

**The most important obstacles to economic development  
in the Arab countries**

Prof. Dr. Moustafa El-Abdallah Al Kafri

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## **The most important obstacles to economic development in the Arab countries**

Prof. Dr. Moustafa El-Abdallah Al Kafri

When developing countries begin to experiment with building the national economy, they face two forms of economic construction experience in developed countries: the capitalist system based on a free economy and the socialist system based on a planned economy. When developing countries try to choose a method for the process of socio-economic development and building the national economy, they must pay attention to the process of their peoples' interaction with this approach. Mobilizing all energies in its battle against backwardness and achieving the highest pace of growth in it.

Colonialism, in its new and old forms, remains responsible for the state of socio-economic backwardness in the Arab countries. The Arab countries will not be able to get out of this situation except by using the available local natural resources to increase the amount of goods and services they produce in order to meet the needs of their citizens. This is the required economic development.

Comprehensive development in the Arab world faces a number of problems and difficulties, the most important of which are:

- The high rate of population growth in the Arab countries.
- The shortage of national cadres.
- Dependency and the importance of the oil sector.
- The disparity in the level of socio-economic development.
- Low level of savings and capital accumulation.
- Fragmentation and impeding development in the Arab world.

Arranging these difficulties in order of importance may not be realistic, as mentioned above. In the Arab countries, for example, the fifth factor may be before the first, and this is related to the general conditions of each country, and the degree of influence of one of these factors varies from one country to another.

### The high rate of population growth in the Arab countries:

The important obstacle in the way of economic development in the Arab world is the high rate of population growth, so that the annual production increase rates are equal to or less than the population growth rate, which makes poor countries poorer. The large increase in the population imposes a heavy burden on the national economy, and the available resources are depleted faster. Some Arab countries have succeeded in limiting population growth, and other Arab countries have been able to make sound beginnings in order to reach the same goal, and there are some Arab countries that have not been able to reduce the rate of population growth, which has hindered the progress of the development process. its economic and social.

The Arab countries are characterized by the low percentage of the population who participate in the economic activity in them. While the total population at the beginning of the current decade (the seventies), about 170 million people. The size of the workforce is estimated at 45 million workers. That is, the participation rate did not exceed 26.5%. This is due to the age structure of the population and the weak contribution of women in organized productive activities outside the home and family. <sup>1</sup>

In addition, the economic performance in the Arab countries is characterized by low labor productivity, especially in the agricultural sector. Of course, this is due to the weak qualifications and skills of manpower, the nature of the technology used and the efficiency of managing economic activity.

The report prepared by the International Committee headed by Willy Brandt and published in 1980 concludes that (development

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<sup>1</sup> - Dr. Ibrahim Saad Eddin and his companions, Pictures of the Arab Future, Center for Arab Unity Studies, Beirut 1985, second edition, p. 137.

reduces the birth rate). The link between births and development emerges in two directions. On the one hand, the higher the level of economic and social development, the lower the birth coefficient and approached the level that arose in the industrially developed countries. On the other hand, the higher the birth coefficient, in other similar conditions, the more difficult it is to achieve higher indicators of development, especially for the individual population. In the end, the growth rates of the gross domestic product per capita of the population stop. In the end, the rates of growth of the gross domestic product per capita (the economic indicator of the country and its capabilities) depend, whether on the volume of production and its growth rates, or on the annual growth rates of the population.<sup>2</sup>

One of the positive aspects of the population and human forces in the Arab world is that (the most prominent type of continuous Arab production at a high level is “human production” i.e. an increase in population. As for the disturbing aspects of the population aspect in the Arab world, it is: that the labor force still represents between 25 and 30% of the total population, and it may increase in some countries and decrease in others, until it remains very low compared to the developed countries.<sup>3</sup> The main reasons for the low percentage of the labor force are:

1- Arab women do not enter the labor and production field in an acceptable manner.

2- Increasing the number of children and dependent population (under the age of twenty).

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<sup>2</sup> - May Volkov, increasing inequality in development, Developing Countries Series, Issues and Prospects, No. 2/ 1984, Soviet Academy of Sciences, Moscow 1984, p. 133.

<sup>3</sup> - See. Dr Youssef Sayegh, Arab Development: Its Achievements, Issues and Aspirations, Journal of Oil and Arab Cooperation, Kuwait 1975, Vol. 1, p. 1, p. 56.

### 3- Unemployment in its various forms.

(There is no doubt that the development of human energies is the mainstay of the development project in any society, but it acquires a special importance in the Arab world, because according to popular ideas about the wealth of the Arab world, the Arab region is not rich, in the long term, with human beings, and only if energies are developed Arabs to enable them to actively participate in the development project. <sup>4</sup>

The process of building a human being is a very arduous process and requires many efforts, and it is not possible to make the most of human energies in the Arab world, except through building a person through education and development, and this includes combating and eliminating illiteracy, and developing the faculties of criticism, expression and creativity, in addition to that needs Building the human being to raise the level of health, provide complete food, secure prevention and treatment of diseases, that is, in general, provide the necessary human needs that preserve human dignity.

The disparity in the level of economic development affects and is affected by the annual rate of population growth, as it is noted that countries with a low rate of GDP growth are characterized, as a rule, by a high annual rate of population growth. As a result, this leads to a growing disparity in the per capita share of GDP.

The disparity in the level of development and population in the Arab countries is one of the important factors that hinder the process of coordination, integration and cooperation among these countries.

#### [Arab countries by population:](#)

We can divide the Arab countries in terms of population into the following groups:

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<sup>4</sup> - Arab Development, Present Reality and the Future, Arab Future Books Series/6/ Center for Arab Unity Studies, Beirut 1984 p. 62.

1 - The first group - includes countries with a population of less than five million people, and these countries need to secure the needs of their citizens to build some branches of industry such as food industries, textiles, building materials, energy, etc.

2- The second group - includes countries with a population ranging between 5 and 10 million people, and the possibility of building some important industries for the production of consumer goods, as well as chemical industries and machinery manufacturing to secure what the local market needs, is expanding here. These countries are characterized by being closely linked with other countries of the level Similar to socio-economic growth.

3- The third group - includes countries with a population ranging between 10 and 15 million people, and these countries need to establish some important and specialized industries sometimes to secure the market's need of goods and materials, and specialization here includes the traditional sectors in industry and modern sectors.

4- The fourth group - includes countries with a population of more than 15 million people.

This group has the possibility of self-sufficiency and dependence on foreign trade and imports less than the rest of the other group, and this number of the population may enable it to build an industrial base that includes all the main branches of production.

#### [The shortage of national cadres in Arab countries:](#)

Building cadres capable of contributing to the process of economic development means the development of schools and education in general and education in particular, despite the fact that the number of students in universities and secondary schools in Arab countries is constantly increasing, but it is still less than the required level, as this problem is an escape The brain drain, or the so-called in English (brain drain) to the advanced capitalist countries, and the most important factors that help the migration of expertise from the

Arab countries are the best material conditions provided by the countries that receive them, especially capitalism, and these countries provide changers to steal brains from the Arab countries that are yesterday The need for her expertise. The best way to build qualified national cadres is to build a network of technical educational schools, and some Arab countries have been able to achieve reasonable results in this field.

Since the Arab countries are forced to import modern technology from developed countries, they are currently suffering from a new problem: What is the degree of technology and technology that they should import, so as to give them the best results in increasing labor productivity and appropriate to the stage of growth and development that these countries are going through?<sup>5</sup> ( ) In order to answer this question, it is necessary to define the role and status of the scientific technological revolution in accelerating the process of development and growth in the Arab countries. The scientific and technological revolution expresses the most important factors aimed at accelerating socio-economic growth and, more precisely, aiming at increasing the production of goods and services.<sup>6</sup>

The process of importing technology is not a bad process in itself, but the lack of appropriate social and economic conditions will be an obstacle in the process of benefiting from the scientific and technological revolution and will therefore lead to negative results on the development process. Rather, it is achieved in Arab countries to varying degrees. While we find that some economic sectors are working and benefiting from imported high technology, we see there are sectors that are still operating in primitive ways,

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<sup>5</sup> - j. Rutkowska and Wt. Rutkowski, Problems of the Contemporary Global Economy, Kyiv - Warsaw 1976, in Polish, p. 127.

<sup>6</sup> - the previous source.

and this is the result of Arab countries always falling victim to importing this modern technology in their manufacture.

#### Dependency and dominance of the oil sector in Arab countries:

The degree of dependence of the economy on oil and its dependence varies from one country to another, but we can say that most Arab countries and members of OAPEC in particular depend in their national economy on oil. Oil in the net national income during the period (1970-1980) ranged between 56.3% and 82.7%. It is worth noting that the share of oil in the production of national income is constantly increasing. The share of oil in the production of national income in the Kingdom of Saudi Arabia has increased from 55.07% in 1970 to 70.9% in 1973-1974, while in Libya, the share of oil ranged between 51.3% and 61.2%, and this trend - the increase in the share of oil in the gross national product - included the rest of the Arab oil countries.

The oil-rich Arab countries have become a suitable economic place for the foreign capital that began invading these countries to invest it in extracting oil, and the goal that this capital sought was to achieve the greatest profits for its owners and the interests of the foreign countries from which it came without any concern for the interests of the oil-producing countries. The high profitability that was given by investments in the field of oil made foreign capital never pay attention to the rest of the other economic sectors. The monopolistic oil companies, thanks to their strength and economic position, have been able to have a significant impact on the political and economic life of the Arab oil states. Events, and as a result the economy of these countries was completely dependent on the extraction and export of crude oil, that the economies of these countries became completely dependent on the production of crude oil and its sale to the major industrial countries, and thus the Arab oil countries became dependent on the global oil market, meaning



that these countries became a great source of crude oil, as they do not normally have any other possibilities to obtain the large quantities of foreign exchange they need in order to pay the value of the imports they buy, and they do not have a national industry to secure the internal market need of goods, and therefore they are forced to cover what they need of goods, whether industrial or agricultural, consumer or production, through import.<sup>7</sup>

Eliminating economic dependence requires the implementation of conditions At least three are:

1- The production structure must be a factor conducive to growth and satisfy the needs of the national economy.

2- The diversification and distribution of a country's foreign trade must be to a certain degree so that it is a factor conducive to growth as well.

3- The development process and its will must be in the hands of the people who have a real interest in growth and development.<sup>8</sup>

We see that the Arab countries, if they do not lack these three conditions, they certainly lack one of them, and thus they suffer from the problem of economic dependence and the dependence of their economy on crude oil. The following table shows the extent to which the economies of some Arab countries depend on oil and their dependence on it.

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<sup>7</sup> - Dr. Mustafa Al-Abdullah, The Limits of Development in the Arab World, Journal of Arab Studies, No. (1), November 1989, p. 93.

<sup>8</sup> - Africa, Economy and Society (A group of authors under the supervision of E. Kuklinci: Kyiv / Warsaw 1979 pp. 26-27 in Polish.

The share of oil in the exports of both Kuwait  
and Saudi Arabia and Libya during the period 1973/1977

<b>Country</b>	<b>1973/1974</b>	<b>1974/1975</b>	<b>1975/1976</b>	<b>1976/1977</b>
<b>Kuwait</b>	96.4%	93.6%	93.0%	92.3%
<b>Saudi Arabia</b>	99.9%	99.8%	99.9%	99.1%
<b>Libya</b>	99.9%	99.9%	99.9%	99.9%

Source: Author's doctoral thesis entitled (The effect of increasing oil revenues on socio-economic development in OAPEC countries) in the Polish language, p. 292.

The Arab countries are currently building projects that they found necessary to eliminate dependence on the global trade market (foreign trade). The aim of these projects is to diversify the economic base and not rely on crude oil alone. The implementation of such a policy must achieve the following objectives:

1- Increasing the share of industrial products in total exports and decreasing the share of crude oil.

2- Creating and finding a solid base that helps achieve development and growth in various fields.

3- Building necessary industries capable of competing with imported goods and commodities.

4- Improving the terms of commercial exchange in foreign trade, which must be a means that serves the process of extracting reserves and mineral wealth, and that foreign trade should not be an end in itself.

The social and economic results of these operations will differ from one country to another, and this depends above all on the available capabilities and conditions that help growth, and on the concept of development, determining its structure and political and social objectives, and the extent of the effectiveness of growth and

development in relation to the general structure of the national economy.<sup>9</sup>

Working to satisfy basic needs within the framework of self-reliance requires developing the production system that currently exists in the Arab world to be directed, in agriculture, industry and services, and in interaction with building self-technological capacity, to produce (use values) required to meet the basic needs of people and focus on collective consumption instead of Individuals, instead of the consumption pattern imitating the West, which is based on a large diversity of goods designed for higher income groups, and requires a large-scale import of technology embodied in goods and equipment, and it is clear that this trend leads in turn to support freedom from technological dependence, and the development of self-capacity in technology.

**The disparity in the level of development among Arab countries:**

The Arab world includes countries with different political, social and economic conditions and varying levels of development. The Arab countries differ from each other in terms of natural-demographic indicators.

However, all Arab countries are united by a number of factors, the common language, the common history, the Arab culture, the Arab people, the one nation, common economic interests, in addition to a very important factor, which is that all of them have the task of comprehensive development and accelerating the pace of growth, and at the same time it is clearly manifested. More and more the differentiation of the Arab countries and the increasing disparity in their development in addition to the differentiation and disparity in the level of development between the Arab countries, we find a

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<sup>9</sup> - See, the oil states, difficulties and results, a study by several authors, issued in the Polish language under the supervision of Z. Bomblewsky.

second field of disparity, which is the differentiation between the Arab countries and the developing countries, and a third area between the Arab countries and the developed countries.

We can determine the degree of disparity between Arab countries through:

- Demographic indicators: (annual growth of the population, number of births, number of deaths).

- Economic indicators: (comparing the growth rates, especially the growth rate of the gross product of some Arab countries, over a long period of time).

The following table shows us the indicators of disparity (and inequality) in the level of development and the population of some Arab countries:

It arises as a result of the process of differentiation - which is increasing more and more with the passage of time - and the growing imbalance in the development of Arab countries. Groups of countries that are different in terms of the level of economic development, and as a result have a negative impact on Arab economic integration and the establishment of comprehensive Arab unity.

The increasing disparity and inequality also lead to weakening the united front of the Arab countries with the rest of the developing countries in the face of imperialist plunder, and in order to establish a new international economic order.

#### [Accumulation, saving and investment in the Arab countries:](#)

The high rate of accumulation in the national income does not inevitably lead to solving the problem of financing the necessary investments, and the amount of accumulation must be taken into consideration, especially in developing countries.

Investment is the expenditure by which the employer is compelled to establish or maintain and develop the productive

apparatus, and is usually expressed by the transformation of monetary capital into productive capital (the transfer of a sum of money into the means of labor and production). And investment at the level of the facility or factory is different from it at the level of the national economy, while we note that the purchase of a factory in a working state constitutes an investment for the buyer, and an anticipation of investment for the seller, while this procedure does not constitute any new investment for the entire national economy.<sup>10</sup>

Foreign investments are institutions and projects that are established in a country, but with external financing and by another country, whether it is done by individuals or institutions. By investment, we always mean what is added to the society's stock of capital, such as the construction of new residential buildings, new factories, new machines, as well as any addition to the stock of raw materials and finished or semi-finished goods.

The development process needs an ever-increasing accumulation of capital, when the entire savings of individuals and society must be used by creating sufficient opportunities for investment, (the oil-rich Arab countries may not suffer from this kind of difficulties, namely Saudi Arabia, Kuwait, Libya, the United Arab Emirates Qatar, Bahrain, Algeria, Iraq), but the rest of the Arab countries face this problem, the severity of which varies from one country to another. The main reason for this is that the majority of society in Arab countries is in a state of poverty that does not allow them to even think about saving. Knowing that the greater the poverty in any Arab country, the greater the need in this country to save and accumulate capital to create new investment opportunities, (however, the poorer the country becomes, the more difficult it is

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<sup>10</sup> - See the Economic Encyclopedia, a group of economists, the Arabization of Aadi Abdul-Mahdi and Dr. Hassan Al Mundi, Dar Ibn Khaldoun, Beirut 1980, pp. 38 and 39.

for the people to save, and one of the most important duties of economic development is to break this vicious circle).<sup>11</sup> The only way to break this vicious circle is to use oil revenues to finance the development process.

If the average per capita income in a country is low, not exceeding \$500 annually, this means that there is no great wealth owned by some citizens, that workers and peasants in the Arab world do not receive as a per capita income except the lowest levels of the average rate, while members of the rich classes enjoy high incomes. It can be used to finance economic development. However, this does not happen in practice. Because the rich landlords spend the income they obtain on buying imported luxuries, acquiring luxury furniture, and paying servants' wages and expenses and recreational trips, while these funds were supposed to be spent on development projects that help the country in its development and progress.

(The existence of capital or the material means of production constituted the means by which man moved from primitiveness to the formation of civilizations, and capital, despite its diminishing importance for the social organization of production and technology, still represents the important components on which the productive base of development rests. Societal capital from direct and indirect material means of production and improving the quality of these means represents one of the challenges facing different and developing societies alike, and the formation of capital at the beginning of the development process requires many sacrifices, tightening the belts on the stomachs may be a necessity, and

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<sup>11</sup> - the previous source.

allocating a rate Relatively high GDP current investment for capital formation becomes a logical consequence of development policy).<sup>12</sup>

The most important thing that society needs at the beginning of its development process is the formation of an appropriate infrastructure in addition to the establishment and establishment of modern production units (farms, factories, other production facilities) that secure the necessary goods and services, and this of course needs to allocate a large part of the local capital accumulation for investment To create and develop the material means of production, which contribute to the production of goods and services to meet the basic needs of society, and this leads to avoiding falling into the pole of dependency.

The lack of financial resources, and the weak accumulation and investment in developing countries lead to the inability of the public sector or the private sector to build and implement new development projects, the brother of creating new material means of production.

One of the problems that internally leads to weak accumulation and investment is that the average citizen does not have a suitable way to save the money he saves if he reaches a sufficient level of income, and when this citizen wants to save and invest the surplus he has accumulated, he either gets involved with usurers or swindlers who They seize people's money, then after a while they declare their bankruptcy, so these savings go to the pockets of the exploiters and parasites, and when trustworthy and respectable credit and savings institutions are available, the citizen can then trust these institutions and avoid the exploiters.

It is not enough for credit institutions to be available, because the problem of credit is not a problem of institutions, but rather in a

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<sup>12</sup> - Ali Khalifa al-Kuwari, The Arab Future Books Series/6/ Arab Unity Studies Centers Beirut 1984, p. 94.

psychological and mental state. Distrust (especially in newly independent countries) is deeply rooted in the mind of the ordinary citizen, and it can occur as a result of historical experiences or political anxiety. Changing this feeling of the citizen before reforming and establishing credit institutions.

Another obstacle in the way of economic development in the Arab world is the fragmentation and discrimination experienced by the countries of the Arab nation, especially the barriers that are erected in the face of free trade exchange between Arab countries (weakness and decline of intra-Arab trade).

(The developments and transformations that the Arab world has known since its countries gained their political independence did not practically enable it to achieve its independent development, for every Arab country is integrated into the global capitalist market with separation from other countries. It constitutes objective factors that conflict with any ambitious development plan and any desired Arab economic integration, and therefore it is difficult in the current circumstances to talk about (an Arab economy) in the correct sense, but we can only talk about a group of contradictory economic organizations within one framework.

The solution to the problem of transport and connectors between the countries of the Arab nation is one of the factors that help in the process of development and development, because good roads and canals, navigable rivers, and modern ports, with what they achieve in linking the Arab countries and reducing the cost of transportation, have brought the separated parts of the Arab world closer and become in The level of a single country, and the transportation problem includes first and foremost the cost, then the safety of what is transported, the speed of transportation that allows the establishment of large local and Arab markets instead of small, spaced markets, and the development of transportation helps to



unify consumption patterns among the countries of the Arab world. Comprehensive development inevitably benefits from the national development process, but it accelerates and becomes more solid and rational if national plans are based on national development planning.<sup>13</sup>

Development, as is well known, requires an increase in physical production, and this means an increase in industrial production and an increase in agricultural production, and since the industry is new, labor begins to move from farms to factories to operate them, and at the time when labor moves from farms, those who remain in them are asked That they produce more agricultural products (food and others) than ever before, but if the farmers do not produce more food, this leads to a lack of self-sufficiency, forcing the developing country to import foodstuffs to feed its citizens, from other countries, (and this is inconsistent with the interest of The country, because foreign exchange should not be spent on buying additional food, but rather this cash should be provided to pay the value of what the country needs from machinery imported from abroad, and other materials that must be obtained to achieve the required development.

That is, importing consumables constitutes a burden on the economic development process, while importing machines, tools and other production requirements are factors that contribute to growth and development. There is no doubt that the agricultural sector has an important role in the development process, and it can play this role by achieving the following general objectives of the agricultural policy:

- 1- Providing the citizens' needs of commodities and foodstuffs.

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<sup>13</sup> - Al-Wehda Magazine, Publications of the National Council for Arab Culture, Issue 28 January 1987, p. 124.

2- Increasing export agricultural crops to provide the foreign exchange needed to purchase modern machinery and technology from other countries.

3- Securing the industry's needs of agricultural raw materials to operate its factories.

4- Providing cash liquidity to farmers, when the agricultural sector is a market for non-agricultural goods (consumer or production).

5- Providing job opportunities for citizens and contributing to the success of the labor plan.

Does agriculture achieve these tasks in the economies of Arab countries?

It is still a matter of study and evaluation in various Arab countries.

There are public projects that developing countries need to establish, because of their importance, (such as roads, railways, airports, water, schools, electricity, health facilities), but the completion of these projects requires several years, and they do not bring immediate benefits to the masses of citizens to prove to them That their government is working, and achieving on its way to improving the standard of living of the citizen, that what matters to the citizen is to achieve the ivory benefits that he can realize quickly and touch by himself without long waiting, especially at the level of health and food, at that time the citizen knows that he is acquiring real personal benefits resulting from the development process that It is taken care of and implemented by the government.

Whether the government is tyrannical or a fair democracy, the success of any modern development depends in the first place on the support and cooperation of the people. This improvement is only a step in the way of progress, and not an implementation of the

promise given by the government to improve the situation with immediate signs. <sup>14</sup>

(Therefore, it is necessary for the government to work to win the people's support and cooperation through the achievements it has achieved for the sake of development. Comprehensive development inevitably benefits from the national development process, but it accelerates and becomes more solid and rational if national plans are based on national development planning). <sup>15</sup>

These are the most important problems and difficulties facing the development process in the various countries of the Arab world in terms of not defining the identity of the socio-economic system in some countries or defining the main objective of social economic activity. The socio-economic development process must be of interest to all social groups and classes, and this requires Achieving the interests of the various groups of the people. The course of development in the Arab countries, as in the rest of the developing countries, is linked to the internal conditions of the country, as well as to external factors, especially foreign trade.

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<sup>14</sup> - David Cushman, National Development, Dar Al-Waqqat Al-Arabiya p. 121.

<sup>15</sup> - The Joint Arab Economic Action Strategy, its starting points. its objectives. its priorities. its programs. its mechanisms, the League of Arab States, Economic Documents No. (1) Tunisia 1982 p. 4 and 5.