

# Growth Spillovers for the MENA Region: Geography, Institutions or Trade?

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## **Abstract**

In this paper, we examine the role of spatial spillovers in economic growth for the Middle East and North Africa (MENA) region. We explicitly model spatial interactions that may arise from geography, bilateral trade, or institutional similarities and ask how much they are likely to matter for growth externalities and spillover effects. We find evidence for spatial dependence for the MENA countries in our estimates of the standard growth model. Our results further indicate that the economic growth of a MENA country is positively affected by the economic growth of countries that are geographically close and that have similar institutional characteristics. The spillover effects of growth are due to economic activities in countries that trade primarily in oil, which accounts for the gap in spillovers effects due to institutional similarity between resource-rich and resource-poor countries in the MENA region. However, trade linkages matter less. Where they do have an effect, it is through the local range effects of a spatially lagged explanatory variable capturing the effects of the trade balance rather than through the spatial multiplier effects of growth among a country's trade partners.