

***World Economic Issues And Their Impact On Developing Countries: Policy Recommendations For Gcc Countries***

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***Abstract:***

*This paper is an attempt to tackle the fundamental issues raised by the current international economic order as well as their impact on ldc's, gcc countries being a case study for policy recommendations.*

*The methodology to be pursued in this paper will deal separately with each of the various issues raised by the current international economic order as to formulate specific policy recommendations.*

**Issue 1:** *the new role of the us and europe in the new world economic order and their impact on developing countries within ‘wto context’.*

As a matter of fact , ‘**real leadership**’ entails possessing a long-term ‘**developmental**’ vision of the world and the role of the multilateral trading system, as well as a willingness to take concrete actions in pursuit of this vision.

Therefore the question is : are the USA and Europe ready to play this ‘**new leadership role**’, or are they only pursuing their own exclusive interests?

As far as developing countries are concerned, they have been in fact taking in WTO an exceptionally **proactive** role through submitting specific proposals. They also submitted formal declarations which states that they would not be prepared to adhere to any consensus that has been reached without **their effective participation**. Because the current structure of bargaining and negotiating is still not appropriate to enhancing the efficiency and equity objectives of the trading system, there is a growing perception that the system is not affording equitable shares of the benefits among all countries.

**Issue 2:** *what should developing countries do to catch up with the “new international economy”?*

**-They should in priority improve domestic investment climates through:**

- Good governance and sound institutions.
- Adopting appropriate domestic policies built to raise investment levels and improve productivity.

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- Adopting policies that promote competition which is fundamental to raising productivity.
- Lowering trade restrictions and administrative barriers to entry.
- Introducing competition in privatized industries
- Fostering and implementing suitable macroeconomic policies.
- Developing the rural sector.
- Developing the educational and health care systems.

***Issue 3: as far as the crisis in the corporate world is concerned, corporate greed cause the collapse of many big corporations.***

In fact, the stress on greed as the main problem of the corporate world leads to the demand for socially responsible corporations.

Corporations are said to be taking too much profit and should keep less from it for themselves, their stockholders, executives and pay instead higher wages to employees.

Many corporations do try of course to portray themselves as socially responsible by giving away money to good causes.

But turning profits means also expanding, finding new markets, making new products to keep up with competition stemming from other corporations, and this is a sufficient motive for mergers or collapse of corporations that are unable to survive.

***Issue 4: how to prevent crises , is regulation the answer in the context of a free economy or is there a need to improve the moral and ethical outlook of society?***

Mindful market economies combine in fact mindful ethical cultures with self-organizing economic relationships , but restructuring economic rules and institutions is a necessary step to end '**rights without accountability**', corporate welfare and financial speculation.

Government regulation is truly needed to monitor the negative aspects of market dynamics as well as improving the moral and ethical outlooks of society .

**Issue 5: *Are we on a sustainable and stable global growth path?***

**This is in fact something difficult to assess , due to the following facts:**

- **globalization** has really emerged as a more powerful driver of international economic dynamics , developments in **WTO** and the spread of information technology having thus a great influence.
  - Importance of **governance** and the ability of states to deal with non state actors.
  - Seizing opportunities for cooperation between governments and private organizations.
  - Need for careful examination of likely role of science and technology as a driver of global developments.
  - Growth of information technology and biotechnologies.
- Potentially destabilizing social changes due to adverse effects of globalization call for appropriate reforms.

**Issue 6: *are the key economies driving global growth, what are the danger zones of the global economy and the prospects for emerging markets?***

This current networked global economy will be very certainly driven by rapid flows of information, capital, goods and services, but a sustained financial crisis or prolonged disruption could also constitute a danger zone. Therefore ,achieving broad and sustained high levels of global growth will be contingent on avoiding several potential brakes. But still, many emerging markets have not yet undertaken the financial reforms needed for capital flows and high rates of economic growth.

**Issue 7: *Is The International Economy On The Path To Recovery After The Global Economic Downturn***

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The world economy is expected to be modestly stronger with inflation at about 2% and unemployment edging downward. The key to world economic growth lies in a stronger U.S economy and continued recovery in Asia.

***issue 8: what are the factors that will enable a gcc corporation to remain a successful actor in the 21<sup>st</sup> century?***

All GCC countries are making strenuous efforts to reduce dependence on oil and diversify their economies. Likewise, development of human resources capable of meeting the challenges thrown up by the new economic realities is seen as a major challenge. As for as the GCC corporation challenges, they can be summed up in the followings:

- Raising productivity levels.
- Raising managerial competencies.
- Stiffening recruitment requirements.
- Adopting appropriate and modern managerial and leadership tools, structures styles and empowering human resources.
- Maintaining financial integrity.
- Fighting corruption.
- Developing research and development activities.
- Investing in High – Tech sectors.
- Developing new quality products and marketing tools.
- Developing competitive edge, niches.

***Issue 9:when fostering corporate responsibility in an economic downturn, what would be the role of government and business communities?***

Today's organizations are faced with increasing criticism regarding their role within societies, issues such as unemployment, ecological issues, consumers rights are on the agenda.

Corporations should have a code of business conduct that ensures that management and employees have a clear understanding of principles important in conducting business (Ethical Values).

**All businesses should also develop:**

1. An environmental policy, reporting and programs.
2. A community involvement policy.
3. A product safety policy.
4. A health and safety policy.
5. A product quality policy.

***Issue 10: in promoting economic recovery and development , the synchronized world recession may not only last longer than expected but may also develop differently to other global recessions in recent memory. What measures should gcc countries take to mitigate the effects of the world recession?***

We are currently living hard times of deflation and depression. In this world economic recession, the main oil exporting countries are trying to lower their prices by devaluing their currencies so that they can maintain their share of world markets. Lowering prices, devaluating currencies is now a rule in order to maintain competitiveness face to the Japanese Economy. Japan's deflation and debt crisis constitute in fact a systemic risk to the global economy. Reinflating the US economy by lowering the dollar value is one solution, but the risk is that the dollar might also lose credibility in the world.

GCC economies might lessen the effects of world recession by: -going to a fluctuating basket of currencies instead of pegging their currency to the dollar,

-tightening government budgets, lessening deficits, encouraging private investment and spending and lowering interest rates .

***Issue 11:what must gcc countries do in order to continue a positive expansion?***

**These are necessary steps:**

- Economic diversification (non-oil activities).
- Localization of workforce to lessen foreign remittances.

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- Implementation of productivity and quality standards in business and government sectors.
- Attracting foreign direct investment by elaborating appropriate legislations procedures and incentives.
- Development of domestic economic base (small and medium enterprises)
- Sound economic and financial policies that allow macroeconomic stability.
- Opening of equity markets and privatization.

***Issue 12: what future for family businesses in the rapidly changing business environment in the gcc?***

GCC family businesses have to undergo rapid and profound changes to survive in the new economy.

Advances in information technology, telecommunications, will certainly lead to the decline of intermediaries, such as the local agencies in many industries. Family owned local agencies need to radically change their business model and cultivate competitive advantage. To do this, they need to change their strategy, international management process, and most importantly, the mindset of the top management.

***Issue 13: what on-going challenges must business people contend with and how can they overcome them to become even further integrated into the global economy?***

The global and digital economy are new paradigms, especially for small and medium businesses, this offers unprecedented opportunities to produce and sell on a mass scale, to lower costs and to customize operations for the needs of consumers.

The challenges to respond to are:

- The information technology gap (The Internet Revolution)
- The internationalization of business.
- Growth of cross-border investment flows and foreign ownership of manufacturing bases.

- Fall of barriers to trade.
- Growth of strategic alliances and cross-border mergers and acquisitions.
- The need for entrepreneurship profile in business.
- Comprehensive and global strategies must be developed .

***Issue 14: will the gcc as an oil-producing region survive the world economic turbulence? How to plan and face the challenges in this industry?***

Market conditions have changed with the downturn of the US economy, oil demand has stagnated and **non-opec oil share** has increased.

If global economic growth remains **anaemic** for more years to come and OPEC succeed in maintaining oil prices in the OPEC desired trading range of 22-28/B, demand growth is expected to remain modest (about 1.5% per annum) and incremental non-OPEC supply for the foreseeable future is projected to rise at close to the rate of global oil demand growth.

One of the major issues facing OPEC countries, is how to maintain their oil market share at oil prices needed to meet budget requirements. A main problem is coping with non-OPEC production challenge and the Russian production challenge.

***Issue 15: what is the new direction that the gcc governments should take in supporting business to progress as the developed countries are doing?***

**There are certain needs to be met as:**

- Expansion of basic infrastructure and services to support private sector growth and keep GCC investments at home .
- Capital invested abroad which range from \$350 Billion to \$670 Billion should be attracted back home.
- Improving investment climates and making changes in the regulatory environment



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- Credit scheme for lending.
- Encouraging Entrepreneurship.
- Access to risk capital and financial markets.
- Programs for innovation and research.
- Bridging the skills gap.
- Developing e-commerce and information technology as well as sustainable development.

***Issue 16: what is the future of the gcc economy in light of the global recession, international relations, wto and the rapidly changing geo-political and economic equations.***

**Certain future challenges need to be met such as:**

- Accelerate the technical and legal implementation of last GCC summit resolutions.
- Create a unified trade zone and single financial market, align fiscal and monetary policy, align exchange rates of currencies and creation of GCC monetary union.
- Aligning public debt and budget deficit ratio to GDP, to avoid monetary intervention and pressure on the currency.
- Accelerate the long-sought common gulf market.
- Encouraging direct foreign investment in the form of joint ventures coupled with transfer of technical know-how.
- Strengthening financial institutions and capital markets.
- Joining the global rules – knowledge based economy.

**Issue 17: where is the gcc heading?**

**GCC countries should put in place strategies to increase investment and growth through:**

- More productive investments.
- More foreign investments.
- Greater emphasis on the non-oil sector and the private sector.

- Growth must translate into higher employment of GCC nationals .
- More privatization.
- Improving regulatory environment.
- Strengthening financial systems.
- Put in place labor- market reforms.
- Joining the global rules- knowledge based economy.

***Issue 18: what are the most promising areas of economic growth in gcc for future business and investment opportunities?***

- Financial Services (Equity Markets).
- Tourism.
- Light industries.
- Trade.
- Construction.
- Healthcare services.
- Information technology and telecommunication.
- Shipping.
- Aluminum.
- Real state.
- Transport.

Finally ,we hope we concisely attempted to perform here the difficult exercise of listing and inventorying the main issues and challenges posed to developing countries in general and the gulf countries in particular and formulate appropriate policy recommendations whenever needed taking into account the controversial “specific” versus” universal ”policies as they apply.