

GREEN GROWTH AND SUSTAINABLE DEVELOPMENT IN THE ARAB COUNTRIES

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Abstract

The strengthening of the link between environment and economy is a key challenge faced by the Arab countries. By integrating the environment into the economic policy and working towards green growth at a national and regional level, Arab countries will be able to progress in economic growth, jobs creation, social equity and sustainability of natural resources. This contribution endeavors to deepen this argumentation, and highlights both the benefits that could be reaped by Arab countries and the priorities in the implementation of a green growth strategy.

Keywords: Green growth, sustainable development, Arab countries

INTRODUCTION

The United Nations Conference on Sustainable Development (hereinafter UNCSD or Rio+20) that was held in June 2012 has shown that major accomplishments have been made in the Arab region towards the achievement of sustainable development, particularly in the areas of education, health and improved standards of living. This conference also recalled the necessity to better conciliate the three pillars of sustainable development and, in particular, the importance of a “green economy in the context of sustainable development and poverty eradication” in the region.

The consecration of the green economy as one of the major themes of this conference was not surprising, and confirms the ambition of the international community to promote in medium and long-term a new model of economic growth, namely the green growth. The concept of green growth has indeed become a center of policy debates in recent years. Recurrent financial and economic crises in addition to a permanent environmental crisis primarily affect developing countries and among them, Arab countries.

More than ever, the concept of green growth carries the promise of a new economic growth paradigm that is friendly to the earth’s ecosystems and can also contribute to poverty alleviation (UNEP, 2011:1). It appears as an

inevitable path to turn the current economy, also qualified as a virtual economy, into a durable economy. Viewed in this framework, Green growth does not replace sustainable development, but is a means to achieve it (OECD, 2011a). Also, this concept is not opposed to the principle of free trade, but goes merely beyond the current mode of production and consumption, by integrating social and environmental variables.

The above arguments should not hide the shortcomings in the implementation of a sustainable development initiative in the Arab region and in particular, the green economy opportunities. If a very limited number of Arab countries, such as Morocco, attempt to implement national green growth strategies, the vast majority of the Arab world has a significant gap in the establishment of a green economy.

Positions adopted by the Arab countries during the UNCSO revealed the absence of a unified Arab position with regard to a definition of green economy and the link with the process of sustainable development. These countries also expressed the fear that the concept of green economy may serve as a pretext to enhance the conditionality associated with international financial cooperation and set up technical barriers to trade or justifications for private sector control over a country's natural resources. In other words, the fear is to unleash new forces that would reinforce international inequalities and fractures (Joint Statement, 2011, p.6).

In this context, the following developments seek to assess the benefits of green growth for Arab countries (1) and to propose a road map that may contribute to a successful implementation of national green growth strategy (2). These arguments will be followed by a brief conclusion.

1-Benefits of green growth strategy for the Arab countries

The transition to a green growth model has several advantages for Arab countries. Such a change is a prerequisite for both the achievement of the objectives of sustainable development (a), and the reorientation of energy policies taking more account of natural resources and the needs of local populations (b).

a- A new development paradigm

The Cairo declaration of 2002 adopted at the meeting of the League of Arab States marks a turning point in the consideration by the Arab countries of the 3 pillars of sustainable development in their national development strategies. Since that date, the efforts undertaken by the Arab countries have had, nonetheless, rather negative results. Many measures adopted have relatively limited scope and are primarily restricted to environmental matters rather than integrating economic, social and environmental goals. Ultimately, these countries have many difficulties to

comply with their international and regional commitments to sustainable development.

If the Arab world is far from constituting a unitary and homogeneous bloc, Arab countries are facing closely related economic, environmental and social challenges. Their economic performances have stagnated and their local industries are struggling to remain competitive against Asian emerging states. Their natural resources are scarce and increasingly exposed to a risk of irreversible degradation. Water stress could be amplified because of warming over the next decades. Rampant and uncontrolled urbanization is gaining ground on agricultural and coastal areas with high potential tourist or rich in biodiversity, with destructive consequences on the current and future economic prosperity and the well-being of local populations.

Arab policy makers also face very high unemployment rates, in particular among the youth population which is pessimistic with regard to the lack of opportunities available. The manifestations of the “Arab spring” have proved that it is no longer possible to ignore the request of these populations for a new development paradigm.

For Arab countries, green economy should be conceived as a means of achieving sustainable development. It represents a new approach to economic growth, which aims to promote growth and development while reducing pollution and emissions of greenhouse gases, by limiting the generation of waste and the waste of natural resources, preserving biodiversity and increasing food and energy security.

Arab countries should take a common approach for an Arab green economy initiative by immediately starting to harness the low hanging fruit of greening some of the economic sectors in the region. Green growth will be a tremendous opportunity to further diversify their sources of energy, and their national economies which are too dependent on industries using fossil fuels at low prices. It may also help to face more intense foreign competition, in particular from Asian countries. Last but not least, it will constitute an adequate response against adverse effects of climate change affecting all Arab countries without exception.

For these countries, the green growth is thus a new growth paradigm based on the preservation of natural capital and the reduction of poverty affecting currently nearly 40% of the Arab population. Another direct benefit of moving towards green economy is the creation of “green jobs” necessary for its implementation. Jobs cancelled in the short-term will be offset especially in the fields of renewable energies, agriculture, ecological construction, management of natural and forest areas, sanitation and waste water treatment.

In the medium and long-term, the green economy will result in a level of employments similar to or greater than the status quo (Bluegreen alliance,

2012). As a result, it will help to fight poverty because, beyond the jobs created, there is a strong link between poverty reduction and wise management of natural resources and ecosystems. A green economy is accompanied by an increase of investments in natural resources used by the poor to earn their living; it improves livelihoods in many low income regions (UNEP, 2011:18).

b-Towards a new energy strategy

On the energy front, the green growth should not be perceived as a series of constraints for the exploitation of oil and gas resources that constitutes the main added value and source of income for some Arab countries, in particular the Gulf countries. Rather, it is necessary to preserve these natural resources that will be exhausted in a few decades, while preserving the ecosystem and providing better access to energy for the poorest. The move towards a green energy aims, among other things, to address energy poverty. This means providing energy to about 60 million people who currently lack electricity in the Arab region. Renewable energy technologies and supportive energy policies promise to make a significant contribution improving living standards and health in rural and remote areas.

As a practical matter, integrated green energy policies need, for being sustainable, to be founded both on energy diversification through the promotion of renewable energy (solar energy, wind energy, biomass energy or hybrid systems) and on energy management putting the accent on energy transport and distribution, energy savings, or thermal insulation and green buildings.

After 50 years of an extraordinary economic boom due to oil, some Arab countries are already embarked towards diversification. This is especially the case of the United Arab Emirates which depend on oil for only 33% of their needs. This country encourages the private sector to invest in other industries than petroleum, or in industries that depend only on the low price of the fuel to be competitive. At the same time, some Arab countries are now forced to better redefine their immigration policy, given that nationals are far less numerous than non-nationals: do the latter represent too much pressure on natural resources? And how does their presence affect the energy policies in these countries?

Aside from this way, the reports issued by regional and international organizations also show that the primary source of renewable energy in Arab countries would be greater energy efficiency. There is too much waste due to the artificially low price of energy. The regulation of energy efficiency is so neglected that, as a way of illustration, cars sold in this part of the world usually do not have the same specifications of saving energy and combating pollution as in Europe and America.

Arab leaders are increasingly aware that wasting their oil at low prices is harmful; they can sell abroad at world price, and diversify their sources of energy and their economies. Every barrel of oil used in the domestic market of the Gulf countries represents a loss of 90%, because it is marketed only at 10% of its price. Recent reports have demonstrated that, in Arab countries, it is possible to reduce energy consumption by 50%, of which 40% are easy to apply through simple measures. One can encourage hybrid cars for example. Cars and household appliances should be subject to specifications. The last 10% require more investments; and investments are not lacking in the region.

However, policies seeking to promote energy diversification must also take into account the irreducible limits of certain energy sources such as natural gas, nuclear energy and renewable energy.

Concerning natural gas, some experts are calling for greater use of this source of energy. The use of natural gas as an energy source has increased considerably over the last 40 years, but the artificially low price of oil in many countries continues to hinder the use of this much cleaner fossil energy.

Clearly, gas remains an important transition energy, not a long-term solution. The lack of adequate infrastructure in the Arab countries prevents the efficient exploitation of this natural resource. Qatar, which has the largest gas reserves, does not have the pipelines needed to send it to neighboring countries. In addition, in certain countries, in particular Qatar, it is easy to extract it. But elsewhere, the splitting of rocks for gas extraction is a process that causes large changes in the land, and its long-term consequences are unknown. That is why it is difficult to be regarded as a totally clean energy, although it is less polluting than oil.

With regard to nuclear energy, several Arab countries consider this option seriously, although it is an important outbreak of traditional energy production. While the Arab world is divided between supporters and critics of nuclear energy, some Arab countries, such as Saudi Arabia and the United Arab Emirates, are already launched in the process, highlighting the fact that nuclear technology is necessary for different sectors such as the medical sector.

Whatever the position adopted, it is crucial, concerning nuclear energy, to have strong national legislation. One must review the real impact of nuclear energy on development, and wonder whether it actually contributes to energy security. No Arab country may currently enrich uranium, for technological, political or any other reason. These countries must therefore import enriched uranium and will always depend on this import, as pointed out by critics of nuclear power in Jordan for example. Similarly, it remains the crucial problem of radioactive waste for which there

is no solution yet. The United States has spent billions of dollars without any noticeable result. All these parameters should be taken into account in the price of the kilowatt-hour produced by nuclear power. One might therefore ask whether the Arab countries are really ready for this type of strategy.

Regarding the transition to renewable energy, recent data published by the International Agency of Energy (hereinafter IAE) revealed that renewable energies represent currently only 12.99% of world energy production, and this share should not exceed 15% by 2035, which is far from the 35% forecast of some experts. In fact, this type of energy will significantly reduce the share of fossil fuels only in the long-term, and provided enhancing its energy efficiency and reducing its cost that remains hardly affordable for developing countries. The IAE adds that the solution therefore lies in a massive increase of funding for research and development in the next generation of wind, solar and biomass energy.

2- Road map for green growth strategies in the Arab countries

Despite the advantages described earlier, the green growth model also entails risks and challenges, particularly for developing countries for which economic development is more demanding. The transition to a green economy is an ambitious, multi-sectoral process. Given the difficulties to achieve a greater economic integration in the Arab region, and in particular a regional approach of green economy, more substantial outcomes in this area require a definition of a road map based on two inseparable pillars: international financial and technical support mechanisms (a), and adoption of adequate national policies in order to adapt the traditional components of a growth, namely investments, consumption and exports, to a new green growth paradigm (b).

a-International support mechanisms

It is clear that the success of international support for green growth in the Arab countries will depend on a number of factors.

Firstly, it is essential that these countries define their own action plan and their priorities for green growth, according to their national level of development and economic specificities. These priorities must guide the support of the international community.

Secondly, international institutions must demonstrate sufficient flexibility to meet their different needs and to help Arab countries to fill their gaps in terms of knowledge and experience, as well as to advance their priorities for green growth, particularly through reforms in key areas of public action.

With regard to flexibility, given the large disparities in the Arab region, the transition to a green economy will vary considerably in each

country. Two groups of Arab countries could be considered in this context. The first group encompasses countries which have attained a high level of human development such as the GCC group, even if at the expense of their natural resources, reflected in high carbon intensity and a large *per capita* ecological footprint. The challenge for these countries is to reduce their per capita ecological footprint without impairing their level of human development. For the rest of the Arab countries, which still maintain relatively low per capita ecological footprints and a low level of human development, the challenge is to achieve better human development without substantially increasing their ecological footprints.

In this respect, investment in natural capital is more advantageous for the community that investing in polluting and intensive traditional infrastructure resources, on which development programs of recent decades were largely focused. Donors must therefore intensify their efforts to integrate green growth requirements into development cooperation activities. They can help developing countries to improve their strategic planning in order to facilitate their access to public funding for green growth through many instruments including: sectorial support, budget support, donations or even guaranteed risk aimed at mobilizing private capital. For the success of the development cooperation, Arab countries are encouraged to develop their own package of policies that is conducive to achieving that ultimate goal based on their own countries' socio-economic contexts.

Thirdly, a strengthening of international cooperation through multilateral environmental agreements and other measures of international aid (mandatory and voluntary) for trade development and management of resources (such as the Convention on biological diversity and the initiative for transparency in extractive industries) may allow the Arab countries seeking a green growth to obtain resources and technical support.

Clearly, the effectiveness of international cooperation in favor of green growth will be based on a close interweaving of three factors. The first factor is the strengthening of the green funding and investment. This may be achieved through an action plan that would insist, among other things, on the following points:

- Providing faster and more targeted support in the context of cooperation for development through the integration of green growth, the mobilization of stakeholders and awareness-raising actions.
- Supporting the process of reforms undertaken by developing countries to attract and stimulate private investment.

- Using external public financing in order to more efficiently associate the private sector at an early stage of development.
- Mobilizing new sources of capital, such as the pension funds and other institutional investors.

The second factor is to conduct actions in favor of technological innovation through cooperation. Concretely it may result in:

- Joining the developing countries in the definition of scientific and technological research programs and the priorities of international cooperation, and ensuring their participation in collaborative research.
- Strengthening the national capacity for innovation in developing countries, in particular through education.
- Promoting strong intellectual property protection systems and encouraging the sharing of knowledge across borders.

The third factor consists in taking measures to facilitate the trade of green goods and services. The success of such a project requires a number of initiatives, which include:

- Supporting the development of a green market of services and goods.
- Targeting demand support, such as procurement government policies and consumer education programs.
- Removing non-tariff trade barriers, strengthening trade-related capacity-building and ensuring that developing countries participate equally in the definition of international standards, in particular labelling and eco-certification devices.

In that regard, the reorientation of the aid for trade may promote green services and goods. Beyond the strengthening of commercial capacity of the Arab countries (including policy and trade regulation), developed countries should see more and more in this initiative a mechanism facilitating actions to combat climate change and stimulating green growth in developing countries, particularly through the implementation of strict environmental conditions accompanying trade preferential agreements.

This aid may also deal with capacity-building for trade of environmental goods and services. For instances, these programs can help the Arab countries to adopt organic agriculture standards, to improve the development of value chains, to train decision-makers in trade policy to the issue of environmental goods and services and environmental protection measures, as well as to take part in the regional and multilateral environmental and trade negotiations (OECD, 2012 f and g). At the same time, this will strengthen the capacities of these countries to integrate environmental objectives into national development processes.

b-Adoption of adequate regulatory framework

Beyond mechanisms of international cooperation, the Arab countries will adopt national green growth strategies only if the benefits are equal or superior to those of the current economic growth. The promotion of such benefits will require the adoption of national policies focused on the traditional components of economic growth.

The first lever arm will be the promotion of a new mode of sustainable consumption based on the fight against waste water or energy and taking account of available natural resources. To this end, information policy and publication by undertakings of environmental reporting, as well as education and awareness of consumers and the public in general, will contribute to promote green business and environmental issues and to change the behavior of consumers and producers.

The second lever arm is to ensure that sustainable and green growth does not lead to decreased exports and trade balance deficits. The promotion of fair trade and, more generally, a fairer international trading system should therefore be the priorities of Arab states, in particular in the ongoing Doha Round negotiations. These countries should also tackle any form of environmental trade barriers.

The third lever arm is the promotion of green investment innovation which would facilitate the establishment of a new mode of sustainable production. It would focus, *inter alia*, on the maintenance of industrial and agricultural non-polluting activities, the promotion of Eco-activities or activities related to the new needs of citizens in terms of health, education or tourism.

To achieve these objectives, the Arab states have a wide range of instruments for the integration of environmental issues in economic decision-making. A first type of instrument would be regulatory and normative. These countries could use standards and certification for sustainable production (for instance, a forest certification or standard national for biological products). Goods and services whose production is certified compatible with the preservation of natural assets may see their market value and their market share increase, which benefits to producers, improves environmental practices and helps to preserve the sustainability of the natural assets. Similarly, the establishment of 'sustainable government procurement' (for example, by the integration of the "green criteria", including the analysis of the product life cycle) can guide consumption and production towards sustainable growth objectives, create new national markets and show the good practices for businesses and consumers.

Other instruments will focus on taxes, pricing instruments and mechanisms for valuation of natural assets. Such measures provide tax revenues that should be allocated for development objectives, such as

education, health or access to water and electricity for the poorest population. Arab States may put in place tax measures in favor of the environment (for instance taxation of forest management or pollution of water) and reform energy subsidies in particular by removing subsidies to polluting activities, as well as reduce energy demand by avoiding lower artificial prices of fuels.

Mechanisms of payment for ecosystem services could also be more developed (for instance, payments targeting bundled services related to carbon, water, biodiversity and landscape, or even programs of conversion in sloping lands). This type of payment may enhance the effectiveness of natural resources management by attributing a price or a value to the provision of ecosystem goods and services. It thus promotes the preservation of natural resources while contributing to the livelihoods of local population by improving the incomes of those who manage resources.

Support green investment policies must be accompanied by policies for innovation and green research and development that go hand in hand with policies in favor of employment and skills development. The goal is to ensure not only the development and dissemination of new or existing technologies, but also collaboration between countries and actors to define new approaches of labor systems and practices promoting green growth.

The bottom-up approach aiming to adapt available and low-cost technologies is probably more suitable for developing countries. Innovation can be stimulated through the promotion of existing skills to match local ideas and innovations to local needs. Green innovation efforts must also focus on the strengthening of skills for the adaptation of imported technologies.

Conclusion

In conclusion, the above discussion suggests at least three observations.

Firstly, the green growth model may constitute the appropriate framework to respond to the challenges faced by the Arab countries. As mentioned earlier, the sustainability of development is critical for development itself. Purely economic decisions may be successful in the short-term, but in the longer term they may fail in meeting their own economic objectives in the absence of key social and environmental issues.

Secondly, it is clear that Arab countries will definitively turn the page of the traditional economy based on fossil fuels only if they are convinced that green growth will provide them with at least as many advantages. The institutionalization of awareness and consultation mechanisms of stakeholders, as well as differentiation between Arab countries according to

their socio-economic development should be the heart of national green growth strategies.

Lastly, to accelerate the transition to green growth, Arab countries should put in place a combination of national and international policies which are mutually reinforcing. On the national level, they must act through mechanisms of price, specific regulations, targeted taxation, industrial policies and promoting innovation, green investments, standards relating to products and processes, eco-labels and communication campaigns. On the international level, the support should not impose any further burdens, technical or trade barriers or conditionality on developing countries. Rather, developed countries must fulfil their commitments towards developing countries, including the provision of adequate funding, the transfer of appropriate technology and capacity-building to achieve sustainable development goals.

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