

**Dynamics and Factors of the Long-Term Comparative Economic and Social
Performance in the Arab World / MENA Region**

**Conference on
“Economic and Social Development of the Middle East and North Africa:
Success or Failure”**

DOC Research Institute

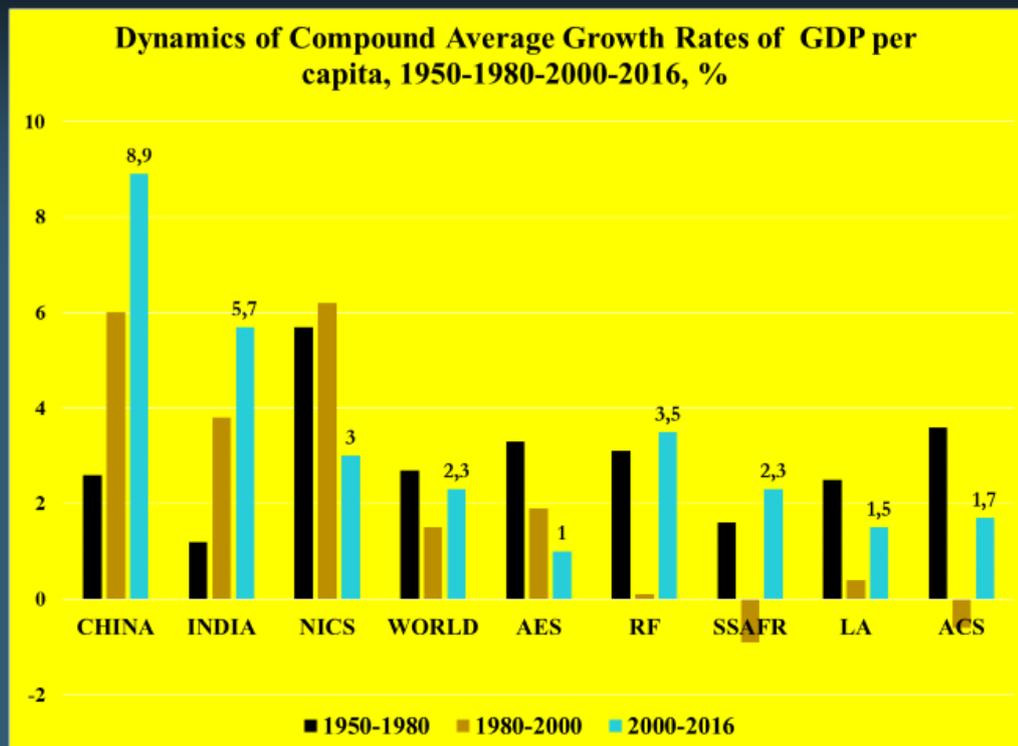
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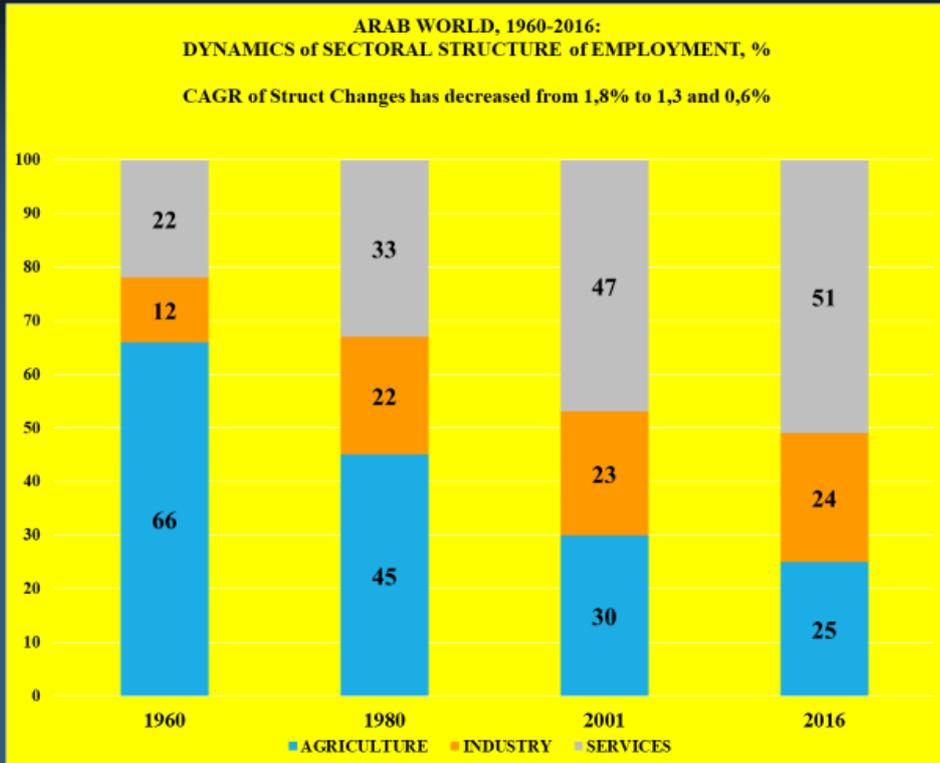
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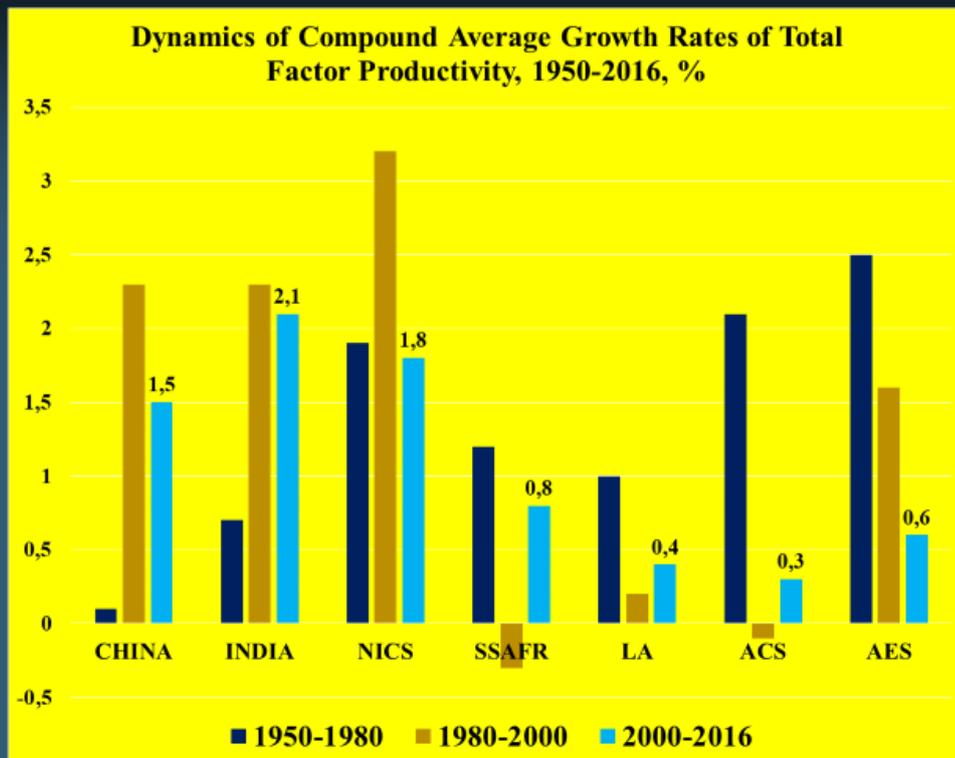
1. The political instability in the Arab Countries (ACs) which from the start of the century has risen by $\frac{1}{4}$ and become nearly by $\frac{2}{5}$ higher than on the whole in other countries of the world, - is brought about by many causes. One of the most important among them is the crisis of the model of their limited modernization.
2. The Arab World that a millennium ago had been substantially surpassing Europe by levels of economic, cultural and scientific development, subsequently fell significantly behind due to primarily internal causes (entrenchment of conservative institutions, low level of security of life and property) and in contrast to China, India, Brazil, Mexico, Newly Industrialized Countries, Turkey, Malaysia, Indonesia, has not yet properly stepped on the path of modern economic growth.
3. The low levels of diversification of ACs' economy, investment climate, accumulation of physical and human capital and efficiency of their systems of management have caused - after the first decades of their post-(semi)colonial development – a marked slowdown in rates of productivity growth and aggravation of social and political problems.

4. The average compound growth rate (ACGR) of per capita GDP in the ACs has contracted fourfold from 3.6% in 1950-1980 to 0.9% in 1980-2015 and that of Total Factor Productivity - eightfold from 1.6 to 0.2%. In 1980-2015 the share of ACs in the world GDP has diminished by $\frac{1}{4}$ to 10.5%. The ACs account for no more than 1% of global expenditures on R&D and less than 0.2% of world patent applications filed and exports of high-tech goods.
5. According to one of the models that I calculated, the decelerated rate of GDP growth in the ACs, that they on average have demonstrated during the last 3.5 decades, is caused by $\frac{1}{4}$ by low dynamics of their very low diversified exports, by $\frac{1}{2}$ - by low level of accumulation of physical and human capital and by $\frac{1}{5}$ – by very deep social differentiation in their societies.
6. In order to overcome an acute economic and socio-political crisis currently unfolding in the ACs and increase the level of competitiveness of their economies it is urgent (however it is rather difficult) to carry out a series of liberal and democratic reforms, which can generate workable institutions promoting diversification of their economic systems, stimulating the growth of private sector, and facilitating the rise of levels of qualification and employment of their population.





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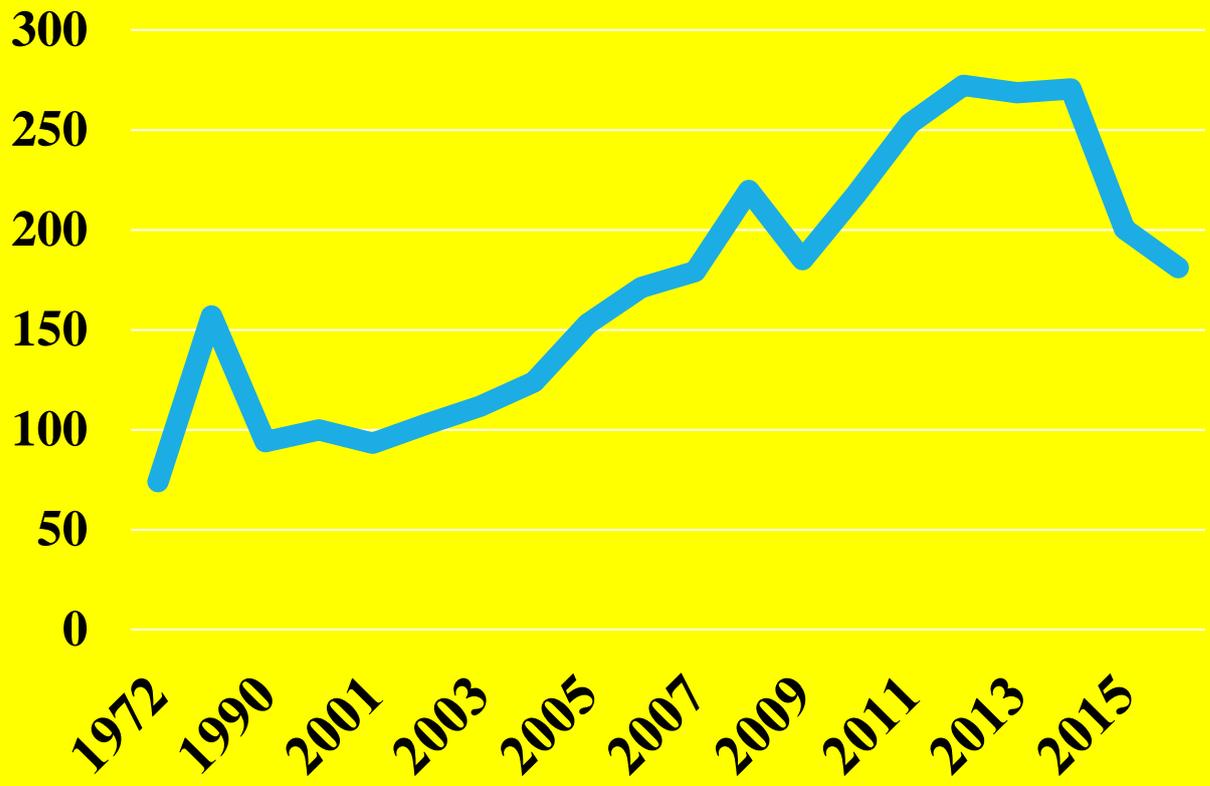


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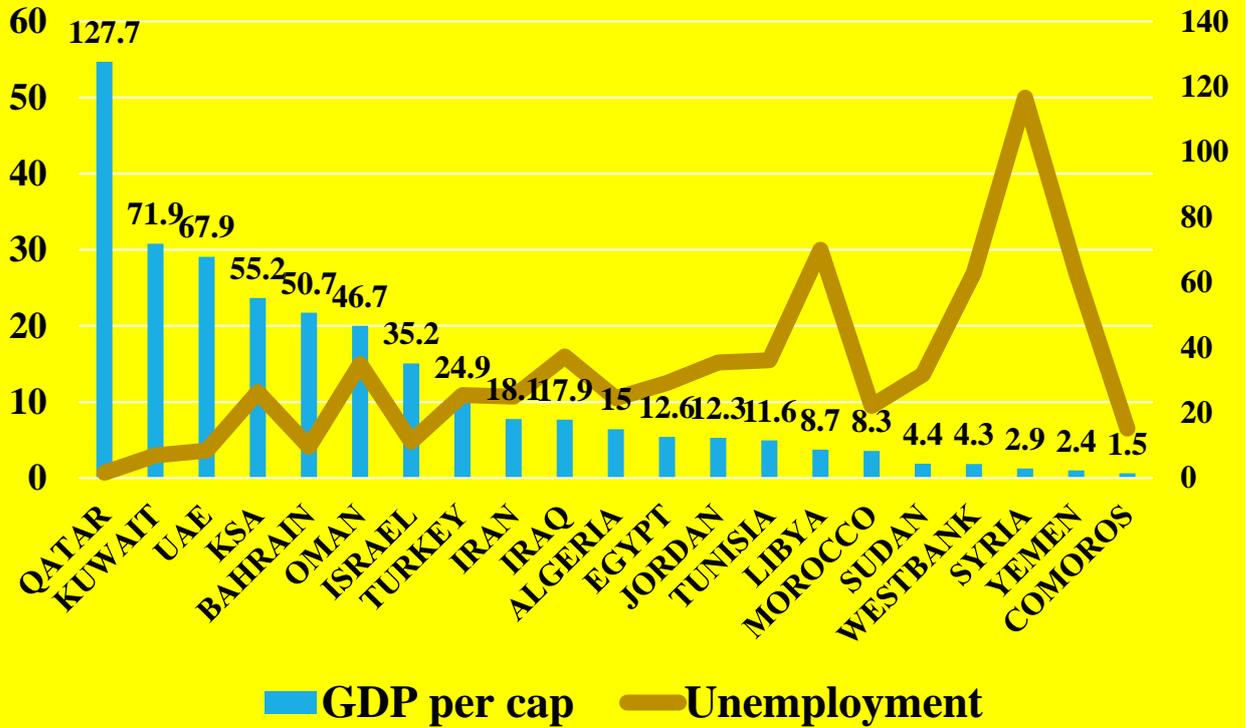
According to my model, calculated on 23 Arab and other Muslim countries during the last 2.5 decades, relatively slow growth of GDP per capita can be by *2/5 attributed to relatively high growth rates of population, by 1/3 - to low level of manufacturing exports, and by 1/5 - to low level of institutional quality (approx. by indices of rule of law)*

- $GR_Y_P = 3.66 - 0.83*GR_P + 0.02*M + 1.37*L$
- $(p=0.02) \quad (p=0.04) \quad (p=0.09) \quad (p=0.01)$
- $R^2 \text{ adj} = 0.59, N = 23, T = 1990-2015.$
- GR_Y_P и GR_P – denote CAGR of per capita GDP and Population respectively; M - average share of Manuf. Exports in total exports; L – average level of indices of rule of law for the period

**ARAB WORLD, 1972-2016:
BARTER TERMS OF TRADE, 2000=100**



MENA COUNTRIES, 2016:
CORRELATION BETWEEN GDP per capita (right column) and UNEMPLOYMENT (left column), %
(r = -0,56; p= 0,008)



**ARAB WORLD:
DYNAMICS OF INCOME INEQUALITY,
DIFF 1 = Average GINI weighted by population;
DIFF 2 = Gap in per capita GDP between 3 richest
and 3 poorest countries**

