NORTH AFRICA

CHAPTER I
NORTH AFRICA OVERVIEW

NORTH AFRICA KEY FACTS:

- **Area**: 8.94 million Sqm.
- **Population**: 198.99 million
- **GDP**: $ 1.189 trillion
- **Average GDP per capital**: $ 5,974

Countries	Area (km²)	Population	Capital	GDP (Total)	GDP Per Capita	Currency
Algeria	2,381,741	37,100,000	Algiers	$254.7 billion	$7,400	Algerian dinar
Egypt	1,001,450	80,471,869	Cairo	$500.9 billion	$6,200	Egyptian pound
Libya	1,759,540	6,461,455	Tripoli	$89.03 billion	$13,800	Libyan dinar
Mauritania	1,030,700	3,359,185	Nouakchott	$7.6 billion	$2,121	Ouguiya
Morocco	446,550)	32,226,056	Rabat	$153.8 billion	$4,900	Moroccan dirham
Sudan	1,886,068	30,894,000	Khartoum	$85.272 billion	$2,984	Sudanese pound
Tunisia	163,610	10,589,025	Tunis	$100.3 billion	$9,500	Tunisian dinar
Western Sahara	266,000	350,000	El Aaiún	$900 million	$2,500	Moroccan dirham
Total, North Africa	8,935,659	198,996,526		$1.189 trillion	$5,974	

Northern Africa includes seven countries or territories; Algeria, Egypt, Libya, Morocco, Sudan, Tunisia, and Western Sahara. Algeria, Morocco, Tunisia, Libya and often Mauritania and Western Sahara are the Maghreb or **Maghrib**, while Egypt and Sudan are referred to as the **Nile Valley**. The economies of Algeria and Libya were transformed by the discovery of oil and natural gas reserves in the deserts. Morocco's major exports are phosphates and agricultural produce, and as in Egypt and Tunisia, the tourist industry is essential to the economy. Egypt has the most varied industrial base, importing technology to develop electronics and engineering industries, and maintaining the reputation of its high-quality cotton textiles. Oil rigs are scattered throughout the deserts of Libya and Algeria. Libyan oil is especially prized because of its low sulphur content, which means it produces much less pollution than other fuel oils.

North African Economies

Agriculture and food

Agriculture is still one of the most important sectors of the economies of North Africa, both for feeding the population and for export. The number of people employed in agriculture varies by country: about 50% in Morocco, 40% in Egypt, 25% in Algeria and probably even fewer in Libya which imports close to 75% of its food. The region depends on its fertile areas to grow crops, including oranges and other citrus fruits; grains like barley, wheat, oats and even corn; vegetables, including tomatoes, onions, peppers and eggplants; legumes like lentils and chickpeas; and other Mediterranean and arid produce, like nuts, olives, grapes, dates and figs in abundance. In the Nile Valley, Egyptians also cultivate crops that need more water, including sugarcane, cotton and even rice. Marginal lands in North Africa provide scrub for a large livestock livelihood, especially for sheep but also for cows, goats, poultry, and, of course, camels, horses, donkeys, and mules. The seas provide fish both for consumption and for export.

Minerals and other Natural Resources

Much of North Africa is mineral rich. The Western Sahara is a major phosphate producer. The region also has deposits of other minerals including iron ore, silver, zinc, copper, lead, manganese, barytine, gold, salt, limestone, gypsum, and coal (in Morocco). Petroleum and natural gas exports provide most of Libya's revenues, but the rest of the region also contains sizeable deposits of these resources, especially Algeria and Egypt. Lastly, North Africa also produces forest products, including furniture and cabinet wood, and is a leading producer of cork.

Industry, commerce and production bases

As the countries of North Africa **industrialize**, their manufacturing and production capacities tend to start with their major resources exports and branch out into other industries. For example, Egypt has grown a flourishing textile industry from its cotton resources, Morocco produces leather goods from its livestock resources, Algeria refines and bottles its olive oil, Tunisia manufactures wood products, and Libya refines its oil and natural gas resources. Across the region these and other industries—including textile and leather goods manufacturing, food and beverage processing, construction materials fabrication, chemical and fertilizer producing, metallurgy including iron and steel making as well as jewelry crafting, and even paper milling—are providing increasing employment for urban workers (as well as rural workers in areas like mining minerals, raising livestock, and extracting oil and gas).

Tourism

Tourism is of increasing importance in North Africa—Morocco and Tunisia are high tourism earners. Tuaregs in the Sahara inviting tourists to learn about and experience their traditional lifestyles, but not all tourists necessarily want to “rough it” in that manner. Along the coasts and the interior of the region are a variety of luxury resorts and hotels, mid-priced business convention centers, and budget accommodations for backpackers and “adventure” tourists. This has important implication for the political structure of these nations as well as for the people who live in these countries. Stability and safety are absolutely necessary in attracting tourism so governments that can contain popular unrest and stability can actively seek tourism as an alternative economic industry. Hence Morocco, Tunisia, and Egypt are popular destinations while the recent instability of Algeria and Libya make these less appealing to European, American, and Asian travelers. Tourism also increases both formal and informal economic opportunities as North Africans find formal employment with hotels and touring companies and offer their informal assistance as guides or open their homes to travelers.

Remittances

North African economies also depend on the **remittances** of emigrated workers. When North Africans emigrate to Europe (particularly to France, Germany, Italy, and Spain) or other regions of the world to find employment, they often send a portion of their earnings back to their families at home. These remittances are vital to the economies of North Africa, in that they continually add income to the region’s people. However, this is informal economic activity and cannot be regulated until inhabitants spend the money on their foodstuffs and other necessities. It is almost impossible to accurately measure remittances, but many agencies, including the United Nations and regional governments, note that remittances are vital to North African economies.

Economic challenges

Disparity of wealth/resources

North Africa is one of the wealthiest regions of Africa, due both to its proximity to European markets and its natural resources. Libya often has the highest **GDP per capita** of the continent since it produces large amounts of petroleum. There is great diversity of wealth within North African countries, though the region’s nations (with the exception of Libya, which is slightly higher due to oil revenues) all have GDP per capita of $1000-$2000. This disparity of wealth and significant poverty, both in urban slums and in rural areas, are some of the factors that have lead to increasing anti-government movements, including fundamentalism.

Economy Overview in North Africa

Due to the resumption of oil production and exports, Libya's GDP bounced back by 96% in 2012, boosting growth in North Africa to 9.5%, after the region's GDP had stagnated 2011. Given political uncertainties and difficult international economic conditions in Egypt growth is expected to remain subdued at 2% and accelerate to 3.5%, thus remaining below pre-revolution levels. After negative growth of around 2% in 2011, the Tunisian economy recovered in 2012, growing by above 3%. It is expected that the economy continues to grow by around 3.5% in 2013 but achieves higher growth of around 4.5% in 2014. Morocco and Mauritania continue to achieve solid growth in 2013/14 at average rates of 6% and almost 5% respectively. In Algeria growth is expected to accelerate from 2.5% in 2012 to above 3% in 2013 and to 4% in 2014.

In 2012, Africa's monetary authorities had to cope with emerging inflationary pressures stemming from higher food prices and exchange rate depreciation. The depreciation of exchange rates helped to boost exports but added to inflation through higher import prices. At the same time, the deepening of the crisis in Europe increased risks of a new economic downturn in Africa. Monetary policies responded quite differently depending on the balances of these risks. In North Africa, the Central Bank of Egypt (CBE) has been struggling with inflationary pressures, a falling exchange rate, a depletion of foreign reserves and weak economic conditions. It is pursuing a delicate trade-off between stimulating the economy and controlling inflation. While interest rates have increased, reserve requirements of banks have been reduced. In Tunisia, monetary conditions have been accommodating. The central bank took additional measures to improve the liquidity of the banking sector. As inflation increased in the second half of 2012 the policy interest rate was raised but the real interest rate remained negative due to high inflation. In Morocco, low inflation provided scope for additional monetary easing.

Given the risk of another economic downturn due to lower global demand several countries continue to pursue expansionary fiscal policies. But many other countries follow fiscal consolidation strategies to ensure debt sustainability. This is particularly important in countries, which are already at risk of debt distress. In 2012, expansionary policies were followed by Algeria, which boosted public investment and current spending in response to growing social needs. By contrast, other countries saw little fiscal space or need for an expansionary policy and tightened the fiscal stance. In Egypt, the government cut energy subsidies and raised taxes to contain the growing budget deficit and additional austerity measures were announced. Given the political turmoil it is, however, uncertain to what extent these measures will be fully implemented.

FDI to North Africa doubled in 2012 in a context of low investor confidence. The major risk to the 2013 outlook is lack of clarity and predictability in the region's economic policies. In Egypt, the realization of two of Africa's largest announced green field projects in 2012, worth more than USD 5 billion, will depend on the return of political stability and reaching an agreement on an IMF loan. Morocco is estimated to have exceeded USD 3 billion FDI for the first time in 2012, reflecting the positive investor perception of government reforms and the country's stability. Morocco expects to diversify investment into textiles, electronic components, offshore services and tourism as part of its Vision 2020 programme. A recent USD 1 billion investment by the French car manufacturer Renault in a car plant is expected to open the way for further auto industry finance. Tunisia's unclear economic policies and complex investment code bears on investors' confidence.

Africa's economic prospects depend on global and domestic factors, which are highly uncertain. One of the downside risks is continued weakness of the global economy. The main channels of transmission of weaker global growth would be lower commodity export earnings, shrinkages in export volumes of other goods, tourism receipts, official development assistance (ODA), foreign direct investment inflows (FDI) and worker's remittances. On top of external uncertainties, downside risks also exist within Africa. Two years after the revolutions in Tunisia, Egypt and Libya political stability in the region remains elusive and social tensions continue.