



## Chapter 6

# The Economic Reform and Political Transition: Potential and Challenges of Arab Development

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### ABSTRACT

*The failures in the Arab development have strongly been attributed to a wave of protests that spread throughout most of the Arab region, popularly referred to as the “Arab Spring.” The Arab street seemed to have made clear that it is no longer willing to accept these models of reforms. To further understand the drivers and origins of the Arab Spring, this chapter contributes to investigating why Arab economies have failed to achieve sustained and inclusive development through evaluating the impact of socioeconomic reforms on economic performance. In other words, the chapter attempts to examine whether the performance of the region has been disappointing because ACs economies have lagged behind in terms of reforms or due to the reform programs themselves.*

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## **INTRODUCTION**

Arab countries (ACs) are diverse regarding their size, geopolitics, economic and social structure, level of income, natural resource endowments, ideological orientation, human capital and skills, economic policies and institutions, etc. However, the similarities between the countries in the Arab region abound given the existence of several unifying threads concerning social and economic conditions (Bibi & Nabli, 2010a). The resource-base of the region has been mainly oil, which has promoted the rapid economic and social development throughout the area. The Arab region is home to abundant natural resources as more than 80% of total exports in many ACs are from oil exports. Even for economies where natural resources are less abundant, for example in Syria, fuel exports dominate the export structure with approximately 67% of the total Syrian exports consisting of oil (World Bank, 2010b).

Furthermore, gains from oil are not only for oil-exporting economies but other Arab countries as well, through labour remittances and aid flows. In addition, Arab nations are mostly centralised states with a dominant public sector and, with few exceptions, ineffective private enterprise. The ACs have been linked by policy, with similar models of economic development since the time of their independence that is based on central planning, with social strategies designed for redistribution and achieving equity. The Arab system is characterised by massive subsidies, economic limitations, and a variety of uncompetitive practices. While this centralised bureaucratic system has worked well for ruling elites, it has failed to achieve prosperity and social justice for ordinary citizens (Malik & Awadallah, 2013). Neither socialism of the 1950s and 1960s nor the neo-liberal economic reform of the 1990s has been able to change this system of centralised control and privilege.

These failures in the Arab region have been strongly attributed to the 2011 self-immolation by street vendor Mohamed Bouazizi, who set himself ablaze in protest, humiliated at having his pushcart confiscated by local authorities (Emara, 2014). The story of Bouazizi enraged the largely educated youth throughout much of the Middle East and ignited a wave of protests that spread throughout most of the Arab region, popularly referred to as the 'Arab Spring' (Ghosh, 2016). The Arab street seemed to have made clear that it is no longer willing to accept these models of reforms. The Arab claims were encapsulated in the case of Egypt and Tunisia by the slogan, "Bread, freedom and social justice" – a slogan that emphasises the interdependence of inclusive governance, economic and social inclusion (UNDP, 2011).

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