Chapter 16
Policy Outcomes and What Can be Learned by Arab Countries from EEE Economies

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ABSTRACT
This chapter starts with a short literature review about the opportunities and challenges facing Arab countries. The lessons learnt from EEE countries are then discussed. A synthesis of strengths, weaknesses, opportunities, and threats to the Arab region is also introduced. Based on the conclusions from previous chapters, major inclusive economic policies are developed for the Arab economies. Furthermore, the present chapter devotes a large part to the overall economic and social policies that might be useful in generating additional insights to further the knowledge economy, social inclusion, enterprise creation, and a new environment for better well-being of the population. This could be used by policy makers to formulate coherent reforms for the sustainable development of the region based on knowledge economy principles and according to the particularities of each country and to the previous experiences of other developing countries.

INTRODUCTION
According to OECD (2011) and FEMISE (2012), the Arab Spring has brought to light key challenges in the Arab region that had already existed for some time. High unemployment levels (in particular among youth), persistent corruption and lack of accountability and transparency, state-owned enterprises that crowd out the development of private enterprise and investment, low levels of enterprise creation and, for a number of countries, a high dependence on fuel and food imports are all structural and interconnected challenges. They can be addressed only through a coordinated and
comprehensive strategy that involves governments, the private sector, civil society, and the international community.

The world’s attention to the countries of the Middle East and North Africa countries has centered on instability and uncertainty in the region and more recently the interest has been related to the strategically well-position of oil producing economies. But little international attention has been devoted to the development challenges facing these countries. Providing quality and appropriate jobs to the increasing and changing labor market, reducing poverty, promoting the private sector, expanding gender equity, improving education quality and accessibility and effectively managing scarce water resources and finite oil wealth are only a few of the challenges facing the countries of this region.

Countries in the Arab region have a substantial opportunity to drive economic growth by transforming their economies into knowledge based economies. The first direction is developing a vibrant and innovative technology sector. Even if many Arab countries enjoy the gains in efficiency that come from using products and services within the information and communications technology (ICT) sector, they have to become more innovative across all sectors of their economies not only as consumers and net importers of technology.

In this chapter we start with a short literature review about the opportunities and challenges on Arab countries. Then, we continue with some lessons to be learned from EEE countries based on the conclusions from previous chapters and some descriptive analysis. We finish our chapter with a SWOT analysis as a synthesis of all strengths, weaknesses, opportunities and threats of Arab region. This analysis could be used by policy makers to formulate a coherent reform for the sustainable development of the region based on knowledge based economy principles and according to the particularities of each country and to the previous experience of other developing countries.

LITERATURE REVIEW

According to Jaramillo and Mélonio (2011) the Arab Spring has clearly shown the will to change young people of the region, seeking a better education and demand to have easier access to skilled jobs. The economic growth in recent years in Arab region has not been sufficient to absorb the increased labor force, for various reasons: excessive volatility of GDP, demand for labor heavily dominated by public sector too strong dependence of the economy on oil revenues and low value-added products, insufficient integration into the global economy.

El-Darwiche, Shehadi, Abou Chanab, and El Zein (2010) have stated that innovation within the ICT sector can lead to innovation in all sectors of a national economy and thus make it more competitive. Countries of the Arab region have an opportunity to develop a strong innovation culture for their ICT sectors by fostering technology startups, creating business-friendly policies and regulations in such areas as patent filings, and devoting a larger percentage of their GDP to R&D. Some sectors with strong local potential are Arabic and Islamic services and applications, IT services and smart devices for the energy and utilities sectors, e-education and e-health systems, and devices and systems for urban and infrastructure management.

Increased globalization over the last two decades has led to strong growth of international business activity and FDI. They have contributed to increasing efficiency and productivity, technology transfer, export development, job and skill creation and the improvement of knowledge and skills. However, comparing the distribution of FDI inflows across developing regions, the Arab region has attracted only small proportion of the global stock of FDI (UNCTAD, 2003). Therefore, Mohamed and Sidiropoulos (2010) analyzed in their paper the main determinants of foreign direct investment in Arab countries. Their study reveals that the key determinants