

Chapter 8

Industrial Competitiveness in MENA Countries: Current Strategic Directions of Industrial Policy

M. Teresa Fernández Fernández
Universidad Rey Juan Carlos, Spain

Federico Pablo-Martí
Universidad de Alcalá, Spain

ABSTRACT

This chapter aims to highlight how the processes of trade and supranational integration through its requirements have a remarkable influence in improving the industrial competitiveness of MENA countries. First, there is a brief overview of the industrial structure of the MENA countries, paying particular attention to the aspects linked to its industrial competitiveness. Second, the industrial policies aimed to promo the competitiveness of the industry are analysed for each country. In the conclusions, we can see that many countries show a diversity of industrial development and industrial strategies and state that the countries that have opted for supranational integration and international trade are showing a faster and more competitive industrial development.

INTRODUCTION

Since the beginning of the industrial revolution in the late eighteenth century, it was considered that the manufacturing sector played a key role in economic development. Its rapid growth of productivity along with its relevance in international trade put it in the center of sectorial and trade policies in most countries. This situation

lasted until the 1980s when the growing role of services in developed economies along with the spread of liberal policies made the industrial sector lose prominence in the agendas of policy makers in favor of services. However, in recent years a new trend has appeared in the appreciation of the importance of manufacturing motivated by growing evidence that the economic growth of countries cannot be sustained only on services¹.

DOI: 10.4018/978-1-4666-9548-1.ch008

This assertion is valid not only for developed countries with a high presence of the service sector but also for developing countries. To set an example, China and Germany are two cases that demonstrate the potential for success of industry oriented economies from two completely different national profiles.

Currently, the most widely accepted view is that industrial activity is key for economic growth of countries because it constitutes a significant portion of Gross Domestic Product (GDP) and is also has varied indirect effects on other sectors. The causes are multiple:

1. Manufacturing demands a great deal of services, especially advanced ones. Furthermore, the traditional distinction between manufacturing and services is mainly driven by statistical reasons and becoming increasingly blurred (Baró, 2013). Moreover, the demand of services made by manufacturing tends to be equal to the demand of industrial devices made by services (Manyika et al., 2012).
2. Technological research is essential for industry. The private expenditure in Research and Development (R&D) reaches over 90% in the case of those economies at the forefront of technology (Manyika et al., 2012). This is especially relevant for MENA (Middle East and North African) countries because the level of efficiency of their companies is generally low. In this sense, only Morocco shows productivity levels comparable with those of more advanced countries (Kinda et al., 2008)
3. Industry demands a highly skilled workforce. As recently highlighted by Hausmann et al (2013), the development of complex and sophisticated products requires a good combination of different individual skills and qualifications, which creates a certain level of collective education or tacit knowledge owned by a society. This knowledge is usu-

ally measured by the degree of complexity of exports of each country, showing a high correlation with per capita income, unlike the average educational attainment of the population, usually measured by the average years of schooling of the active population. The growth of weight of the industrial sector improves the collective knowledge and promotes the growth of the economy.

4. Industry promotes exports. The strong growth in emerging economies and globalization offers increasing opportunities for export and for the relocation of companies in the MENA countries. Although with significant differences between countries, manufactured exports in MENA represent a significant and growing percentage of trade in goods, reaching in the case of Turkey 71% and 92% in the case of Israel.
5. New activities and industrial opportunities are emerging due to recent innovations in nanotechnology, robotics, or computing science and are applied for example to 3D printing or to the creation and transformation of large databases in special devices. Especially promising for the region is the new demand for machinery linked to the production of alternative energy in order to make these countries less dependent on fluctuating oil revenues, to fight against climate change, and to treat waste and improve the environment (ESMAP-World Bank, 2011).

All these reasons make it necessary to implement measures to strengthen the manufacturing sector, especially for those countries with less industrial development. The boost to manufacturing in a globalized world like today where trade protection policies are in retreat rests increasingly on improving competitiveness. As Altenburg (2011) highlights, globalization is making economies of scale become increasingly important, which tends to reduce the competitiveness of companies operating in closed national markets. This makes

18 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/industrial-competitiveness-in-mena-countries/143596

Related Content

Heavy metals removal from groundwater: A review based on cost estimation of various adsorbents

(2022). *International Journal of Circular Economy and Waste Management* (pp. 0-0).
www.irma-international.org/article//302208

A Framework Development of Food Wastage and Its Prevention Strategies in the Hospitality Industry of Pakistan

Sajid Nazir (2022). *International Journal of Circular Economy and Waste Management* (pp. 1-19).
www.irma-international.org/article/a-framework-development-of-food-wastage-and-its-prevention-strategies-in-the-hospitality-industry-of-pakistan/302206

Managerial Competencies Related to Soft Skills: An Investigation of Hotel Management in Asia

Nuttawuth Muenjohn, Alan Montague, Lynnel Hoare and Jiaying Zhang (2017). *Transcontinental Strategies for Industrial Development and Economic Growth* (pp. 266-278).
www.irma-international.org/chapter/managerial-competencies-related-to-soft-skills/179072

Impact of CPEC Transit Routes on Environmental Sustainability: A Case of Global Oil Supply to China

Sajid Nazir and Khawaja Masood Raza (2022). *International Journal of Circular Economy and Waste Management* (pp. 1-11).
www.irma-international.org/article/impact-of-cpec-transit-routes-on-environmental-sustainability/311463

Water Availability Challenges in Low-Income Areas of Agbowo Community, Ibadan, Nigeria

Tosin Kolajo Gbadegesin and Olawale Olayide (2021). *International Journal of Circular Economy and Waste Management* (pp. 81-96).
www.irma-international.org/article/water-availability-challenges-in-low-income-areas-of-agbowo-community-ibadan-nigeria/263504