OFF THE NEWS

The Facts Behind Future Middle East Instability

In the twenty-five years between 1980 and 2005, Yemen's total fertility (children per women) averaged 7.49. Iraq's was 5.67. Saudi Arabia, Syria, and Egypt averaged 5.42, 5.19, and 4.25 respectively. In contrast, the United States and Western Europe averaged 1.96 and 1.56.

Over the same period, real economic growth in the Arab world was largely stagnant. When populations double every twenty-five years and real incomes stay constant, future revolutions are baked in the cake. Economic reforms like those offered by the political establishment lack the speed or vigor to match the droves of young men waiting to enter the region's labor force.

The region's official unemployment rates mask the severity of the problem. Close to 40 percent of the population is under the age of fourteen and they will soon join the labor force. Furthermore, women's labor participation rates are in the teens, the lowest in the world. This is also likely to increase. Consequently, real economic growth in the region must match Chinese levels—and fast. With no vibrant industrial policy, insufficient energy and renewable water resources, an outmoded education system, and median house price-to-income ratios close to ten (the United States is at three), Arab countries are riding their Titanics straight into their respective icebergs. Tunisia and Egypt are only the beginning. Yes, the Arab world could do with less corruption and more democracy and freedom, but none of this is likely to matter. The region needs to create between eighty and ninety million jobs over the next twenty years. This is 12,500 jobs a day. Expect the Tahrir Square of every Arab capital to occupy our evening news for years to come.

—George Saghir
Managing Director,
Bank of Tokyo-Mitsubishi

RAMY RAOOF

Young demonstrators on army truck in Tahrir Square, Cairo, January 29, 2011.

THE INTERNATIONAL ECONOMY

THE MAGAZINE OF INTERNATIONAL ECONOMIC POLICY
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The ECB's "Non-German German"

Nout Wellink

European political strategists say that the greatest problem with the exit of Bundesbank President Axel Weber from the list of candidates to succeed Jean-Claude Trichet as European Central Bank president is the lack of an acceptable German alternative. Current ECB Vice President Jürgen Stark, a German, would face statutory difficulties were he to become a candidate for the top position. The worry is that the German people are already highly skeptical of the sovereign debt bailout activities taking place in Brussels and elsewhere, fearing that the euro could be compromised in the process. Thus, a German at the top of the central bank makes political sense given Germany's dominant role in political affairs. The German people are also well aware that in recent years Chancellor Angela Merkel has held back on demands for German representation in various European-wide institutions precisely because a German was expected to succeed Mr. Trichet.

That is why the head of the Dutch central bank, Nout Wellink (67), is being discussed as an interim alternative, perhaps agreeing to serve only four of the eight years of the president's term. Why Wellink? He is considered by many to be the closest thing to a "non-German German" in the European central bank community. The well-known Wellink was also instrumental in negotiating the new Basel III global banking rules which forced banks to raise capital against future crises. Mr. Trichet's term expires at the end of October, but the decision on his successor is likely to be made before then.

Strange But True

"Much has been written about the rise of the BRICs (Brazil, Russia, India, and China) and the shift in economic power eastward as Asia outruns the rest of the world. But the surprising success story of the past decade lies elsewhere. An analysis by *The Economist* finds that over the ten years to 2010, no fewer than six of the world's ten fastest-growing economies were in sub-Saharan Africa.

The only BRIC country to make the top ten was China, in second place behind Angola. The other five African sprinters were Nigeria, Ethiopia, Chad, Mozambique, and Rwanda, all with annual growth rates of around 8 percent or more."

—*The Economist,* January 7, 2011

"I want my bubble back."