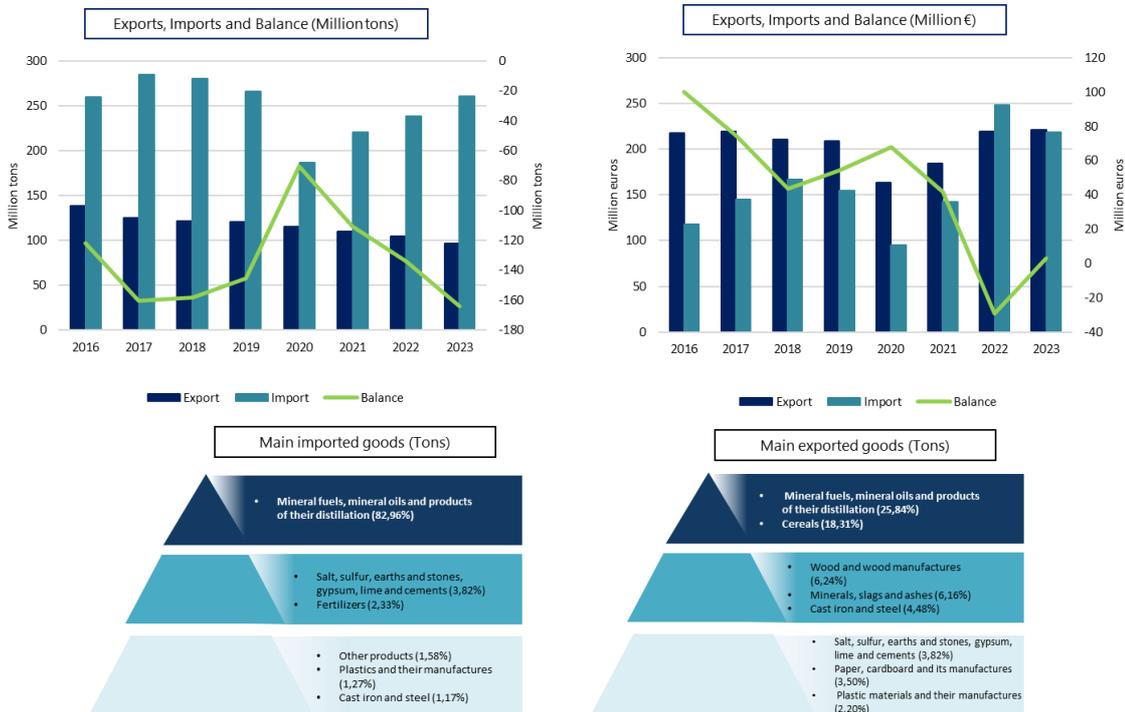
A prime example is the **EU-Morocco Euro-Mediterranean Association Agreement**, which, since its entry into force in the year 2000, seeks to **create** a progressive **free trade area** by **reducing tariffs** and **eliminating non-tariff barriers**. In addition to **promoting trade in goods** and **services**, this agreement encourages investment and economic development, as well as political and security cooperation to strengthen regional stability in the Mediterranean. In 2008, the Euro-Mediterranean Partnership was replaced by the **Union for the Mediterranean** (UfM), whose mission is to enhance regional cooperation, dialogue and the implementation of projects and initiatives that have a tangible impact on society.

The EU, as a whole, has established similar agreements with all Mediterranean partners, except Libya, and a pending project with Syria. These agreements, framed within the **Euro-Mediterranean Partnership**, are based on principles of reciprocity and co-development, promoting intra-regional cooperation as a means for peace and stability, and seeking the creation of a free trade zone.

In **quantitative terms**² (Illustration 1), trade relations between the EU and the MENA region have shown a significant development in export-import and trade balance. Looking at the data in question, they reflect the fact that the **EU exports** a greater volume of **high value-added products**, while **importing** mainly **primary goods**, especially energy resources and raw materials.

² As reference for the statistics, the following countries of the MENA region have been used; Algeria, Bahrain, Egypt, Israel, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, West Bank and Gaza Strip, Tunisia, United Arab Emirates, Yemen.

| Illustration 1. History of trade relations and exported and imported products in 2023 between MENA and the EU



Source: Source: Own elaboration based on Datacomex (Eurostat) data

In terms of **modal pattern**, **maritime transport** is the **predominant mode** in EU-MENA trade, accounting for 80%, followed by air (15%) and land (5%). This modal structure responds to the characteristics and volume of goods exchanged, highlighting the importance of maritime transport for economic connectivity between the two regions.

| Illustration 2. Main export and import trading partners for MENA, in tons; by 2023

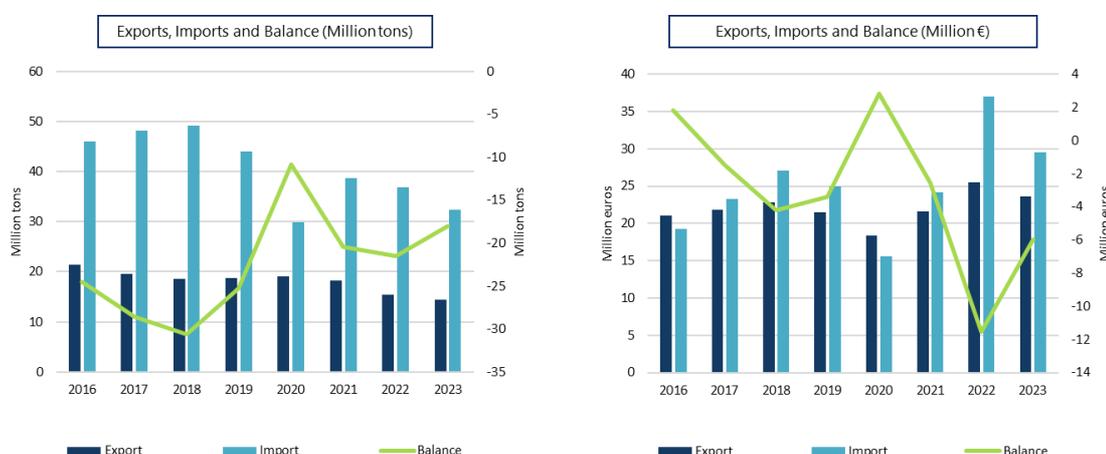
Main export countries (Tons)		Main import countries (Tons)	
MOROCCO	23,11%	ALGERIA	21,64%
EGYPT	15,19%	SAUDI ARABIA	20,62%
SAUDI ARABIA	11,88%	LYBIA	14,90%
ALGERIA	9,82%	IRAQ	14,04%
UNITED ARAB EMIRATES	7,45%	QATAR	5,96%
ISRAEL	7,18%	EGYPT	5,90%
LYBIA	6,16%	UNITED ARAB EMIRATES	5,38%
TUNISIA	4,81%	MOROCCO	3,08%
LEBANON	4,47%	KUWAIT	2,93%
QATAR	2,22%	TUNISIA	1,81%
JORDAN	2,11%	ISRAEL	1,80%
OMAN	1,18%	OMAN	0,84%
IRAQ	1,16%	BAREIN	0,44%
IRAN	1,07%	LEBANON	0,24%
KUWAIT	1,02%	JORDAN	0,21%
REST	1,16%	REST	0,20%

Source: Own elaboration based on Datacomex (Eurostat) data

Likewise, in terms of the EU's **main trading partners** (Illustration 2), **Morocco, Egypt** and **Saudi Arabia** have been identified for the year 2023. The leading partner is Morocco, representing 23,11% of the total, followed by Egypt (15,19%) and Saudi Arabia (11,88%). In contrast, **imports** to the EU come mainly from **Algeria**, with a percentage of 21,64% of imports. They are followed by **Saudi Arabia** (20,62%), **Libya** (14,90%) and **Iraq** (14,04%).

For its part, and regarding the **specific case of Spain** and its relationship with the countries that conform the geographical area of MENA, in terms of trade (Illustration 3), Spain has maintained a dynamic and strategic relationship with the region over the years. Whereas **Spain's exports** to the Middle East and North Africa region have shown a **variable trend** during this period, **imports** from MENA have shown a **more stable trend**.

Illustration 3. History of trade relations between MENA and Spain



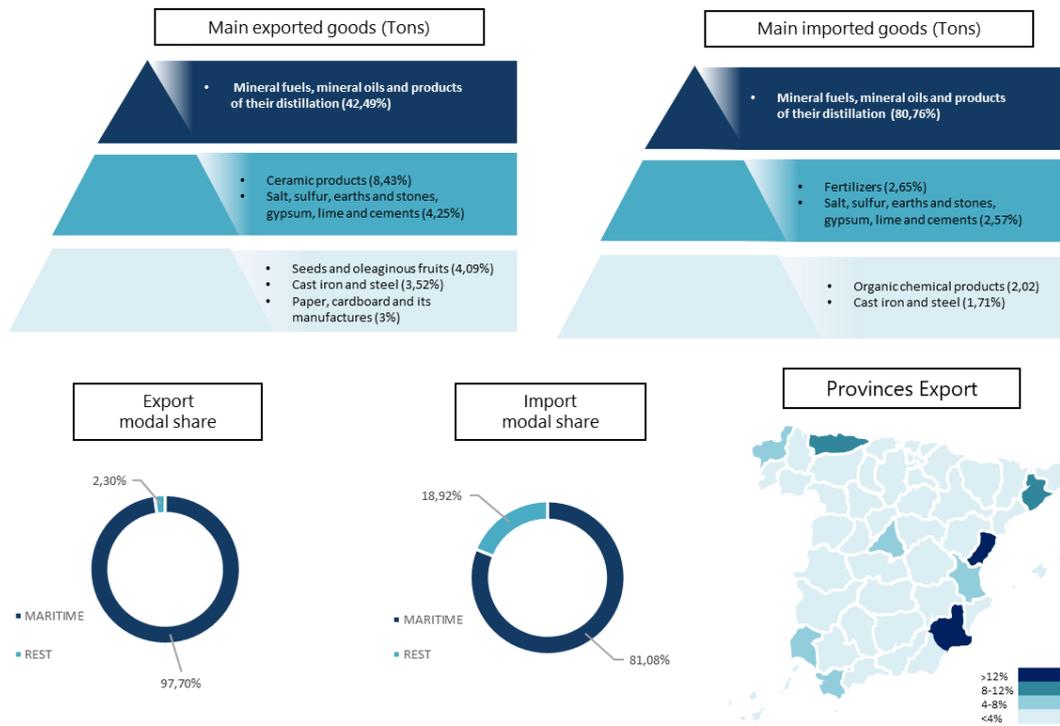
Source: Own elaboration based on Alphaliner data

Regarding the **main exported products** (Illustration 4) by **Spain** to MENA, most of them include **fuels and mineral oils**, which account for **42,49%** of total exports. As for **imports, fuels and mineral oils** are also predominant, representing a remarkable **80,76%** of total imports in 2023.

In this way, the **main exported products** from **Spain** to MENA include **fuels and mineral oils**, which account for **42,49%** of total exports. As for **imports, mineral fuels and oils** are also predominant, accounting for a remarkable **80,76%** of total imports in 2023. In terms of **modal share**, the predominant mode is **maritime**, which reaches a share of 97,70%.

Similarly, the **provinces** that contribute most to **exports** towards **MENA**, according to data from Agencia Tributaria, are **Murcia** (15,50%), **Castellón** (12,57%) and **Asturias** (10,94%). In terms of imports, the main **importing provinces** are **Murcia** (15,55%), **Cádiz** (11,21%) and **Tarragona** (6,95%).

Illustration 4. Spain's main imported and exported products and their modal share; year 2023



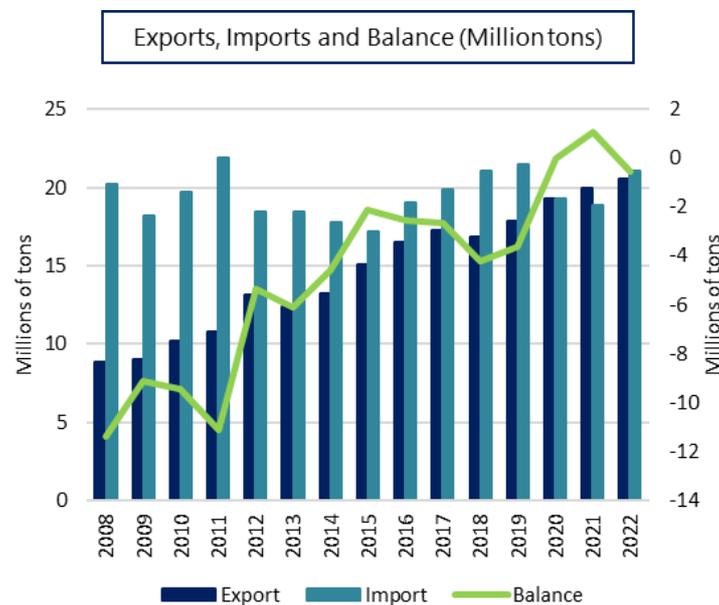
Source: Own elaboration based on Datacomex data

In the specific case of the **Spanish port system** and based on the trade relations between Spain and its main MENA trading partners, an **increasing evolution** in the **trade balance** can be observed, as shown in Graph 1.

From 2008 to 2011, the balance was consistently negative, reaching a maximum deficit in 2008 with -11.40 million tons. From 2012 onwards, a steady improvement in the trade balance begins to show, with a significant reduction in the deficit, culminating in 2020 with a small positive balance of 4.770 tons. This change marks a remarkable recovery, continuing in 2021 with a positive balance of 1.06 million tons, the highest in the analyzed period. However, in 2022, a slight reversal is observed, closing the year with a moderate deficit of -533.782 tons.

With all this, a positive evolution is reflected in Spain's trade balance with its main partners in the region (in tons), highlighting a notable **capacity for recovery** and a trend towards a more stable balance in trade relations.

| Graph 1. Evolution of historical traffic with MENA's main trading partners; Morocco, Egypt and Saudi Arabia



Source: Own elaboration based on data from Puertos del Estado

All in all, the **economic future** of the **MENA** region depends largely on the ability of its governments to implement structural **reforms** that **promote economic diversification** and **sustainable development**. These reforms include improving governance, strengthening the private sector, and fostering economic and social inclusion. The International Monetary Fund (IMF) and the World Bank have highlighted the importance of these reforms to stabilize the region's economies and reduce unemployment rates, especially among young people. In addition, investment in infrastructure and green technologies can provide new pathways for growth and contribute to long-term economic resilience.

With all this, there is no doubt that, although the MENA region faces a **challenging** economic **environment**, the **opportunities** to transform its economies and achieve sustainable growth are **significant**. The key will lie in the ability of the countries in the region to adapt to the new economic realities and take advantage of opportunities for reform and diversification. In this process, **cooperation with the EU** and the **integration** of key **ports** will be **essential** to **foster** long-term regional **development** and **stability**.