Economic development strategies in the middle east essay sample

Business, Strategy

Introduction

Economic development stands for sustained and effective actions of communities and policy makers that promote good standards of living and quality economic health of a specific region. Quantitative and qualitative changes in the economy also define economic development of a place. Any nation aiming at achieving an effective economic development must come up with a strategic plan that caters for the economical and social well-being of the citizens. Development forms one of the fundamental pillars that promote the economy of the nation. Development takes place in many aspects and various factors influence the development of the country. The location, types of economic activities, political stability, and the state of the security are among the most essential factors that influence the development of the region. Coming up with effective economic development strategies assists in eliminating many economic problems and issues experienced by the nation.

Middle East is one of the most affected areas by economic development issues. Middle East composes of countries like Egypt, Turkey, Iran, Saudi Arabia, Iraq, Yemen, Syria, Israel, Palestine, Lebanon, Oman, and Morocco among many others. According to Center for Strategic and International Studies, Middle East governments face diverse challenges that contribute to the poor economic development. The economic development strategies adopted by counties in Middle East vary, but not a single strategy has addressed the economic challenges experienced in some countries such as Morocco and Egypt. Egypt and Morocco face many economic challenges because they lack a working economic development strategy that would improve their economic state and rank them as the most developed nations in Middle East. The following paper provides an analysis of the best strategy that suits Egypt and Morocco in terms of boosting their economic development and growth.

The past economic status of Egypt and Morocco

Before 1950, Middle East member countries experienced the least economic development rates in the world. Egypt best illustrates the above phenomena because it formed the most modernized and popular nation among in the Arab world during that era. In the twentieth century, the country's per capita income remained constant. The country lacked essential economic boosters that could increase government revenues, and relied more on cotton export. The poor economic status of Egypt resulted into high morbidity and mortality rates, high rates of borrowing from the World Bank, and decrease in the Gross Domestic Product (GDP) levels (Yousef 91). Morocco, considered as the liberal economy in Middle East, has an economy governed by the law of supply and demand. The country follows the policy of privatization of economic sectors that earns more revenues for the government. The current economic development strategies adopted by Morocco do not solve the challenges of the modern economy and requires some adjustments in order to improve its GDP levels.

After the World War II, most countries in Middle East improved their economies because of the presence of similar economic and social policies that promoted economic development. Countries relied on state planning as the major determinant of economic priorities, adopted import-substitution industrialization policies, implemented the agrarian revolution and improvement of government and private institutions for development (Yousef 92). Even with the implementation of tough policies that promoted the development, the economic growth of some countries in Middle East still faces major challenges. Countries like Egypt and Morocco lack essential economic reforms that encourage practices such as corruption that lowers economic development of the nation. In addition, the countries lack democracy that interferes with their political stability. Currently, Egypt prepares for the democratic elections, while Morocco has introduced a democratic system of governance different from the past monarchy system (O’Sullivan, Rey, and Mendez 1).

Economic development policies in Middle East (Egypt and Morocco)

Middle East member nations came up with many policies that aimed at improving the economic status of each country. The recommended policies concerned many issues including the unemployment, trade, agriculture, and political nature of countries. Politics and economy raised a lot of concern in the Middle East and North Africa (MENA) status conference. The member needed freedom from political and economic problems characterized by the corrupt and authoritarian regimes in Egypt. In addition, the monarchy form of government practiced in Morocco never paved way for any economic development because of constant quarrels for leadership. The challenges facing the Middle East nations seem common and structural calling for a common solution only achieved through a comprehensive and coordinated strategy. The strategy should incorporate the governments, the international communities, civil societies, and the private sector (O'Sullivan, Rey, and Mendez 2).

Economic policy in Egypt

The Egyptian government developed several policy measures in an effort to encourage economic development and boost growth. The country established a foreign exchange market-based system aimed at eliminating the black market. The country has suffered loss of revenues from the black market operated by corrupt government officials who made huge persona gains from the sector. The trade policy adopted rescued the number of tariff bands and encouraged productivity through an open and transparent government. In addition, the parliament passed a new income tax law that abolished progressive taxation and introduced personal income tax rate of 20 percent. The law eliminated many tax dens and made the government correct more revenues from the public. In addition, the government increased the rate of privatization. Most state-owned companies and financial institutions were privatized, a move that encouraged more productivity and investment in the business sector, and also led to the creation of more employment opportunities. The new policy made the Egypt's GDP growth rate increase by 6 percent in the year 2003/2004. The data corrected in2007 indicated a 7 percent GDP growth rate (Abdel-Khelek 8).

The economic policy of morocco

The annual economic growth of morocco since 1990 averages 4 percent. Internal demands and dependence acts as the major economic drivers in

Morocco. The country has depended on investment as the source of economic growth through various economic policies that promote trade and productivity in both private and public sectors. The major economic boosters in morocco are agriculture, manufacturing, and construction services. The frequent fluctuations in GDP experienced in Morocco because of changes in demand require a policy implementation process. The government developed the economic policy framework improves supply factors such as quality labor force, technological improvement, and increased production efficiency. The government of Morocco had struggled implementing the above policy in order to boost its economic growth and win a competitive advantage in Africa and the rest of the world (O'Sullivan, Rey, and Mendez 10-11).

The economic development strategy most suited for Egypt and Morocco derived from the above policies

Egypt and Morocco are among the most poorly developed countries in the Middle East. The two countries experience a lot of challenges in managing the political and economical settings. The economic policy frameworks described above requires some actions in order for them to work effectively. The following strategy derived from the policies acts as the best solution for Egypt and Morocco in terms of economic development.

Morocco and Egypt should generate a dynamic and competitive environment that deals with social and political challenges in order to promote a developed economy. In addition, the strategy would make the two ranked among the most development countries in Middle East and the rest of the world (Morsy 1). The two countries should implement excellent export led-growth strategy that allows easier export of products to other regions of the country. The social and political instability experienced by the two countries in 2011 acts as the best starting point for establishing a stable economy. The two governments should identify gaps and obstacles that led to the 2011 crisis and use them to implement an effective economic development strategy. Increasing productivity and moving up the value chain would be the best strategy to high economic development in Egypt and Morocco. The governments should create a prevailing environment in their respective nations that promote sustained job creation and improving the private sector. The implementation of this strategy would only take place through the formation of a strong regulatory framework supported by the politics of both countries.

Export led-growth strategies require a perfect coordination between the trading companies and the status of the exporting country matters a lot. The countries should create an environment where productive activities can thrive and increase the diversity of trade between the associated countries. In addition, the private sector contributes a lot to the revenue of the nation. Encouraging productivity in the private sector makes Egypt and Morocco better placed in terms of international trade-businesses, and the move would ensure higher economic development through foreign exchange. An increased productivity and improved value chain expose the underlying market structures and market-supporting institutions that create a sustainable development and growth. The idea of increasing productivity and moving up the value chain helps in the implementation of reforms introduced by the Middle East and North Africa member countries. The reforms concentrated on the following major sectors, fiscal and monetary policies, private and public sectors, trade policy, labor market policies, and business environment (Abdel-Khalek 2).

Reasons for selecting the strategy

No country develops through producing the same product all year round and achieves a high economic growth. Change signifies development and as such, a country must change from the usual mode of productivity and adopt a new and more advanced model. The world grows exponentially and technology gives way for innovations at the dawn of every day. New economic activities that increase the level of a country's growth and achieve higher wages help in the economic development of the nation. Countries should upgrade their production and exports through adopting new and diversified strategies always grow faster. Improved production and export activities help in the structural transformation of the country's economy. Egypt and Morocco had in the past managed to sustain their economic growth and narrow the gap with other developed countries like the United States and Japan. Lack of relative improvement of their economic positions in terms of income per capita led to the stagnation of these economies.

The political instability experienced in the two nations contributes to their poor economic development. Egypt continues to experience problems related to leadership and security because it lacks a stable and democratic political background. The unstable nature of the country's economy forced resignation of the former President, Hosni Mubarak, in 2011 and handed over the government to the military. The military promised to make the country stable and work towards promoting economic development. The violence experienced in Egypt led to a big economic loss, and the government had to plan new ways of renovating the fading agricultural sector. The productivity and supply chain strategy that encourages more production and export, and utilization of private sectors would help improve the economic state of Egypt in the future. In addition, the rule by Arabs in Egypt changed the political dynamics of the nations that had a significant effect to the whole Middle East region. The stable government boosts productivity when outputs return to normal levels (ICAEW 2).

Other factors such as low employment rates and compared to the share of the working age and poor compensation rates for the working population also contributes to the observed stagnated growth. Figure 1 shows the growth rate of income per capita for different countries in Middle East including Egypt and Morocco between 1984 and 2009. The figure shows that Egypt experienced a low economic growth because the per capita income grew from 82 to 90. On the other hand, Morocco experienced a descending growth rate because it started with 97 in 1984 and ended up with 83 in 2009. Low level of workers per capita affects the GDP of a country. For a nation to develop economically, it must provide constant or increased productivity per worker by achieving an average employment ratio, like the one experienced in Latin America. A structural transformation takes place when a country expands its employment rates without reducing average productivity and wages (African Development Bank 17-19).

Figure 1: Income per capita ranking (Source: African Development Bank 2012).

A review of the literature of Morocco export growth since 1956 proves another reason for recommending the above strategy. Morocco had adopted a restrictive import-substitution industrial strategy in an effort to promote industrial development. The adopted policies contributed to the deterioration of the country's macro-economic environment leading to high inflation rates, high borrowing rates, and budget deficit. The geographical position of Morocco calls for the government to implement strategies that foster more exports through encouraging trade agreements. The country has not achieved her full trade potential because of the constant political problems. Establishing a stable government, like the current government under the leadership of King Abdelilah Benkirane, plays a major role in encouraging productivity and supply chain through high export promotion. The strategy also seeks to cool the political tension among the citizens and make them concentrate more on nation building activities such as agriculture and other economic activities that promote economic development.

Conclusion

The discussion shows that most countries in Middle East face a number of challenges that hinder them from achieving high economic growths. The major hindrances to economic growth include poor productivity, high unemployment rates, political instability, poor governance, and poor implementation of development policies. The discussion proposes the strategy of increasing productivity and moving up the value chain. The main trade areas focused by this strategy include improvement of the private sectors, developing a democratic state, and technological advancements.

The recommendations provided on this paper helps any other country facing similar challenges as Egypt and Morocco.

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