

The Business and Economy of MENA

Module Introduction and Overview

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1 Introduction to the Module

For many years, the Middle East and North African (MENA) region has continued to attract the attention of academics and the public alike. Apart from its social upheavals and headline-grabbing political and military events, the region also combines attractive economic opportunities in sectors such as energy, logistics, finance and construction, with a significant political risk profile that affects domestic and international actors alike.

These perceived risks have increased since the 2003 US invasion of Iraq, and increasingly since the onset of the Arab Spring in 2011. As ever larger parts of the region have experienced a deterioration of their security situation, their problems have come to be viewed increasingly in military, rather than economic and administrative terms, as Libya, Syria, northern Iraq, and Yemen turned into battlefields at different points in time.

Nevertheless, there are a limited number of economic, political and cultural factors that have combined to determine the shape of the economic environment in the MENA region for the foreseeable future. Engaging with these, and integrating them into policies, administrative solutions and business plans early on, will give people within the region, as well as people working with the region, the best prospect for success in their endeavours.

With this in mind, this regionally oriented module aims to achieve the following goals.

- First, it will help you develop a system of coordinates to capture regional economies and their problems.
- Second, the module will familiarise you with the most relevant theoretical approaches in thinking about the region. Many of these, such as the concept of the *rentier state*, may have originated in political science, but they continue to have relevance for economic analysis and planning as well.
- Finally, you should become familiar with the main data sources to be tapped in researching the MENA region, and you should learn through practical engagement with the data, to produce well-reasoned and reflected arguments that apply to this part of the world.

The module will have succeeded to the extent that you gain confidence in assessing phenomena found in the MENA region. If you are from the region yourself, some of the contents will sound familiar, but elements that do not relate to your country of origin, or the industry you are most familiar with, may be new to you. If your previous exposure to the region has been limited, it should enable you to look at economic and social dynamics with greater confidence, and outside the categories of event-oriented media coverage.

The MENA region continues to be in flux. As a result, this module does not pretend to reveal eternal truths set in stone about its institutional and economic environment. Rather, it familiarises you with concepts, theories, and sources that attempt to explain and interpret the situation as found.

Throughout the module, you will be asked to engage with phenomena under consideration, theories and published research, and to apply these creatively to concrete problems. We strongly recommend that you follow through the analysis and questioning of the published research to develop your critical skills. This will be useful to you not only when you complete your own research, but also when you use other people's research to assist your decision-making.

While you are studying you will have access to the Virtual Learning Environment. Please use the VLE to contact your tutor or your administrator, and to discuss the module with your fellow students.

2 The Module Author

Joachim Kolb has an academic background in Middle Eastern studies and in business studies. He has published on topics including entrepreneurship and labour markets in the MENA region, its political economy, governance and international relations. Having previously taught at universities in Japan, the UK, the UAE, Ireland and Germany, he has significant experience in providing economic policy briefings for international corporations, governments, think-tanks and advisory firms. Outside his academic role, he has worked in the MENA region for both NGOs and Media organisations.

3 Study Resources

This study guide is your main learning resource for the module as it directs your study through eight study units. Each unit has recommended reading either from the key text or from supplementary readings.



Key text

In addition to the study guide, you will be assigned chapters in the following book:

Melani Cammett, Ishac Diwan, Alan Richards and John Waterbury (2015) *A Political Economy of the Middle East*. 4th Edition. Boulder CO: Westview Press.

Module readings

The module readings are a collection of journal articles and book extracts that are of particular relevance and interest to the topics covered in the module. The study guide provides guidance on how to use the readings.

The module readings are resources to which you can refer whenever you need to.

Whether you are conducting research in the public or private sector and whether you are undertaking research as a practitioner, as a professional or for academic purposes, there are many methods of enquiry and data sources that you can use. The key text and the module readings introduce major traditions of research on the region, but you will, at different junctures, go beyond it.

As you work on the module assignments and continue your work on the region, you will undoubtedly feel the need to access further sources of information, beyond what is offered within this module.

The sources that you will be able to use depend, to some extent on your linguistic knowledge: some data on the region may only be available in Arabic, and, particularly in the Maghreb region, research and media reports are often provided in French.

In particular, you will want to be aware of the following sources, most of which can be accessed online:

- *Regional statistical and macroeconomic data provided by national institutions.* Depending on the country you are studying, the quality and amount of data provided may differ considerably from the statistical coverage found in OECD countries, and sometimes contradictory information may be spread across different ministries or authorities. Data collection from these sources is vital for many purposes, but by no means easy.
- *Research, statistical and macroeconomic data provided by international institutions.* In particular, multilateral institutions such as the UN and such agencies as the IMF, the World Bank, the OECD *etc.*, aggregate information about the region in periodical reports and occasional research papers.
- *Corporate reports by regional corporates.* Particularly large corporates with secondary listings outside the region will provide significant information on their activities in annual reports, press releases, and SEC filings.
- *Regional and international news media.* These include the leading news outlets in the region, or in the MENA country under investigation, but also international business publications, including, but not limited to, the *Economist*, the *Financial Times*, the *Wall Street Journal*, as well as digital resources.
- *Region-specific aggregators of economic information*, such as *Zawya* (www.zawya.org), the *Middle East Economic Digest* (MEED), the *Middle East Economic Survey* (MEES), *etc.* Access to these aggregators tends to be fee-based, and can be costly.
- *Academic papers*, some of which are included in your module readings, are best accessed via academic libraries.

In addition, empirical field research may yield relevant information, but in the context of this module, you will not be expected to engage in it, and the problems of doing empirical field research in the MENA region will not be discussed in detail.

4 Module Overview

An economic and political understanding of the MENA region relies heavily on a sophisticated appreciation of the facts on the ground, which, in this region more than elsewhere, tend to be contested and obscured by preconceived notions and rigid perspectives. This module is designed to provide an overview of stylised facts and empirically grounded theories of the region, which are designed to enable you to conduct your own research and draw your own conclusions on the specific problems you face in your work.

Units 1 and 8 do so by providing general overviews of the region and its institutions, taking geography (Unit 1) and religion (Unit 8) as their ordering principles. Units 2 and 3, by contrast, focus on the state-business relationship. Specific fields of economic activity are then covered in Units 4 to 7, which deal with investment, trade, labour markets, and the financial sector, respectively.

Unit 1 Common Features of MENA Economies

- 1.1 The Institutions and Economic Environment of the MENA Region
- 1.2 Localising the MENA Region
- 1.3 Geographic Characteristics of the Region
- 1.4 Some Stylised Facts about History
- 1.5 Some Stylised Facts about Religion and Economy
- 1.6 Conclusion

Unit 2 The Macroeconomic and Institutional Environment of the MENA Region

- 2.1 Economic Growth, GDP, and GDP per Capita in the MENA Region
- 2.2 The Resource Curse and the Rentier State as Analytical Prisms
- 2.3 The Quality of Governance in the MENA Region
- 2.4 Conclusion

Unit 3 The Business–State Relationship in the MENA Region

- 3.1 General Remarks about the State–Business Relationship
- 3.2 The State–Business Relationship in MENA Countries: A Typology of Political Settlements
- 3.3 MENA States as Providers of Public Goods
- 3.4 MENA States as Producers and Market Participants
- 3.5 MENA States as Regulators
- 3.6 MENA States as Investors
- 3.7 Conclusion on the Role of the State–Business Relationship

Unit 4 FDI in the MENA Region

- 4.1 Why FDI Matters: Perspectives for the Arab World
- 4.2 Types of FDI and Theories of Internationalisation and Political Risk
- 4.3 The Historical Development of FDI in the MENA Region
- 4.4 Investment Regimes, Agency Agreements and Free Zone Companies
- 4.5 Outward FDI from the MENA Region
- 4.6 Conclusion

Unit 5 Trade in the MENA Region

- 5.1 Trade in the MENA Region
- 5.2 Theories, Trends and Institutions in Global Trade
- 5.3 Interregional and Intra-regional Trade in the MENA Region
- 5.4 Trade Logistics
- 5.5 The Political Economy of Trade
- 5.6 Conclusion

Unit 6 Labour Markets in the MENA Region

- 6.1 General Features of Global and MENA Labour Markets
- 6.2 Regional Overview
- 6.3 Labour Market Governance and Industrial Relations in the MENA Region
- 6.4 Conclusion on the Role of Labour Markets in the Gulf

Unit 7 Banking and Capital Markets in the MENA Region

- 7.1 Some Stylised Facts about Banking and Capital Markets
- 7.2 Currencies, Monetary Systems and Regulation in the MENA Region
- 7.3 Banking Systems in the MENA Region
- 7.4 Some Remarks on Market Finance in the MENA Region
- 7.5 Conclusion

Unit 8 The Role of Islam in MENA Economies

- 8.1 Islam and its Provisions on Economic Life
- 8.2 Economic Features of Pre-Modern MENA Societies
- 8.3 The Concept of Islamic Economics
- 8.4 Practical Relevance of Islamic Institutions in the Economic Sphere Today
- 8.5 Conclusion

5 Learning Outcomes

When you have completed this module, you should feel confident of your ability to understand the economic developments in the MENA region, including their context and historical background. You will have acquired a general frame of reference that will help you assess developments in the region in the spheres of economics, public policy and business. In particular, you will be able to:

- explain what sets the MENA region apart, and what fundamental factors and underlying conditions have an influence on major economic and political developments in the business sphere

- relate current events and economic developments in the region to their historical, political and economic context
- discuss the administrative and political traditions of the MENA states, and the way they play out in individual countries within the region
- assess the potential for FDI into the region, and analyse investment streams into, within and from this part of the world
- explain the nature and performance of trade relations within the region, and the outcomes they have had for individual MENA states
- outline the nature of HR developments and labour market outcomes in a particular setting within the region on the basis of a larger frame of reference taking in regional developments
- assess the role of finance and capital markets in different regional settings
- analyse the role of religion for MENA businesses and the economic environment in different MENA settings
- access, analyse and present qualitative or quantitative data on regional developments
- interpret and use information you receive on regional developments in your own research, professional and business needs in a professional manner.