


# Chapter 5

## A Framework of Sustainable Economics: Determining Driving Forces of the Sustainable Development in the MENA Region

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### **ABSTRACT**

*The Middle East and North Africa region has become one of the most important regions globally due to its energy reserves and geopolitical position. International organizations and researchers have discussed the challenge of sustainable development in the MENA region for many years. In this chapter, by examining the causal relationships between the four components of sustainable development, it is tried to understand better the interaction between sustainable development components in the region. Therefore, by collecting 92 institutional, bio-environmental, economic, and social variables, development indicators were constructed using the principal component analysis method for 2000-2020. This relationship was then tested using a Granger causality model and a dynamic data panel model. The results of this study show well that the economic development achieved at the expense of environmental degradation in this region failed to improve the non-economic components of sustainable development and provided the basis for their decline.*

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## **INTRODUCTION**

The Middle East and North Africa region, known as “MENA,” has become one of the most important regions globally due to its energy reserves and geopolitical position as a link between Asia, Europe, and Africa (Anderson & Hsiao, 1981). From the point of view of economic structure, the countries of MENA can be divided into three groups: A. Countries that do not have natural resources but have a large labor force (such as Djibouti, Egypt, Jordan, Lebanon, and Tunisia). B. Countries rich in natural resources have abundant labor (such as Algeria, Iran, Iraq, Syria, and Yemen). C. Countries that are rich in resources but lack labor (such as Bahrain, Kuwait, Libya, Amman, Qatar, Saudi Arabia, and the UAE), so it can be said that the economic development of some of these countries is dependent and dependent on materials. Others depend on their agricultural sector (Apergis, 2004).

Despite the abundance of natural resources, the countries of this region have always suffered from a common pit, which has created serious obstacles to their sustainable development. Military and political instability is the first common feature and obstacle to development in the MENA region (Arellano & Bond, 1991). The strong military presence in countries such as Egypt, Algeria, and Tunisia, the rule of ethnic minorities in the Gulf countries, and the oil war in the region are examples of this instability (Atukeren, 2007). The second factor in underdevelopment is the large dependence of some countries on oil revenues, which has led to rent-seeking behaviors, strengthening bureaucracy, and limiting and weakening democratic institutions (Baltagi, 2021). Another feature of the region is the special colonial heritage in the region and the greed of world powers to dominate the vast hydrocarbon reserves of the region, which has led to the skepticism of some dependent governments and thus the democratization and restriction of democracy.

Although the reform process in the region is slow, the improvement of the education and health system, the expansion of women’s participation in some countries of the region, the reform of some countries to move towards good governance, and the availability of new generations will improve. Institutional, environmental, economic, and social components are sustainable development in this region. In this paper, by examining the causal relationships between the four components of sustainable development, we try to understand better the interaction between sustainable development components in the region over the past years (Bhattarai & Hammig, 2001). Therefore, by collecting 92 institutional, bio-environmental, economic, and social variables, development indicators were constructed using the principal component analysis (PCA) method. The results of this study clearly show that the economic development

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