

# FOUR SCENARIOS FOR THE FUTURE OF DEVELOPMENT IN THE ARAB COUNTRIES

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## ABSTRACT

*Integrated development lies, in the issue of the abandonment of scientists and development researchers since the beginning of the ninth decade of the twentieth century, due to the expansion of spaces of globalization and the deepening of the phenomenon of horizontal integration with the capitalist world. This led to the deepening of the dependency of the developing countries to the major industrial countries, as a result of unequal exchange on the one hand, and high-impact and costly technological progress on the other hand. Therefore, our research comes as an attempt to shed light on this "paradox", especially for Arab countries that are united by similar conditions, homogeneous development, the abundance of diverse and renewable natural and human resources, based on the hypothesis that: "Arab countries cannot separately achieve real development. Even if the decision-makers are misleading in them. An emergency wealth, or an artificial prosperity, as their economies will remain a "foam" without roots, in analyzing this topic, we followed the method of "logical dialogue" through five scenarios, all of which revealed to us the validity of the hypothesis of correlation between integration and development. The most prominent results that we concluded were that investment rotation between Arab countries is more profitable and less risky than its counterpart with the major industrial countries. Therefore, it is focused on collectively improving the Arab investment environment. As well as choosing investment opportunities that enhances the real economy in the Arab world.*

**Keywords:** Development, Investment Opportunities, Arab Countries, Future Scenarios

## INTRODUCTION

The Arab development was the chant of the 1960s, the base of Arab joint economic activities of the 1970s until the beginning of the 1990s, and the dream of marginalized people until now (Mashinini, 2020).

Is there really an Arab development? What are its specifications? Its achievements? In addition, its effects on people and countries?

How did it begin? Who did lead it? In addition, where did it reach with all that resources had been spent?

The prevalence of high standards of living in some Arab countries raises problems of understanding, misguided judgment, and a mindset that calls for a return to logical reasoning to distinguish the reality of phenomena from their changing manifestations.

In our study, we have taken an inductive reasoning approach to provide a database on the problem and analyzing its development paths to draw estimates for the future of Arab development Open Oil website. (n.d).

### First: The Philosophy of Development and its Issues in Economic Thought

The underdevelopment of third world countries, a contrast equivalent to the phenomenon of development, did not get attention until after the Second World War. Since then, the ideas have been quarrelling together, and there is no opinion that is not broken by some other one. (1) The concepts have mixed, and the true concept of development has disappeared and replaced by

others that are related to development but not fully alternative. Then, we have three terms each used as an objective equivalent of the other:

- 1) Economic growth, which developments almost agree to as an increase in national income regardless of the source of this increase, that is, a purely quantitative phenomenon that does not lead to or require any qualitative changes.
- 2) Modernization, which means the renewal of the social, administrative and political structures of society that are most, required for the success of economic evolution programs. The supporters of this trend believe that underdevelopment is not an economic issue, but it is a purely socio-cultural issue, embodied in the form of structural imbalances. Parsons, a sociologist, believes that underdeveloped societies are characterized by efficiency and achievement are not the criterion of access to social status or political position, but represented by family, ethnic, tribal, sectarian affiliation, and personal loyalties. The sons inherit role, money, wealth and prestige from their families.
- 3) Social custom, with its patronage, regulates social life and governs instead of law and general social behavior. In underdeveloped countries, emotional motives, rather than rationality, are the drivers of attitudes and pattern of thinking, as well as those countries lack the required level of functional specialization. Therefore, roles overlap and intertwine, thus depriving society of the benefits of the social division of labor. It is this complex social picture that imposes the requirement of modernization as a necessary introduction to the achievement of qualitative transformation processes.
- 4) The Development: The development means comprehensive renaissance and so it is the end of the road and not just one of its sequence stations. As so; development is the result not cause where the civilized communities are that which achieve indicators of growth and maturity determined by human society. In short; the development is a long term; comprehensive process and radical change of reality that represents ahistorical formulation implying both growth and modernization, without necessarily yielding them inevitably.

## **Second: The Reality of Arab Development**

The discussion about (Arab development) should be linked to the special relationship that linked most of the Arab countries to the centers of global capitalism in the industrialized West.

This relationship is characterized as a containment relationship that left room for independent development in the Arab world. This is illustrated by the following economic indicators:

### **The Economic Exposure**

The ratio of Arab trade to GDP has exceeded the safe limits of any economy attempting to secure a reasonable degree of self-reliance.

The rates of Arab economic exposure ranged from (52%) in 1997, (82 %) in 2011, and (68 %) in 2019 compared to (25 %) in United States, (19 %) in Japan and (17.2 %) in European Union.

This indicates that the Arabs are producing for foreign markets and importing their needs from these markets as well. Thus, the Arab economy depends on effective international economic forces and becomes a reflection of its cyclical trade crises.

### **The Geographical Concentration of Arab Trade**

The inter-exports have reached the highest rate (10.7%) in 2009 and decreased to (8%) in 2011 and returned to rise to (13%) in 2019, which is lower than that of the European Union (36.8%) in 2003 and decreased to (13%) in 2019 for reasons related to development in the economies of European Union countries, the most important of which is the rationalization of fossil fuel consumption and development of local alternatives (Norway and Britain) of Arab oil.

The Arab export markets can be arranged according to their importance: European, American, and Japanese and South-East Asian market.

As for imports, however, their inter-levels did not exceed (13.7%) in 2005 and fell to (13.5%) in 2019, while they reached % (50) and more in some years from united states and European union together. This confirms the reality from which we derived our analysis of this subject, namely, that Arab economic development has remained a prisoner of its historic European - American political framework. The Arab countries have not been able to break the link with this framework for reasons of will structural imbalances, as a result of reliance on the growth of centre capitalism economies. These imbalances can be explained as follow:

### **Unilateralism and Duality**

The Arab economies are considered heterogeneous and not integrated, and can be distinguished within them between two sectors, one of which is technically and administratively developed, directly linked to the external market, where the local economy absorbs little of its products, so it is the main source of foreign currency for Arab economies, and any imbalance in its performance or its growth trends would be reflected on economic activity as a whole. This sector is the fuel and minerals sector.

As George Kurume says in this regard (The Arab economies are all characterized by varying degrees of dependence on different rental sources, mainly export of raw materials, particularly oil, gas, phosphate, and other agricultural products, in addition to rents of real estates and those belonging to the ways of transportation, as well as foreign aid and expatriate remittances).

A look at the structure of Arab exports and imports confirms the creditability of this description. The goods of the rental sector in Arab exports structure represented (82.9%) in 1996, decreased to (74.6%) in 2019; due to decreasing in oil exports. This abnormal situation is offset by the dominance of manufacturing products on the structure of Arab imports were reached (62.9%) in 1996, increased to (64%) in 2019.

- a) The low contribution of the vital population in economic activity As a result of high rates of population growth which reflect the high fertility rate, accompanied by a rapid decline in mortality, which led to the expansion of the young base of the population, and the proportion of those under the age of 15 amounted to 35%, while the economically active category (15-65 ) year amounted to 35% of the total Arab population, decreased to 33% in 2019, compared to 62.15% for worldwide and 70% for eastern Asia.
- b) The spread of unemployment which it's rate reached % 17.4 of the total workforce in 2013 and fell to 11.4% in 2019, compared to 5.7% at the international level.

### **Weakness of Women Contribution to Economic Activity**

Because of prejudice against women's work, as a result of an inherent impressionist culture revolves around an artificial conviction that women have less intellectual, Psychological, and muscular competence than men, therefore, competition for limited jobs is already in the interest of men at the expense of women. Thus, the proportion of working women out of the total labor force did not exceed (12%) in 1990 and rose to (29%) in 2010 and then dropped to (26%) in 2019, which is the lowest at the global level.

The prevalence of chronic poverty in most of the Arab countries as a result of the uneven distribution of rental wealth between these countries, the unbalanced growth of their economies, and the relative limitation of their gross domestic product with its disproportionate to population growth rates, but even in some years the Arab gross domestic product was less than the population growth rate. For example, the growth rate of Arab GDP was 1.8% in 2002 compared with a population growth rate of 3.2 %, and in 2011 the rates were equal to 2.4% each.

The high rates of poverty in an area rich in natural and human resources are due in large part to the dependency of rates of flow of financial returns on external changes such as oil prices, rainfall levels, tourism revenues, remittances, and foreign aid. These changes, then, make the GDP growth rate very volatile. In addition, studies indicate that the migration of (450

thousand brains from Arab countries cost them more than (200) billion dollar, with the very low level of expenditure on research and development and the absence of a national system to support innovation.

The analysis of the poverty problem at the macro level- conceals disparities at the level of each country. The average per capita income in a small country such as Qatar is (68.721) dollar at a rate of growth of 25% per year, while it does not exceed (3734) dollar in the largest Arab country like Egypt, with an annual growth rate not exceeding %(5.5).

This disparity has strengthened the tendency of alienation and isolation in the rich small countries and has generated among its citizens and leaders the conviction of dispensing with the integration of the Arab world and promoting the path of joint economic activity within its larger framework.

## The Structural Imbalances

The structural imbalances can be summarized as follow

- The rental sector has the largest share in GDP, where its contribution increased from 35.5% in 1990 to 71 % in 2019, as well as the low percentage contribution of the manufacturing industry of 12.5% from 1990 to 1.5% only in 2019. As for the services sector, despite its high contribution rate, it is a non-productive sector, dominated by the functional and governmental nature, and disguised unemployment.
- The dominance of consumer spending on the Arab economic structure, which reached 76.8% in 1990, stabilized at 59.3% in 2011, compared to 23.5 for investment spending.
- The increase in the proportion of workers in the rental sector despite its limited production capacity, amounting to 28.9% in 1995, then 33.6% in 2011, rose to 61.9% in 2019.
- Human development indicators (education, health, average income) are lower than those of the developed and medium-developed international economic blocs.

The Human Development Index (HDI) in the Arab countries has reached 0.65 in 2012 compared to 0.9 for countries with very high human development, 0.75 for high development countries, and 0.74 for Latin American and Caribbean countries, which are emerging countries still suffer the legacy of troubled past with ethnic and political conflicts and dependent economic growth.

According to HDI, the average years of schooling in the Arab world drop to a lower level even than the poor countries with moderate growth, 6 years compared to 6.3 years, and the same applies to average per capita income, 10.6 compared to 11.5 thousand dollars a year in countries of Latin America.

In sum, the consequences of the dependent and distorted economic growth pattern in the Arab countries can be arranged according to their importance and seriousness as follows:

- 1) The profound disparity in the allocation of material and human wealth among the Arab countries, and the different rates of growth that hinder their sincere and urgent drive towards integration as it is the cornerstone of development, as well as the division of Arab societies into two groups, one small and rich, and the other representing the majority that is poor and burdened with its economic problems.
- 2) Serious structural imbalances at the economic and social levels.
- 3) Absolute dependence on capitalist centers at all levels (commercial, scientific and technical).
- 4) The industrial default that kept the Arab countries in the circle of underdeveloped countries because industrialization is the essence of real economic growth and without achieving it, these countries cannot reach the stage of a new industrial nation.
- 5) It is difficult to draw long-term growth paths in the Arab countries because they depend on proceeds of exporting one or two raw commodities to finance their budgets as well as because of instability of raw materials in international markets.
- 6) The worsening of Arab foreign debt crisis as the value of the debt increased from 143.8 billion dollars in 2000 to 210 billion dollars in 2019, equivalent to 22.6% of the gross domestic product.

Ironically, the cash reserves for a limited range of Arab countries in foreign banks, which are much more than Arab debt, amounted to 102.7 billion dollars in 2000 and doubled to reach 1.194 trillion dollars in 2019.

The worsening of Arab debt can be explained, especially in countries with enough rental resources, by the following reasons:

- a) The pointless wars that have flared up in the region, starting from the Iran-Iraq war in 1980, passing through the second gulf war in 1991, and ending with the occupation of the U.S of Iraq in 2003, and the financial resources wasted in these wars and productive assets that were destroyed.
- b) -The exaggerated consumer spending because of the ability to access cheap international credit, which leads to higher interest rates when nature resources prices fall, thereby increasing the burden of debt service to reach 16.6 billion by 2019. As many international economic studies confirm, there is a strong correlation between oil exports and the flow of foreign debt to oil-exporting countries.

This has been the result of weak public control over how to dispose of scarce and depleted national resources and over the aspects of spending the revenues of exporting those resources.

These countries have fallen victim to the “curse of resources” which according to Terry Lynn “makes rulers non-accountable, where they would be outside the scope of accountability because resource revenues let them avoiding tax increases to provide welfare and social services, as state institutions are weakened because they don’t develop through the criteria of merit “.

These are the results of what called “Arab development march “for nearly a century, in which the Brazilian economist Furtado is described as “a development for under development”

**Third: Possible Scenarios for Arab Development:** Scenarios are an attempt to find out the future of the phenomenon under study and the consequences of its development, within the framework of two interrelated approaches

- 1) Permanence, that is, no interruption of the activity for which it needs the continued flow of the outputs of the economic process.
- 2) The harmony between the subjective and objective conditions that constitute the economic environment for the growth of the phenomenon, even if the will of the Arab elites and the self-capacities of the Arab economy is available, the external factor will remain active and influential.

With regard to the contexts of economic growth in the Arab countries, four scenarios can be put forward, each with its own conditions and results

### **The First Scenario: The Turning Inward and Retreat Scenario, which Entails**

- a) Disengagement with international capital centers, both in terms of trade and investment, and this not possible not realistic in the short and medium term.
- b) The collective bloc, namely, the activation of mechanisms of joint Arab economic action, with is necessary in any case, but its obstacles lie in the difficulty of adoption by the ruling elites that controlling the keys of Arab economy (trade, finance, investment). However, the realization of this scene involves substantial risks such as:
  - 1) Losing advantages of openness and interaction in a world that is rapidly developing in the fields of science and technology. Natural resources and physical capital are no longer the vital energy of economic development but the human being has become the productive force whose preparation and qualifying of talents require real interaction with those who possess talent, knowledge, and art of management.
  - 2) The decline in the level of welfare and a change in its content compared to the habit of the population of the region because changing the paths of development requires in the beginning to reconsider the patterns of production and consumption, that is, the shift from the initial production to industrial and scientific activity.

On the other hand, welfare does not mean flooding the markets with luxury drinks, frozen foods and setting up institutions, that society does not need in its current development stage.

This policy, if achieved, will lead to exceeding the threshold of under development by addressing its pillars of unilateralism, duplication, and structural imbalances that we mentioned above.

### **The Second Scenario**

The scene of horizontal integration with western economies, despite some negative aspect reflected by the historical experience, which requires the following:

Developing certain areas in which Arabs have comparative advantages because the simulation of other countries in their successes without studying the secrets of their experiences make us flounder like the blinds in the middle of extreme darkness.

The countries of Southeast Asia, presented by many economists as proof for the possibility of development with dependency, have provided their competitive advantages before opening up to the international market, which is cheap, skilled and active labor with smart, dynamic and interactive business class supported by a harmonious political class worked on the base of the needs of its society. 2-The success of openness requires a homogeneity between the responsible parties, especially at the political level.

The economic relations represent the material basis of international relations, which are managed according to a political perspective.

If the Arabs are integrated with the centre of western democracy, which has become the doctrine of this era, they must be democratic to ensure the preservation of their interests through the activation of popular control, transparency, and the principle of parity in dealing with other international parties.

### **The Adoption of the Strategy above could lead to**

#### **The Loss of Identity**

Culture, politics and economics can be considered as one package. On the other hand, the philosophy of the western economy is that “the ultimate goal of production is consumption” which is not only an economic system but also a radical change in the behavior of the state and its citizens to achieve the economic interests of the country.

### **The Distorted and Contradictory Growth of the Arab Economies**

While the west has surpassed the first industrial revolution and reached the third industrial revolution (information technology and space industries), the Arabs have remained at the borders of the first industrial revolution. Thus, the cultural gap has doubled and the phenomenon of underdevelopment has increased.

On the other hand, the only advantage of this strategy is to identify and remind the Arabs of their retardation and dependence, which may be an incentive for them to search for real treatments to get rid of the dilemma of under development.

### **The Third Scenario**

This scene is represented by the economic openness under the terms of the world trade organization (WTO), which seeks to revive the principle of free international trade.

In this case, the Arab countries will be facing different economic blocs in terms of the degree of development and strength of their economy, so that their economy cannot be

compared to Arab countries bloc, especially for the major trading blocs, which can be classified into:

- 1) The block of advanced industrial centers (America, Europe, and Japan).
- 2) The block of industrialized countries with self-propelled power and vast national markets (China, India, and Russia).
- 3) The bloc of new industrial countries whose success depended mainly on opening up international markets to their cheap and diverse goods (southeast Asia, Brazil).

The end result of unrestricted opening up to such a world is either the subjection of the Arab dependency of the old colonial powers or dependent on the new secondary centers.

### **The Fourth Scenario**

This scene is a mix between openness and the programmed dealing with the outside world.

The Arab countries can achieve that by building a strategy based on the following pillars:

- 1) Building an Arab economic space through which the private sector can operate in accordance with the incentives and objectives of individual initiative.
- 2) The balanced between the international, regional and Arab dimensions in economic relations. It is necessary not to be a compliment in the choice of economic partners or to prefer political factors in drawing the paths of national economic relations with the international or regional context at the expense of Arab space.
- 3) The development of an economic plan that includes projects commensurate with the comparative advantages of each Arab country, and then offer that projects to international and Arab investment to be implemented according to the economic standards recognized in the world.

### **Adopting such a Strategy can Achieve the following Benefits**

- a) The Arab funds are reinvested within the Arab entity, especially since profit rates in the Arab countries are high than those in developed countries because their economies are still young and need a long period to mature.
- b) Automatic integration between the Arab economies, because spontaneous and unplanned development is completed at faster rates when providing the conditions of its continuity and sustainability. Also, because of the obstacles placed in front of the planned development and concerns that hinder the achievement of its find results.
- c) Preserving the Arab identity, which has been weakened by a number of political, economic, and social factors.

## **CONCLUSION**

First – in the context of globalization, it is not possible for any country to grow and develop outside the unified world through its institutions of the united nation, the world trade organization, the international monetary Fund and the world bank with their policies aimed at integrating the international economic entities in one international market.

Second – The major centers (United States, European Union, Japan, Russia, China) and the secondary (India, South Korea, Brazil) enter the fourth industrial revolution stage, while the countries are still in the stage of first industrial revolution under their current development approach based on vertical integration with the western world. The economies of the Arab countries, if they continue to be rental, will remain merely subordinate to secondary economic centers.

Third – The joint Arab economic action is the real engine of growth, supporting the weak Arab economies against the dangers of external indebtedness, and the decline in economic growth which resulting increases in poverty.

Fourth – Industry is the first link in the series of comprehensive cultural transformation. S, we cannot talk about real economic growth without achieving increasing and steady rates of manufacturing.

Fifth – The concentration of natural resources (oil and gas) in a few Arab countries formed an obstacle to horizontal integration in the Arab world and imposed the option of vertical integration with the western industrial world. Therefore, the reinvestment of oil money surpluses in Arab countries rich with human capital to achieve the goal of diversifying income and correcting structural imbalances is an appropriate path to rebalance the economic relations between Arab countries and a starting point for economic progression and comprehensive development.

## RECOMMENDATIONS

- 1) Proceed to localize the industry in the Arab world, building on an economic basis and not on any other basis. This can be done by combining (manufacturing for export) policy for the natural resources, such as the petrochemical industry and the oil derivative industry, etc. and (imports substitution) policy to compensate for the consumer and productive goods that plunged Arab markets.
- 2) Reviving the path of joint Arab economic action and overcoming the complex of exceptions in intra- Arab trade through a special fund for compensations.
- 3) Lifting the restrictions on the movement of the Arab labour force, whether legal or political, to absorb the migratory Arab minds as well as the cheap labour.
- 4) The rationalization of excessive consumption for unnecessary goods, and rationalization of production pattern by restructuring the productive entities, disposing of inefficient entities, and achieving integration or at least coordination between homogeneous institutions.
- 5) The establishment of Arab customs, similar to other economic blocs, to reduce the competitiveness of foreign goods in the Arab markets.

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