

MODEL OF ECONOMIC DEVELOPMENT IN THE MIDDLE EAST

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Oil is the main export product of the Middle East since the beginning of 20th century. However, large crude oil reserves are found only in some Middle Eastern countries (Fig.1)

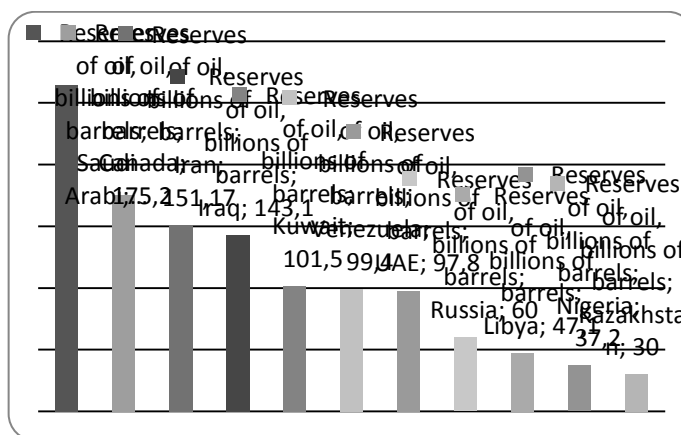


Figure.1 - Reserves of oil in the Middle Eastern countries and other countries, billion barrels [1,2].

Profit from its production is distributed unevenly. Saudi Arabia is the largest supplier of oil; Iran, Kuwait, United Arab Emirates and Iraq are the following. Qatar located on the Arabian Peninsula, and North African countries Libya, Egypt and Algeria export less oil. Due to oil and natural gas Middle East has developed into extremely important global supplier of energy resources. In the middle of last decade, about 70% of proven world oil reserves and about 41% of world reserves of natural gas were concentrated here [3]. Disputes between the countries of the Middle East region are constantly occurred due to uneven distribution of wealth. The countries of this region have formed different approaches for oil fields development and exploitation, as well as for oil sale. Most countries have already passed early phase when oil production has increased sharply. Slowing growth of oil production and sharp reduction of oil production in some countries were followed. This trend has two reasons. The first reason is that the leaders of oil countries come to understand that the local economy cannot absorb all currency revenues from the oil exports. The second one and more important is that the growing concern about preservation of fuel for a long time dictates the need for a high price in order to prevent overproduction [4].

Countries of this region exploit their oil resources at different rates. The largest producer and exporter of oil Saudi Arabia does not increase production as its ability to use of oil revenues are limited because of infertile soil, lack of water and small population. Iran, by contrast, has a large population, developed agriculture and industry, which can absorb investments, and therefore it tends to accelerate the development of its oil reserves for stimulation economic growth.

It seemed that large part of the revenues from the sale of Iraqi oil will be used for agricultural development. But Iraq was involved in the war that forced the country to spend money mostly on the military expenditures.

Iraq and Iran are oil-producing countries with large populations. There are a lot of cultivated land and well-developed irrigation. Agriculture and other non-oil activities have an important place in the economy of Iran and Iraq, oil revenues for them is not as important as for Saudi Arabia and the Gulf States. Until the emergence of the destruction caused by military-political events, Iran and Iraq, more than Saudi Arabia and the Gulf States, have succeeded in maintaining and increasing economic growth.

Having more significant potential for development Iran and Iraq can more effectively invest oil revenues, but after the defeat of Iraq in the Persian Gulf War the international community has severely limited the ability of Iraqi oil exports. Therefore, Iran and Iraq have sought to maximize the cash proceeds from the sale of oil. Iraq has attempted to increase the quota of the crude oil market, while against him were not introduced economic sanctions in the 1990s. Iran has consistently advocated for the rise of oil prices at the countries meetings – Organization of Petroleum Exporting Countries (OPEC) since suffered more than other countries, when in the late 1970s because of inflation and the overproduction of oil in OPEC countries, its real price has fallen sharply. Iran and Iraq have great difficulties with the effective use of finances invested in the development. Countries had to overcome difficulties in production and distribution, resulting from undeveloped communications and transport; they have suffered from poor management in the implementation of development projects and have faced with serious environmental problems.

The most important environmental problem is regional water crisis growing. The present appearance of environmental problems as externalities is a critical weakness of economic systems - be they market or centrally planned economies - as it does not induce environmentally benign behavior and activities. Appropriate measures, mechanisms and incentives, such as charges, property rights and extended liabilities have not been devised and are not included in the pricing system in the Middle Eastern countries.

Bahrain is only one oil producing country that has already faced the problem of declining revenues due to depletion of oil reserves. Country has carried out a very successful transition to alternative income sources due to the

development banking business and international trade services. However, the need of the region in such specific services is limited, and many countries that are prospering through the sale of oil, obviously, will have to spend a painful restructuring, when their oil reserves will be exhausted. Only a few countries have sufficient oil reserves in order to continue its exports. Among them - Iraq, Kuwait and Saudi Arabia, which at current production rates will deliver oil in the second half of the 21st century.

Conclusion

The bases of the current welfare of the Middle East are non-renewable oil reserves. Therefore, to preserve the region achieved the standard of living; oil-producing countries need to find an alternative source of income, preferably in the form of industrial activity, based on their own.

Since the agricultural sector assumes a prominent role in the national economy, its sustainable development should be designed and implemented within a national macro-economic setting as well as with due consideration to the linkages between the sector and other non-agricultural sectors of the economy.

The concept of sustainable economic activity, development and use of resources should be the overall yardstick for future policies. Its application requires a drastic change of perspective in the prevailing economic system, the emergence of new models for the development of developing and developed countries alike, intensified research on operationalizing sustainable development, and the adoption of coherent policies. The political process has to set the dimensions and standards within which the economic processes can work.

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