Foreword

The last three decades have witnessed the rise of neoliberalism as the dominant vision of how economies should be organized. By the early 1980s, the new conventional wisdom held that unfettered free markets, a greatly reduced role for the state, and integration into the global economy provided the best formula for development.

Consequently, developing countries have come under unprecedented pressure to integrate into the world economy and to reduce state intervention. The need for development economics was denied as an excuse for ersatz economics. The spread of neoliberalism was enabled by financial globalization and the policy conditionalities imposed with loan disbursements by the major international financial institutions as well as World Trade Organization (WTO) measures, reducing the range of policy options (‘policy space’) available to developing countries.

This Handbook of Research on Comparative Economic Development Perspectives on Europe and the MENA Region, edited by M. Mustafa Erdoğan and Bryan Christiansen, addresses several development challenges through studies of the two diverse regions.

Francisco Sercovich’s opening chapter argues that while emerging economies as a group appear to be the main drivers of global economic growth, this does not indicate global convergence, as it is mainly due to rapid growth by a few Asian countries over several decades. Meanwhile, most developing economies still lag behind the advanced economies, with many caught in the so-called ‘middle-income trap’.

Next, John Thoburn considers changes in industrialization policies in developing countries since the Second World War, arguing that government intervention in the economy has been successful not only in Japan, South Korea and Taiwan, but also in China and Vietnam.

According to İzzettin Önder and Aynur Uçkaç, the effects of globalization on developing economies depend on government policies and public support for policies. They argue that “while globalization is providing large markets, financialization is guaranteeing increased economic activities at the cost of future markets for the capital to overcome their economic crises of declining profit rates.”

Next, Thomas Marois argues that the rise of economic neoliberal thinking has discredited alternative financing options, perpetuating mainstream myths about state-owned banks, which remain can be vital for financing development. Consequently, state-owned banks have undergone ‘neoliberal’ restructuring, including marketization and corporatization, undermining their status as ‘public’ banks.

For Noha Abubakr Farrag and Asmaa Ezzat, there is no consensus on the impact of corruption on economic growth, especially with evidence of corruption’s positive implications for accelerating capital accumulation and investments.
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Tarkan Çavuşoğlu and Debi Konukçu Önal analyze the determinants of total factor productivity (TFP) in Central and Eastern Europe (CEE) and the MENA region, emphasizing institutional quality influences on TFP.

For Pınar Feyzioğlu Akkoyunlu, vocational education can help overcome educated youth unemployment. In Turkey, the greater number of university graduates has been accompanied by an increase in the number of unemployed educated young people. Learning from Germany, she suggests that school-based education should be combined with firm-based and informal training.

Federico Pablo-Martí claims trade and supranational integration have improved the industrial competitiveness of MENA countries.

And for Weshah Razzak, Belkacem Laabas and El Mostafa Bentour, long-run growth in a large number of developed and developing countries is due to technical progress owing to transitional dynamics.

Rafael Moner-Colonques and Jose Sempere-Monerris seek to contribute to better understanding of R&D which firms undertake to secure competitive edges over their rivals. As innovation is costly and involves external effects, firms have formed research joint ventures or networks in several industries; consequently, industry performance has often been better than with full competition.

Lamia Ben Hamida finds that the productivity benefits of reverse knowledge transfer (RKT) depend on idiosyncratic characteristics of MNCs’ parent and R&D affiliates. RKT has a stronger productivity effect on the parent MNC when foreign R&D units have a knowledge seeking role; this effect increase when MNC foreign R&D affiliates are well embedded in host countries. Unexpectedly, the productivity enhancing effects of RKT do not significantly differ between acquired and green-field R&D affiliates.

According to Sumru Öz, income convergence towards that of the US, the major FDI home country, is greater in Europe compared to the MENA region. Absorptive and investment capacities explain the difference, not only between Europe and the MENA region, but also among sub-groups in each region.

For Mine Uğurlu, the last decade’s acceleration of mergers, corporate restructuring and governance activities has been driven by technological change, globalization, free trade, deregulation, economies of scale, entrepreneurship and economic growth.

Next, Milenko Popovic provides a comparative analysis of the proximate causes of growth in MENA and East European countries, including conventional sources-of-growth analysis, besides demand and industry side decomposition of GDP growth. Due to capital and trade account liberalization and consequent real exchange rate appreciation, almost all East European countries experienced declining external competitiveness of domestic sectors. The chapter also shows that the TFP growth rate in oil-exporting countries was very low, but much higher in non-oil-exporting countries.

Cem Tuncel and Ayda Polat use Kondratieff long waves to analyze the impact of technology on manufacturing growth, using case studies of the European Union, East Asian newly industrialized countries and MENA countries. The 2008 Great Recession is then the harbinger of the end of the recent Kondratieff wave while the sixth Kondratieff wave will rise in connection with generic technologies. Countries unable to catch the industrial and microelecronic revolution in a timely manner are not likely to make good use of the window of opportunity opening.

For Alessandra Vecchi and Francesco Ricci, investments in the space industry by developing countries have resulted in over-capacity. Drawing on the experience of internationalization by an Italian small-medium enterprise, they discuss challenges experienced by developing countries in attracting foreign investments for the establishment of the industry.
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According to Hun Park, for Saudi Arabia’s economy to be sustainable in the long term, it will require transformation of its economy into a more diversified, self-sustaining and private sector-driven economy. He assesses the government’s major policy responses to recent development challenges, and its long-term development strategy.

Seda Köymen Özer, Daria Taglioni and Deborah Winkler assess Turkey’s position in global value chains, especially in the automotive, textiles and apparel, and agri-food industries, suggesting it has specialized in low value added activities. They argue that higher R&D expenditure and technological intensity as well as supplying foreign-owned companies help boost domestic firms’ productivity and should be beneficial for Turkey’s manufacturing firms.

Fatma Nur Karaman Kabadurmuş and Sajal Lahiri review the determinants of research and development (R&D) activities by Turkish firms, finding an inverse relationship between a firm’s R&D activities and the degree of competition it faces.

For Mustafa Özer and Erine Yeldan, meagre job creation in Turkey during 2000-2012 was due to speculation and an excessively open and unregulated capital account in the face of relatively cheap and abundant global finance. Unemployment is thus related to the deepening fragility of the Turkish economy.

According to Oxana Karnaukhova and Inna Nekrasovam, securitization can enhance both monetary and financial stability, allowing banks to lend without over-committing capital and funds. Borrowers such as SMEs are not able to tap markets directly, while securitization has been stigmatized, due to misaligned incentives for years prior to the financial crisis.

Finally, Paul Rivlin examines the Israeli stabilization programs of 1985 and 2003 as well as economic liberalization and fiscal policy changes. He argues that these have dramatically reduced inflation and encouraged growth besides improving the balance of payments and structure of the economy. However, by reducing the role of the state and public spending, they have contributed to growing inequality and relative poverty.

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Jomo Kwame Sundaram was Professor in the Applied Economics Department, Faculty of Economics and Administration, University of Malaya, Kuala Lumpur, Malaysia, until 2004. He was Founder Chair of IDEAs, or International Development Economics Associates (www.networkideas.org). He was Assistant Secretary General for Economic Development in the United Nations’ Department of Economic and Social Affairs from January 2005 until June 2012, (Honorary) Research Coordinator for the G24 Intergovernmental Group on International Monetary Affairs and Development from December 2006 until September 2012 and Coordinator for Economic and Social Development at the Food and Agriculture Organization of the United Nations from August 2012 until December 2015. In 2007, he was awarded the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought.