Conflict Factsheet

Food price volatility and fragility in the MENA region

<table>
<thead>
<tr>
<th>Type of conflict</th>
<th>Intensity</th>
<th>Time</th>
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<td>Main</td>
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Country Locality

Countries
Tunisia, Egypt, Libya, Morocco, Algeria, Lebanon, Yemen, Syria, Jordan

Resources
Agricultural / Pastoral Land, Water

Conflict Summary

This case study explores the ways in which soaring global food prices have interacted with other risk factors in the MENA region to create conditions ripe for revolt. It places these dynamics in the particular context of food import dependency, a characteristic of many MENA countries, and, furthermore, discusses past and potential future efforts to reduce MENA countries’ vulnerability to food price fluctuations.
Conceptual Model

**Climate Change**
- More Frequent / Intense Extreme Weather Events

**Environmental Change**
- Natural Resource Scarcity
- Change in Access / Availability of Natural Resources

**Intermediary Mechanisms**
- Volatile Food Prices

**Fragility and Conflict Risks**
- Weakened State

**Social and Economic Drivers**
- Economic Development
- Land Use Change

**Context Factors**

Food Import Dependency
- Insecure Land Tenure
- Trade restrictions

Cut in Consumer Subsidies
- Eroded Social Contract
- High Food Expenditure
- Political Transition

Agricultural / Pastoral Land, Water
Conflict History

The Middle East and North Africa (MENA) region is generally characterised by high food import dependence, although important differences exist. Countries such as Turkey and Israel, for example, are largely self-sufficient, whereas countries such as Saudi Arabia and Egypt rely heavily on external food markets (INRA, 2015). This situation makes the region particularly vulnerable to the effects of international food price volatility. At the same time, the political stability of many MENA countries has long been tied to their ability to ensure affordable prices for bread and other essential food items through a system of stocks and subsidies. Episodes of food price inflation – caused either by external shocks or the removal of subsidies - have often been accompanied by protests and violent repression. For instance, bloody riots erupted in Egypt after bread subsidies were removed in 1977, and similar events have also occurred in other MENA countries (Brinkman & Hendrix, 2011).

This combination of political fragility and high dependence on international food markets makes many MENA countries susceptible to experience social turmoil in the wake of global food price spikes. A case in point is the series of revolutions that shook the region in 2011 - often referred to as the ‘Arab Spring’ - which coincided with a record high on the FAO Food Price Index (UNECA, 2012). Starting in December 2010, in Tunisia, this revolutionary wave of violent and non-violent protests spread rapidly throughout regions in North Africa and the Middle East and led to the toppling of autocratic regimes in Tunisia and Egypt, as well as to protracted conflicts in Syria, Libya and Yemen (see case studies on Syrian Civil War and Food Price Shocks in Egypt).

Whilst some caution is advised against overstating the role of food price inflation in bringing about the Arab Spring - which was ultimately driven by dire economic prospects, deepening social inequalities and years of political disenfranchisement - several experts agree on its role as an aggravating factor (see: Werrel & Femia 2013; Johnstone & Mazo, 2013; Maystadt et al., 2014).

The present case study explores the ways in which soaring global food prices have interacted with other risk factors in the MENA region to create conditions ripe for revolt. Furthermore, it places these dynamics in the particular context of food import dependence, which characterises many MENA countries, and discusses past and potential future efforts to reduce MENA countries’ vulnerability to food price fluctuations.

Setting the stage: High vulnerability to food price volatility

The MENA region comprises some of the world’s largest importers of cereals and other basic foodstuffs, accounting for nearly 17% of international wheat imports - some 75 to 88% of which are absorbed by only three countries: Algeria, Egypt and Morocco (UNECA, 2012). Per capita food imports are higher than in any other region and can attain up to 25 or 50% of domestic consumption in some countries (Johnstone & Mazo, 2013).
The reasons for this high dependence on food imports can be seen in low internal production capacities (due to climatic constraints and insufficient irrigation capacities), rapidly growing domestic demand (MENA countries harbour some of the fastest growing populations in the world), as well as several decades of structural adjustment and export-oriented agricultural policies that have impaired local food production capacities (UNECA, 2012; Breisinger et al., 2012; Bush, 2010).

Import dependence, in turn, implies a higher vulnerability to price fluctuations on international food markets occasioned either by restrictive trade policies, financial speculation, changing energy prices or adverse climatic events in major exporting countries (see cases on Global Food Price Shocks and Droughts and the Grain Export Ban in Russia). However, there are important variations in the ability of MENA countries to cushion the local effects of global price changes via a range of measures such as consumer subsidies and selling grains from public stocks. For instance, from 2010 to 2011, Algerian and Tunisian consumers could expect a 0.05 unit increase in domestic food prices for each unit increase in the FAO global food price index, as opposed to a 0.33 unit increase for Egyptian consumers (Cincotta, 2014).

Food prices and the Arab Spring
When international food prices reached record heights at the end of 2010, they met a particularly fragile political situation in a number of MENA countries. Decades of political repression and disenfranchisement had nourished strong social grievances that were further exacerbated by dire jobs prospects - especially among the younger generation - and the failure and apparent unwillingness of governments to fight corruption and attenuate the growing divide between rich and poor (see: Maystadt et al., 2014).

Against this backdrop, food price inflation had a strong destabilising effect. For one part, economically vulnerable households, which spend a higher part of their income on food, were disproportionately affected. This happened despite important subsidies and food distribution programmes (see UNECA, 2012). In Egypt, for instance, where low-income households spend up to 50% of their resources on basic foodstuffs, soaring food prices exacerbated economic pressures on vulnerable households, thereby deepening social inequalities and adding to the urge to replace a corrupt and ineffective government (see case: Food Price Shocks in Egypt).

For the other part, short-term measures to stabilise local prices, strengthen incomes and increase food security led to runaway deficits in public budgets (see: UNECA, 2012), leading, in turn, to major concerns about future cuts in public spending. These concerns were particularly strong among rural producers, which are highly dependent on farm input- and fuel subsidies, as well as among civil servants, which represent a sizeable part of the workforce in many MENA countries (Bteddini, 2012). Thus, instead of fostering political support, emergency measures in some MENA countries had the opposite effect of undermining confidence in political elites. For example, the promise of President Ben Ali to create 300,000 new jobs in reaction to quickly deteriorating living conditions in Tunisia was met with strong scepticism that did little to prevent his eventual fall from power in January 2011 (see case: Food Price Shocks in Tunisia).

In light of the above analysis, food price inflation appears to be an important aggravating factor in the onset of the Arab Spring revolutions. Moreover, the analysis shows that certain MENA countries' high
dependence on cereal imports and, thereby, their vulnerability to price fluctuations on international markets has played an important part in connecting global food price spikes and episodes of social turmoils in several MENA countries. Reducing this vulnerability is, thus, likely to attenuate future security risks and contribute to peace and stability in the region.

Resolution Efforts

Currently, efforts in the MENA region aim at reducing food import dependency and better shielding the region’s countries against the negative effects of global food price spikes. Given the past connection between food price spikes and social turmoil in the MENA region, these policies might not only boost agricultural productivity and increase overall food security, but also yield important benefits in terms of political stability.

Improving domestic food production capacities

Strengthening domestic food production capacities is a possible way to reduce dependence on international markets and thereby increase a country’s resilience to global food price volatility. Indeed, several MENA countries have adopted a number of measures to support local producers (subsidies on fertilisers and seeds, credits, tax exemptions etc.) and encourage investments (e.g. land tenure reforms) (UNECA, 2012). Consequently, national budgets for agriculture have increased considerably, but still remain well below the 10% target defined in the 2003 Maputo Declaration (UNECA, 2012; NEPAD, 2016).

Whilst these measures have the potential to increase food security in the MENA region, they also come with important challenges. Most importantly, the MENA region figures among the world’s zones most vulnerable to the effects of climate change and erratic weather, which can hamper agricultural development (UNECA, 2012; Mabey et al., 2013). Further difficulties arise from scarce water resources and inefficient water delivery infrastructures (see case on Water Scarcity in Egypt). Moreover, agricultural policies that aim to improve food security often encourage unsustainable irrigation practices, which drain local water resources, and can even become a source of conflicts (Mabey et al., 2013; see also case on Local Violence over Water Resources in Yemen).

The success of agricultural reforms in the MENA region will thus not only depend on the ability of MENA countries to attract sufficient investments, but also on their capacity to tackle the technical and institutional challenges of climate adaptation and sustainable resource use.

Protecting local consumers

In response to global food price hikes, a number of MENA countries has also adopted measures to reduce and control domestic prices: Fixed prices for items such as rice, bread, flour, oil and sugar (e.g. in Egypt, Morocco & Mauritania), release of food stocks at subsidised prices (e.g. in Algeria, Tunisia & Lebanon), reduction or suspension of VAT and other taxes on food items (e.g. in Jordan & Morocco), reduction of tariffs and custom fees on cereal imports (e.g. in Mauritania, Morocco & Libya), as well as restricted or banned food exports (e.g. in Egypt & Lebanon) (see Demekel et al., 2011 and UNECA, 2012 for a comprehensive list). In addition, several MENA countries have relied on social safety nets (cash
transfers, ration cards, school feeding programmes etc.) and short-term measures to strengthen incomes and purchasing power (minimum wages, higher salaries for civil servants etc.) (UNECA, 2012).

In some cases, these measures have been successful in providing immediate relief and attenuating political pressures on governments (see case on Food Price Shocks in Morocco). Yet, in the long run, they represent a major burden on public budgets and might have a distorting effect on domestic production and prices (UNECA, 2012). Furthermore, they risk being prone to corruption and ineffective in targeting particularly vulnerable groups, thereby increasing social inequalities and associated grievances (see Brinkman & Hendrix, 2011). Most importantly, subsidies are also likely to generate new expectations which might prove very difficult to remove later on, without provoking major protests and possibly social turmoil (Rüttinger et al., 2015:42f). Their use as a short-term stabilisation measure thus bears certain long-term risks that MENA countries eventually will need to address.

Reducing trade barriers
In addition to the above strategies, there is scope for mitigating global food price fluctuations caused by trade restrictions in major exporting countries. In the wake of recent shortages in global food production, major cereal exporters such as Russia have imposed export bans to compensate for domestic production shortfalls (see Drought and Grain Export Ban in Russia and Global Food Price Shocks). While the relative importance of these measures in bringing about the global food price spikes observed in 2007/2008 and 2010/2011 is open to debate, experts generally agree that they had at least an amplifying effect on other factors, such as climate-related production shortfalls, increased demand, high fuel prices, and the global expansion of biofuel production (ICTSD, 2014; Sharma, 2011).

Multilateral mechanisms, such as the General Agreement on Tariffs and Trade (GATT) offer only limited possibilities for regulating export restrictions (Headey & Fan, 2010). Currently, bans and other quantitative restrictions are prohibited, but ‘temporary’ exceptions can be made in the case of ‘critical shortages of foodstuffs or other products essential to the exporting contracting party’ (GATT Article XI), while the key terms ‘temporary’, ‘critical shortages’ and ‘foodstuffs’ are not specified further. In addition, exporting countries still have the possibility to emulate the effect of a ban by imposing very high taxes on exports, leaving ample leeway to avoid current restrictions (Sharma, 2011; ICTSD, 2014).

Several proposals have been made to strengthen multilateral provisions on export restrictions and thereby create safer and more predictable conditions for food importing countries. In November 2011, the net food importing developing countries (NFIDCs) and some of the least developed countries (LDCs) called for rules to exempt purchases of LDCs and NFIDCs from export restrictions (ICTSD, 2014; Anania, 2013). Similarly, Japan, Switzerland, Korea and the USA have called for the removal or at least a stricter regulation of export restrictions in the past (Sharma, 2011).

In recent years, however, the discussion has moved away from removing export restrictions and focusses instead on better defining key terms in multilateral agreements, tightening requirements for applying emergency export restrictions, improving notification and consultations processes and taking due consideration of the food security concerns of food importing countries (Sharma, 2011; ICTSD, 2014).
Another option consists in furthering and strengthening regional or bilateral trade agreements, in which food exporting countries commit to take greater account of the needs of food importing countries (see ICTSD, 2014).

**Outward looking policies**

Finally, a number of MENA countries have embarked on ambitious projects to outsource their food production. Companies from Egypt, Israel, Lebanon and the Arab Gulf Countries have acquired vast swathes of agricultural land in Africa and Asia (see Land Matrix, 2016). Although such deals have the potential to increase overall food production capacities by shifting cultivation to countries with more favourable climatic conditions, they also bear important social and environmental risks. For instance, a number of large-scale land acquisitions by foreign investors have been related to forced evictions of local communities and human rights abuses in target countries (see case on ‘Off Shore’ Land Acquisitions). Furthermore, they create important dependencies between investing and producing countries, which require the ability of both parties to make credible commitments.

If such a system is to work effectively, it will require additional efforts in improving transnational cooperation and building strong institutional mechanisms that a) avoid harmful social and environmental effects in target countries and b) are able to manage conflicts and build trust between interdependent countries (see Margulis et al., 2013; World Bank & UNCTAD, 2014, 2015).

In addition to off-shore production opportunities, there is also huge potential for increased regional cooperation in the extended MENA region. Intra-regional trade could be further developed to capitalise on comparative advantages and reduce the costs of imported food. Currently, the Arab League is focussing on this domain with the long-term goal to build a region-wide customs union (IFPRI, 2016). Moreover, a number of MENA countries have committed to increase cooperative efforts in the domains of agricultural research, sustainable resource management and access to agricultural markets and investments (UNECA, 2012). The cooperative management of transboundary water resources remains a major challenge, however (see cases: Dispute over Water in the Nile Basin, Conflict over the Euphrates-Tigris and Yarmouk River: Tensions and cooperation between Syria and Jordan).
### Intensities & Influences

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### Resolution Success

#### Reduction in geographical scope
The geographical scope of the conflict has decreased.

#### Grievance Resolution
Grievances have been partially addressed.

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Entry Points for Resilience and Peace Building

**Cooperation**
The Arab League has the long term goal of building a region-wide customs union. Intra-regional trade could be developed to capitalise on comparative advantages and reduce the costs of imported food.

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**Reducing dependence on specific supplies**
Several MENA countries have adopted a number of measures to support local producers and encourage investments in an effort to increase domestic food production capacities and reduce dependence on international markets. Furthermore, a number of MENA countries have shifted cultivation to countries with more favourable climatic conditions in order to increase overall food production capacities.

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**Containing (effects of) price volatility**
A number of MENA countries have adopted measures to reduce and control domestic prices, such as subsidies, and the reduction of taxes, tariffs and custom fees on food items. While these measures provide immediate relief, their use is unsustainable and bears certain long-term risks that MENA countries eventually will need to address.

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**Reducing trade barriers**
Several proposals have been made to strengthen multilateral provisions on export restrictions and thereby create safer and more predictable conditions for food importing countries.

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**Coping with uncertainty**
The success of agricultural reforms in the MENA region will depend on their capacity to tackle the technical and institutional challenges of climate adaptation and sustainable resource use.

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Resources and Materials

Conflict References
- Food Price Inflation and Revolt in Tunisia
- Syrian Civil War: The Role of Climate Change
- Food Price Shocks in Egypt
- Global Food Price Shocks
- Droughts and the Grain Export Ban in Russia
- Security Implications of Growing Water Scarcity in Egypt
- Local Violence over Water Resources in Yemen
Food Price Shocks in Morocco
Off Shore' Land Acquisitions and their Implications for Fragility
Dispute over Water in the Nile Basin
Turkey, Syria and Iraq: Conflict over the Euphrates-Tigris
Yarmouk River: Tensions and cooperation between Syria and Jordan

References with URL