With a focus on Ethical and Sustainable Business

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Our papers this issue greatly reflect the state of our world.

We have two excellent papers on economic issues of the region: The Turkish Steady State: the Reasons behind a Frozen Economy in View of EU Accession, and Unemployment in Saudi Arabia: The Ethical and Economic Impact of Foreign Workers on the Middle East Market. The paper on Corporate Governance for Family-Owned Enterprises and a special editorial and Update on whither the internet (with poetic licence!) are issues which affect us all, globally.

Our society section has two contributions regarding regional injustices on a massive scale and the value of human life.

These are included as if we cannot put value on each other then what worth do any of us have?

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The Turkish Steady State: the Reasons behind a Frozen Economy in View of EU Accession

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Abstract

The economic and financial situation in Turkey is still at the centre of controversial debates in the literature and among practitioners and policy makers. The last years of growth have now left the floor to a steady state, which seems to be hindering the path towards new growth. This is mainly due to a lack of necessary reforms in the country, at both political and economic level. The paper aims at clarifying the actual situation about Turkish financials, while fostering the discussion about future perspectives and potential interventions. The core purpose is then to identify and discuss those aspects in light of potential integration of Turkey in the European Union, a still relevant topic in the scientific debates. As a consequence, both literates and policy makers may find the paper useful as a means of discussion and confrontation about the needs of Turkish society in the second decade of the century. Some insights on the potential future developments of the macroeconomic variables help the reader to get the best out of the paper.

Key words: Financial Crisis; Economic Growth; Steady State; Financial Stability; Macroeconomic Variables

Introduction

After years of high inflation and budget constraints braking the Turkish economy, enjoyed its renaissance in the very last years. While the Western world was put under attack by the worst financial crisis ever, Turkey was growing at a pace of 8% per cent per year, with manageable inflation and fiscal probity.

According to the Organisation for Economic Cooperation and Development (OECD) reports (2014), in the last decade Turkish economy has grown by $383 billion, settling as the 16th largest economy in the world. The exports reached an impressive $135 billion figure, and the income per capita doubled, combined with the reduction of central government debt, going down to a remarkable 46% of Gross Domestic Product (GDP).

The Turkish situation showed that Islam, democratic governance and prosperity are perfectly compatible, especially in light of the spring revolutions in many Arabic countries.

It is however not so easy to claim Turkey as a country fully pacified. Recent protests in Istanbul have revealed the polarization within Turkey over President Recep Tayyip Erdogan’s social policies and political leadership style.

After the elections, Erdogan is now assumed to drive Turkey again towards economic prosperity, with sustainable high growth rates, and this issue stands as a crucial point for his enduring popularity.

The main consideration for the coming years is therefore whether there is potential for Turkey to get out of a stationary economy and get back to the standards of the recent past. Can the former high growth rates be reached again, given the status of its overall policy reforms, the quality of its institutions and current global dynamics?
A strategic partner for the European Union, Turkey stands as a very important trading partner and a potential valuable member of the union, bringing competitiveness through the Customs Union.

Given its strategic location, in the heart of Eurasia, it can play a crucial role in the region, also for energy matters. That is why the European Commission recently underlined the importance of ongoing cooperation and dialogue on foreign policy issues. On the other side, the EU itself remains an important reference for Turkey’s economic and political reforms.

The protests happening in the central Gezi Park in Istanbul, involving thousands of young people, clearly showed how far the political system and the society still are in Turkey, and the need of promoting dialogue. More broadly it highlighted the need for respect of fundamental rights in practice.

This paper seeks to contribute to the debate, first by outlining the major shifts in Turkey’s economy and then by assessing whether its economic experience provides an adequate foundation for high future growth rates.

Section one deals with the most recent years and the decline of Turkish growth to a steady state of little or no growth, trying to grasp the reasons behind such a fall and understand what the real actual state of the Turkish economy is.

The second section relates to the first one in that it tries to explore in depth the reasons for a steady state in the economy, by listing and analyzing one by one what have been identified to be the main reasons behind the phenomenon.

The third section aims at analyzing the financial side of the story, carrying on a deep analysis of Turkish financials, in light of future integration to a peculiar financial market like the European one.

The fourth section is about future steps and provisions for progress towards new growth for the Turkish economy. Based on the analysis of macroeconomic and financial aspects it is in fact possible to assume there is hope for new growth at the pace experienced in the less recent past.

The last section of the paper aims at describing in detail the history and trend of the negotiation process for Turkish accession to EU, as a preliminary setting for understanding the impact of the actual Turkish economic situation.

1. Turkish Stagnation after the Boom

The recent presidential elections have proven to be a tough test for former Prime Minister Erdogan, who had to face the biggest test of his popularity since becoming Prime Minister in 2003.

The polls have been looked at as a popular referendum on his popularity, in the country’s first direct presidential election, in which Erdogan, as expected, managed to get the majority of votes.

Besides the victory and the election, things did not go that smoothly after all. The margin of votes in favour of the majority was quite narrow, probably following the Gezi Park protests in Istanbul, with the government also facing a wide-ranging anti-corruption probe.

In this context it must be also added the slowing down of the Turkish economy, after years of booming, together with the lowering of the currency against the dollar, and the increase in foreign debt of the Turkish corporate sector.

It is therefore very important for the future of Turkish political classes, to identify the reasons for such a deceleration of national growth, besides the obvious impact of the financial crisis.

It is in fact well known that Turkey managed to grow even in the years immediately following the start of the global crisis, as opposed to many developed countries that struggled with growth in the aftermath of it.

The Turkish economy grew consistently in the decade after 2003, due to many factors. The government’s ability to attract foreign investment from Europe and emerging markets is one of those.

Large amounts of credit were injected into the country at a relatively low price, fuelling the rapid economic growth. In fact, as the crisis hit developed economies, investors turned to emerging markets which promised higher returns than depressed Western markets.

According to a CNN online article by Kottasova (2014) the inflow of foreign capital boosted the construction industry, with the housing prices increasing more than 50% in the last 5 years, and the GDP increasing by three times since the start of the booming economy in 2003.

When US Federal Reserve announced a downsizing of its incentive program for countries including Turkey, money started lacking. Suddenly, there was less cash available to invest, and investors started cashing back their money from the emerging markets, to reinvest in other economies.

In 2013, the situation turned to bad and the Turkish economy started decelerating, with a growth slowing to just about 2%, with an inflation rate of 7.4%. The lira currency lost much value at the beginning of the year, forcing the central bank to a radical approach. A sharp increase of interest rates was put in place, in order to prevent foreign capital outflows.

But high interest rates have also unpleasant consequences, and the Turkish economy has been slowed down a lot since then. Moreover, as cash becomes less available and borrowing becomes more expensive, producers and business owners are...
likely to shift the higher costs to consumers, generating high inflation.

The Turkish government is clearly aware of the problem and it opposed the central bank decision of raising interest rates. Erdogan in particular blamed the fall of lira on the opposition and an “interest rates lobby,” saying it was the result of a conspiracy against him and his government.

The IMF has clearly stated how the Turkish economy is not based on a sustainable model, besides its high value placing it among the top economies in the world. The system remains vulnerable to shocks coming especially from outside its borders.

Another worrying statistic about the country is the poverty, and according to OECD, at least 20% of Turkish citizens live below the poverty line, which is set as having an income less than half of the country’s median.

In order to understand how bad the statistic is, consider that only Mexico and Israel show a higher figure among developed countries. In order for growth to be effective and sustainable it is therefore important to reduce the share of population suffering from poverty.

Turkey is in a geographically important position, making it the bridge between Europe and Asia. The importance is well reflected by its membership of NATO and by the process for accession to the European Union.

However, the high level of uncertainty about Turkish fundamentals have led to loss of millions on financial markets, with foreign investors closely watching government’s steps, and looking at the presidential elections as indicative of where the country’s economy moves next.

There is therefore a defined trend going on for Turkey, with growth visibly slowing and the economy being unprotected against oscillations coming from global shocks like the financial crisis, or the reductions in quantitative easing by the United States Federal Reserve.

High public expenditure is still in place, not balanced by private investments, which remain minimal. It is clear that the growth led by the private sector, which was the engine for the overall wealth of the country, started losing momentum.

The situation is quite ambiguous now, with the economy proven to be anyway solid, reaching a growth of 3% on average, which is decent. But, on the other hand, both GDP per capita and labour productivity are in a steady state since years. On top of that, inflation and the current account deficit as a percent of GDP have both remained high, during the past few years.

In an article of August 2014, Murat Acer describes the ambitious program of President Erdogan and his aim is to make Turkey the 10th largest economy in the world. It seems to be hard to implement, in that it would also imply raising the per capita income to an impressive $25,000, which is 2.5 times the actual income. In order to achieve such a figure, the per capita income should then grow by 10% per year in the following years up to the projected target date of 2023.

Besides the optimistic view of those analysts who argue Turkey has experienced such an income growth already, it does not seem to be possible to replicate such a performance.

The only factors contributing to the past decade transition to a rich economy have been the steadily increasing global interest in emerging markets and a pragmatic government that stuck to the blueprints and policy anchors of the post-crisis IMF program.

Also the EU accession process has played an important role in enhancing growth and reforms, as well as efficiency gains that were relatively easy to reap, given the low starting base.

That part of past growth was then somehow easy to get, and governments at that point did a good job in helping the process by building infrastructure, allowing the “Anatolian Tigers” to take the lead, providing basic access to health and education, among other things (Korfali et al. 2010).

Unfortunately that easy growth is not possible anymore for Turkey. The next developments will have to come from sophisticated sources, including technology advances and human capital improvement. The point is that Turkish readiness to undertake such a process is debatable, especially if one considers that the construction industry cannot help anymore.

Another good reason to be pessimist about the ambitious target is that the actual income level has been achieved through escalating macro imbalances, on top of that by increasing the current account deficit.

The sudden growth of Turkey and the change into a powerful economy came at the expense of living beyond its means. The current account deficit has increased over the past decade, reaching 8% of GDP at the end of 2013, after averaging below 1% in the 90s and 2000s.

The economic boom came to a stop in 2012, when Turkish growth slowed sharply to 2.2%. The economy had until then been driven by the so-called ‘Anatolian Tigers’, entrepreneurs with strong business connections, socially conservative and export-oriented.

The other successful point in Turkish growth was the increase of productivity in labour, in key sectors, while reducing poverty. However, the driving factors of growth were rapidly exhausted, making macroeconomic stability and fiscal discipline not sufficient anymore for a sustainable growth.

Low investments and saving rates in the last year have undermined the process of sustainable growth and Turkey’s con-
sumer-driven economic model cannot sustain consistently high growth rates anymore.

Low investment and savings rates, limited export sophistication, pervasive gender inequality and inefficient use of its ‘demographic dividend’ have caused the country to fall into the actual steady state, which is now persistent.

Reforms are the key to a successful restart of Turkish growth, especially in view of an incoming ageing of population, to be noticeable in 10 years probably. Policy makers should then focus on tackling the main bottlenecks to economic growth: the quality of human capital, and incomplete reform of governance and institutions.

Turkey has historically been subject to crisis, from the early 90s until 2001, following the liberalization of the 80s, which was not supported by appropriate macroeconomic policies and institutional reforms.

At that time, the aim to economic growth was not supported by fiscal discipline and the investments heavily relied on monetary financing, leading to high inflation and real interest rates.

The period was also characterized by lack of regulation and supervision over the banking system, encouraging them to funnel short-term borrowing from depositors into loans of dubious quality and government securities.

Inefficiencies were dominating several sectors of the economy, through badly run companies. There was no durability granted in policies, given the fragmented life of short-lived governments implementing populist measures.

The situation changed under the guide and reform of former Economy Minister Kemal Dervis. Turkey managed to promptly recover from the 2001 collapse. Minister Dervis concluded a stand-by agreement with the International Monetary Fund (IMF), liquidated insolvent banks, and privatized state-owned enterprises (Macovei, 2009).

Moreover, the energy and telecommunication markets were liberalized, a free-floating currency (Turkish lira) was introduced and the task was completed by creating an autonomous central bank, and setting up independent financial and market regulatory bodies (Macovei, 2009).

The process for entering the European Union began contextually and the continuity of policy under the subsequent single-party JDP government accelerated the recovery. Since then, the government of Erdogan introduced even more efficiency and predictability to economic policy-making (Alper and Hatipoglu, 2009).

The inflation was finally under control, earning Turkey’s central bank the respect and consideration of financial markets, and credibility was the cornerstone of Turkish economy.

Well addressed monetary and fiscal policies enabled the domestic business community and foreign investors to engage in long-term planning within a more stable political environment.

There is a threat for Turkey, coming from the combined effect of short term reversal of the economic boom, and the medium-long term inability of recovering, having no natural resources, and due to a lack in human capital compared to emerging Asia.

Higher education is represented by well reputed higher education institutions, training excellent engineers and managers. However, the population is still poorly educated in comparison with other middle-upper income countries.

The percentage of Turkish children graduating from secondary school is below 26%, very low compared to the average of developed countries, and also tight to data coming from some developing economies.

The export profile is dominated by low-value added products, like textile, furniture, and automotive, with a general lack of success in any field of high technology. The Anatolian region experienced success in some tech-oriented industries, but the Turkish hinterland still stays backward, as an obstacle to full development.

Looking at social aspects, there is a considerable 20% of marriages being contracted between people from the same family, matching the figures in Egypt. Modern forms of an ancient prejudice relegate girls in the house, hindering them from working outside, despite advancements in female education and a decline in fertility.

A particular astonishing figure is the only 22% of women seeking employment in 2009, even lower than 20 years before. Also in this case, the figure is astonishing if compared to other developed and developing countries.

In rural areas, as well as in the less developed parts of the country, with an economy based on agriculture, the women who cannot work on the family farm anymore simply sit at home. The collapse in the female labour force participation rate is a striking gauge of the country’s failure to modernize.

The official rate of unemployment in Turkey stands at 10%, but when adjusting for the female underemployment, the figure rises to a worrying 25% and above, describing a situation that needs intervention from the policy makers.

Fertility rate is another issue, in that developing countries cannot really sustain very low fertility rates, which lead to an increase of the average population age and in the number of elderly dependents.

This is an actual problem for Turkey, in that its fertility rate of Turkish speaking domestic population has declined to 1.5,
equating that of Europe, and the Turkish population is aging very fast, leaving the country’s social security system with a deficit of close to 5% of GDP.

It has been warned by government agencies that progressing with such a fertility rate would lead to disaster in 2038, with a collapse in the Turkish economy under the strain of caring for its dependent elderly. Moreover, the youth would be mostly to the Kurdish minority, with a renovated impulse for independence from the hard hand of the Turkish state.

2. Actual Obstacles to a Renovated Growth

The Problem with Exports

In a recent IMF paper (2012), the authors construct indices for the countries’ sophistication of exports, calculated as the average income and productivity level associated with the total of their exports.

Economic growth is driven, among other factors, by the sophistication of exports, in that goods and services being sold abroad contribute quite consistently to the general state of the domestic economy.

More sophistication in all sectors of economy is the driver of higher value-added activities, and acts as the propulsion for growth, through generating spill over effects for the overall economy.

Major growing countries like India and China have managed to increase their export sophistication, while Turkey is still in the position of not having reached enough sophistication.

The Turkish exports are concentrated in stagnant sectors, with declining share of global trade, and it is generally more competitive in low-relative-price goods, where the issue is about minimizing costs (Taymaz et al., 2011).

Since 2002 the total account of manufactured goods exports had registered a poor 2% of high research and technology products like aerospace, computers, pharmaceuticals, scientific instruments and electrical machinery.

The Misuse of Demographic Dividend

Turkey has a relative young population, with an average age of approximately 29 years, and this factor has been a source of vitality for the national economy. At this stage, there is room for demographic opportunities (Euromonitor International, 2012).

The proportion of active working-age population, between 15 and 64 years is then increasing, bringing benefits in terms of reductions of expenditure in education and social security, with rising tax revenues for the State.

The challenge for Turkey is therefore to exploit the demographic dividend by structural changes, in order to transfer workers from low- to higher-productivity sectors - for labour productivity growth.

One should consider that the increase in the quality of the working force accounted for 45% of the total growth in the years between 1990 and 2005, (Altug et al. 2006) with the remainder due to productivity increases within each economic sector.

Besides the good background for a good demographic dividend, which usually happens once and lasts for about 50 years, at the moment Turkey is not able to fruitfully exploit it, due to lack of proper education and employment policies.

According to estimates from the UN, Turkey has time until 2025 to take advantage of the demographic window, which will start closing from then on, given the fall in fertility rate of the last 50 years.

The Turkish ratio between the citizens active as labour force and those outside labour market is expected to increase right after 2025, due to aging of population. There will therefore be an intergenerational transition of resources from education to social security, healthcare and pension provision for the elderly.

The view of politicians, and especially that of President Erdogan is that the drop in fertility is a threat to the national security. This view is so consistent that he has exhorted women to have three children, and condemned Caesarean births and abortions.

Demographers are doubtful about the accuracy of the forecast, despite agreeing that there is a balance of power, namely the ratio between Kurds and Turks living in the country that may start shifting towards a Kurdish majority in 40 or 50 years.

However one looks at the issue, the main risk is the procrastination on economic and social reforms is coinciding with the fast-approaching demographic reversal, due in less than a generation.

Population is aging and the share of families having children up to 17 years old has dropped from 42% to 30% in the last 20 years. Forecasts are even worse, setting it to a further 25.7 per cent by 2023, 19.1 per cent by 2050 and 17.6 per cent by 2075. Turkey cannot rely forever on the power of demography to propel productivity and economic growth.

Gender Inequality

In most economies, female emancipation is a key factor for sustainable economic growth, social security and stability, and robust democratic pluralism. This is one of the challenges nowadays in Turkey.

The probability of maximizing the benefits of a positive economic conjuncture, given such a gender status is quite low,
and the position of the women remain a prominent obstacle to the further development and growth of the ‘Anatolian Tigers’.

The society in Turkey is still very conservative for women, making them face significant restrictions, in some parts of the country. Studies from UN Development Program and the World Economic Forum place Turkey at 101st place out of 109 countries for gender empowerment and 122nd out of 135 for gender equality (Hausmann et al. 2011).

The situation looks even much worse if one thinks of the rate of female labour force participation, seeing the proportion of women in working age having a job, is around 31%, almost half the OECD average of 60%.

Female employment is mostly hindered by social conservatism, and in urban environments there is a structural lack of job opportunities for women, together with the decline in agricultural employment, poor education of women, lack of childcare services and inadequate working conditions.

There is a social cost implied in excluding women from the labour force. Even considering female participation to a labour force of 50%, Turkey’s annual economic loss amounts to $419 billion. This is greater than the economy’s GDP gains over the last ten years.

3. An Analysis of Turkish Financials

Moving the labour force from low-productivity activities, like agriculture, to higher-productivity, like modern industries and tradable sectors, the Turkish economy has faced an epic change of resources.

In eight years, from 2000 to 2008, the manufacturing sector went from absorbing the 25% of public and private investments, to an impressive 50%. Similarly, the composition of exports has reflected this change.

As a consequence of the diversification of investments and exports into the tradable sector, there was an increase of the added value of Turkish productive capacities, with enhanced global competitiveness (Rodrik, 2009).

As a consequence of Turkish growth performance, a new middle class was created, enjoying the largest gains of household after-tax income. According to the OECD (2014), another effect of growth was the considerable reduction of income inequality.

Recall that the Gini coefficient measures the level of equality in income for a country or regional area. It can take values from 0 (complete income equality) to 1 (complete income inequality). According to the Turkish Statistical Institute, the Gini’s coefficient for Turkey decreased from 0.403 in 2006 to 0.38 in 2010, remaining stable in subsequent years.

Another impressive figure relates to the ratio between the incomes of the 10% richest against the income of the 10% poorest, which narrowed from 18 times in 2005 to 14 times in 2009.

In the same time interval, the proportion of Turkish citizens below the poverty threshold fell from 20.5% to 18.1% and the rate of child poverty declined from approximately 33% of children in 2006 to approximately 25% in 2010.

From 2010 on, the poverty and equality indicators have entered a steady state which can be then seen as a forecast of the overall economic situation to come. After a few years of reasonable increase in non-agricultural employment, and the reduction of the interest on debt payments, followed by increased social transfers and rise in minimum wage, the situation precipitated to the steady state.

Studies and reports have shown in the years how economies based on a model focused mostly on private consumption rarely witness consistently high growth rates. That seems to be also the case of Turkey, where private consumption accounts for 70% of national income.

The World Bank defines Turkey as an upper-middle-income country, with a GDP per capita growth of 2.2% in 2012. One should remember that it took almost 55 years for Turkey to get out of a situation of very low income.

The next and more difficult step will be to go further, from a middle-income to a high-income status, for which the macroeconomic stabilization characterizing the shift to middle-income may not be enough anymore.

It is not possible for the country to simply rely on low-cost labour resources and bare adoption of easily available new technologies as the primary source of growth, in order to achieve an easy growth.

In the last decade the quite rapid growth of Turkey has been stopped by two episodes of prolonged deceleration, meaning that domestic demand cannot sustain growth in the long term, without risks of stagnation.

As mentioned above, one of the factors hindering a sustainable and consistent growth of Turkey is the lack of domestic investments and savings. Generally, sustainable growth requires national investment rates of 25% of GDP or above, counting both public and private expenditure.

Turkish rates fluctuated between 15% and 22% of GDP in the last decade, exceeding the threshold of 20% only in 4 years, quite below the 25% target and also worsened by the quality of insufficient investment rates.

The invested money has been basically misallocated, with expenditure moving from productive manufacturing purposes to residential uses and other non-productive sectors. Moreo-
ver this was accompanied by the fact that public and private investment no longer complemented each other.

The rush to real estate and the dash for concrete are well testified by the recent protests in Istanbul, against the requalification of Gezi Park and Taksim Square, which are among the very few green spaces remaining in the capital. However it seems that the government is well motivated, as the TL 7.5 billion set aside for urban renewal projects in 2012 testify (Letsch, 2012).

Savings are also very important in a country aiming at sustainable high growth. The usual share of national income to be set aside in such an economy should result in a national savings rate of at least 20% of GDP. Such a rate is needed to fund domestic investment plans.

The savings rate in Turkey decreased from 23% in the 90s to 12.7% in 2010, setting the bottom rate in the recent history of the country. The increase in savings that would be normally associated with the rise in incomes experienced in Turkey, has been offset in the years by the fall in household savings, with an aggregate decreasing effect.

Such a plummeting is due to many of the consequences of the economic growth immediately after crisis, like the credit growth, falling interest rates, rising house prices, pent-up consumption and the increase in the middle classes' share of consumption.

Families started relaxing their needs for precautionary savings, and put more money on consumption. As a consequence the ratio of household liabilities to disposable income has grown from 4.7% in 2002 to 50.6% in 2012 (Deliveli, 2013).

These figures contain a clear indication of a likelihood of a financial crisis in the near future. Among factors exacerbating that likelihood there are the steady rise in the share of consumer credit in the budgets for the lower- and middle-income households and the fall in rates of home ownership for the median group of households representing the labour force.

Turkey has quite a high net external debt for an emerging market, amounting to 51% of GDP. The debt is primarily issued to the private sector, with the largest 500 firms in Turkey having an average debt-to-equity ratio of 120 per cent in 2010 and 141% in 2011, compared to roughly 50% in the United States and 70% in Europe in 2011 (Harvey and Bilgiç, 2013).

In terms of investments and savings, the actual situation of Turkey seems to be a vicious cycle, where the economic growth drives investment needs that cannot be satisfied by domestic savings, encouraging speculative financial flows to finance the deficit. The subsequent stop to foreign capital inflows in 2009 made Turkey suffer one of the most severe recessions among emerging markets.

The issue with Turkish investment-savings deficit (also named CAD) is primarily structural, not driven by cyclical factors. Low savings rate, trade composition, and a heavy dependency on imports of energy, undermine the trend of CAD, as well as intermediate and capital goods in relation to Turkish exports and the manufacturing industry.

The trade balances and exports supply in those years have been dramatically hurt by the economic growth, due to the reliance on an overvalued lira, as a means to control inflation, and also due to the excessive importance of intermediate imports.

An important negative driver for the Turkish economy has been the mismatch in proportion between imports and exports. In the last 10 years, the imports of goods and services as a proportion of GDP rose from 26.2% to above 33%, while exports of goods and services has risen only from 23.6% to just above 24% in the same period.

Growth of imports and exports move concomitantly, meaning that the deficit cannot be faced with just letting the lira depreciate. Thus the foreign trade and current account deficits are not necessarily sustainable, and the country is subject to potential permanent increase in a country’s external debt-to-GDP ratio.

Global purchasing power (measured by average purchasing power) and domestic productive capacity (measured by average productivity) do not match, generating a situation that is not sustainable in the long term.

World Banks says that the actual level of the salary per capita and per worker are just too high compared to the average productivity levels, resulting in Turkey’s per capita incomes to increase by only 31% net of inflation and exchange-rate effects, rather than the oft-quoted 300% in nominal terms.

There is no adequate policy response in place at the moment, besides giving tax incentives in order to encourage domestic production of intermediate goods, thus reducing the pressure on imports.

The incentives are anyway expected to have a limited impact, and the national savings should not move forwards. The CAD deficit is seen as not really dependent on the previous policies, which are not expected to be efficient to remove the causes of the deficit itself.

If it is true that sustainable high economic growth precedes higher savings. The structural increase of savings seems to be achievable only by removing the obstacles to growth and making the system less vulnerable to low savings in the transition period.

**4. Towards Sustainable Growth**

Recall that president Erdogan set 2023, the centenary of the Turkish republic, as the objective year for reforms to be completed and the country growing again. The target is to triple
the size of the economy, reaching $500 billion in exports and entering the top ten of world economies (Dyer, 2011).

One of the aims is to increase the average income per capita, setting as a target an amount of $25,000, a bit lower than Spanish actual average income. Turkey would need annual growth of about 9% to satisfy these expectations, of which 4% should be real growth, net of inflation and appreciation of the Turkish lira (Gürsel, 2012).

The real factor complicating the reach of such an expectation is that all the pressure for the required growth should be on exports rather than domestic demand. It has been argued that few countries manage to achieve growth rates of eight percent on a durable basis.

In an article of 2014, Turkish Prime Minister Ahmet Davutoğlu reflects on the role of Turkey in the near future, for stabilization of Eurasia, and what measures can take Turkey out of stagnation.

In 2015 Turkey will assume the presidency of G20, following Australia. The challenge will then be to build up a comprehensive agenda, and properly take on such an important responsibility.

Recently the IMF downgraded global economic growth forecast, making the implementation of the commitments of the G20 members very urgent, in order to keep the focus on growth.

There are several areas identified by the G20 as key factors for enhancing growth, and Turkey must develop a plan on those areas, namely infrastructure, investment and trade.

There is an estimate of OECD (2014) that $70 trillion needs to be invested in infrastructure in the next 15 years, with the essential intervention of private sector contribution. Turkey has the advantage of being an experienced country in developing infrastructure with the contribution of private capital.

The financial sector also seems to need a renovation, with the introduction of innovative financial products in order to enhance private-sector investments through such instruments.

Investment plays a critical role in terms of unlocking growth and generating new jobs, as well as knowledge sharing and brainstorming in all the areas considered above, among members.

A possible solution to many problems could be with no doubt the introduction of free trade. An effective and open multilateral trade system must be built on bilateral and regional arrangements, in order to be effective.

A challenge for Turkey during its presidency will be to foster the trade liberalization and fight the protectionism that still stands among developed countries. At the same time, it is very important to strengthen the interaction with low-income and developing countries, and pursue common growth targets.

Turkey is an emerging donor country, with an amount of donations for official development assistance of $3 billion. Involving low-income economies in the growth process is essential both to ensure inclusive growth and to improve global security and stability.

An important issue for the Turkish economy will be the support of small and medium size businesses, because they play a crucial role in reaching a sustainable growth. SMEs are primary drivers for growth in developed economies as well as in emerging markets.

The process must explore ways to encourage support for SMEs, as well as disclosing financial opportunities for capital collection. Also regulations should be tailored in a way to not hinder the growth of corporations, and enhance their inclusion in the global value chain.

Turkey is one of the major transit countries in the world, due to its geographical position, as the bridge between Europe and Asia. Energy cooperation is therefore a compulsory topic to be discussed.

The G20 countries should manage to agree on collaboration concerning energy topics, setting it as a priority for the next talks. The aim is to improve access to energy for all members and encourage energy investments to meet the increase in energy demand due to growth and industrialization.

In this view, it will be also essential to involve international organizations like the UN, OECD and IMF, to establish a common ground for energy discussion, given that correct and sustainable use of the energy sources is a topic affecting the whole world, and not just the G20 countries.

As for the internal policies, growth can be restarted and employment can be increased only by removing the actual obstacles that hinder the progress of the nation. Turkey needs to step up and in order to do so, the following topics must be faced with relative urgency.

Among the priorities of the next Turkish policies, women’s employment is very important. The aim could be reached by exploiting the chances offered by the social care sector and cultural/educational sector.

With appropriate investments in the above fields, adequate policies will have the capacity to generate a great number of jobs. It is rather obvious that decent employment conditions and gender equality, as well as good balance between working and family life need to be ensured.

In order to avoid the issue to be instrumentalized, severe monitoring of gender equality must be put in place, in order to prevent vertical and horizontal segregation and to involve men in maternity and child care policies.
The United Nations Turkey Country Team 2013 analyses the possible scenarios for Turkey from 2015 on. The main step is to look at the female work force as a group needing special policies rather than a disadvantaged group, with a view at eliminating the aspects of inequality that underlies the low level of women’s employment.

One of the main aspects that hinder the start of a new period of prosperity for Turkey is of course the absence of new policies for the labour market, especially related to the youth.

Young people should be seen as an important resource and treated accordingly, by adopting a favourable mind set and empowering youth in connection with the projects and policies to be developed in the country.

All the minority groups should be covered by the new policies, without distinction for gender, origin, education, disability, religion and residence. Employers willing to hire young workers should realize that their opinions and views must be respected.

Both public and private sector should be involved in generating job opportunities for youth, facilitating the transition between education to work, and ensuring decency of work conditions.

Another aspect is support of youth entrepreneurship, by developing policies to provide good projects and ideas with adequate funding and organizational support through the business setting process.

Even more, future entrepreneurship policies should have young people in focus, and incentive should be provided in order to create well-functioning businesses, also in light of the scarce working experience of youth.

One should think that youth unemployment also impacts on the working hours of the employed workers, and as a consequence, has an effect on health insurance programmes after a certain age.

Training for youth should also involve information technology, and entrepreneurship should be coupled with informatics entrepreneurship, technology and leadership and volunteerism training to prepare them better for life.

The creation of a new generation of workers, improving the overall quality of work and the increasing technology level, is with no doubt subject to the introduction of flexibility in the working models.

By relying on the experience of countries which have already introduced flexible models in their labour markets, an accurate analysis can help in avoiding the recurrence of mistakes related to the absence of flexibility.

Women and youth employment is a process that involves not only the creation of jobs, but also making sure vertical and horizontal discrimination and wage inequalities are eliminated.

Flexibility must be seen not just as a tool for employing more women and young people, but also as a set of policies to be implemented to fulfil the requirements of the worker during working life.

Besides the issue of women and young people, general unemployment is an issue that needs to be addressed in the immediate future. This is a mandatory requirement in order to ensure decent lives for the population.

The team underlines that another problem is represented by informality, with grey economy involving a large share of resources, and hindering development. Combating informality is at the basis of new jobs creation, and its causes need to be well understood, and matched with proper solutions.

The creation of effective inspection and monitoring systems is crucial on the one hand, to develop employment generation. Informalities most affect women, so that incentive programmes in that sense should match the monitoring activities.

The mind-set towards women in the labour force must be changed, to ensure that women are preferred instead of men, and the time limitation needs to be abolished. The system should change positive discrimination which considers women as creditors of rights, in a more realistic view of the system being in debt to women.

A good method to assess the impact of human resources development policies in Turkey is impact analysis. To date, such a methodology is not implemented, leaving the process for jobs creation unchecked. The same is true for international organizations, who offer projects for employment generation without performing any impact analysis.

There is definitely a need for impact analysis and quality monitoring when it comes to the implementation of policies for employment generation. There are studies which try to determine the impact of policies on minorities equality, but still more work must be done. In this context, good governance mechanisms need to be set up and good practices should be made visible.

The role of private sector in the economy is another point to be analysed in the coming years. In times of crisis, the private sector in fact is in need of public intervention, and its role in the economy needs to be correctly defined.

The Turkish private sector is not truly private, because public intervention embraces the whole economic system. Employment generation therefore goes through active implementation of incentive policies for each sector.
The crisis has weakened the finances of the public sector in Turkey and it is debatable whether it will regain its investor role in the Post-2015 period or whether it will have a more focused regulatory role as desired. Possible new policies should therefore be developed, in order to put the human capital at the centre of productivity, in order to avoid undesirable outcomes. Environmental consciousness, sustainable growth and equity should be the aims of any future policy.

5. The Process for Accessing European Union

The relationship between EU and Turkey has been designed through the Positive Agenda, in 2012, continuing to support and complement accession negotiations with Turkey through enhanced cooperation in a number of areas of joint interest, while not being a substitute for negotiations.

Turkey needs to show an active and credible accession process, in order to exploit the full potential of the relationship with EU. Such a process stands as the most suitable framework for promoting EU-related reforms.

The process goes through developing dialogue on foreign and security policy issues, while empowering economic competitiveness and increasing cooperation in the field of energy and justice and home affairs.

Negotiations for integration are nowadays steady, and they lost the initial momentum, in respect of EU’s commitment and established conditionality. After three years of calm, the opening of a new chapter on Regional policy represents an important step in fostering the negotiations.

There are contractual obligations to be met, as well benchmarks and requirements to fulfill as established in the Negotiation Framework with the EU, including the full and non-discriminatory implementation of the Additional Protocol to the Association Agreement towards all Member States.

Efforts have continued in order to reform the country in the past twelve months, with mixed developments under political criteria. A new reform package has established tougher protection of expression, rights against torture and ill treatment.

In order to end the violence and menace of terrorism, a peace process has been put in place, especially in the southeastern part of Turkey, including preparing the floor to a peaceful solution of the Kurdish issue.

In September 2013 a democratization package was issued and presented to the public, with announced measures to further reform on important topics like second language speaking, rights for minorities.

At a political level it has been announced that the current high thresholds for representation in parliament and financing of political parties would be reduced, in order to increase pluralism.

The next challenge is to improve the cooperation and dialogue with the opposition parties, by implementing the European standards. In that respect it is important to underline how the
cross-party of the parliament, for conciliation, has achieved important agreements on a number of articles to be included in the draft of a new constitution.

The will to compromise is at the basis of the ongoing work, including the behavior towards foreigners. A comprehensive law adoption is in this case an important step towards adequate protection of asylum seekers.

Women’s rights also represent a challenging topic for the Turkish government, and important steps have been made through the implementation of the Law on the Protection of Family and Prevention of Violence.

In general, human rights are finally at the center of adequate policies, like the creation of the National Human Rights institution, and the opening to debate of very sensitive topics, like the Kurdish issue, which were considered not even discussable in the past.

Social media are still a powerful vehicle for spreading the democratic debate and ideas are nowadays expressed beyond traditional party politics, but also through public demonstrations, attracting lots of people.

The June wave of demonstrations is therefore also the result itself of the democratic change taking place in the country since the past decade, and now generating self-consciousness.

A diverse and active civil society has emerged, claiming its rights to be respected and consulted more systematically at every level of decision making, irrespective of who holds the majority in parliament.

It sounds like huge progress is taking place in the country, but there are still persisting factors hindering the full potential of the reforms. There is not enough spirit of compromise in politics yet.

The government relies on its majority in the parliament to be a passive actor in just certifying and issuing the laws that are wanted at governmental level including on socially sensitive issues, without sufficient consultation and dialogue with stakeholders.

The controversial urbanization development project of Gezi Park just came as a carrier of excess frustration in the people, who reacted through major protests in Istanbul and other cities.

The authorities did not show proper management of the situation and the attempts to reach out to protestors were limited and overshadowed by excessive use of force by the police, combined with an overall absence of dialogue.

A number of important issues were raised from the protests, and so important to need to be faced urgently. The investigation on the excessive use of force, leading to people dead and injured, might be forwarded to the level of the European Court of Human Rights with those responsible needing to be held to account.

In line with European standards, it is ausplicable to adopt legislation on the establishment of a law enforcement monitoring commission as an independent oversight body for police offences.

Central ministers started issuing internal regulations about the conduct of police officers during demonstration, but it is the whole legal framework on the intervention of police officers to be in need of alignment with Europe so as to guarantee under all circumstances respect for human rights and, in particular, the right to freedom of assembly.

A key point in the interpretation of Turkish legal framework provisions is how they keep hindering the freedom of expression, including freedom of the media, and the use of internet.

Large industrial groups own the media in the country, making media power very centralized. Combined with intimidations and warnings frequently coming from authorities, it leads to self-censorship.

This is proven, for example, by the fact that media failed in reporting on the June protests. This environment has also led to dismissals and resignations of journalists from their respective positions.

Some important public figures expressed their critical remarks on religion in those days, leading to a number of convictions due to the very restrictive interpretation of the regulations on provoking riots, as seen by the judiciary.

Most arrests and prosecutions are based on the confusion generated by the criminal legislation setting, where it is unclear how to define membership of armed organizations, making it possible for the authorities to prosecute people.

There are still serious issues concerning the freedom of individuals, from the rights of women and minorities, to the issue of often occurring domestic violence, honor killings, and early or forced marriages.

Also property rights are under the spotlight, given the weak protection of non-Muslim religious communities in that respect. All these shortcomings need to be addressed through implementation of the judicial reform package in line with European standards.

In general, more efforts have to be made in order to protect the spectrum of fundamental rights and the freedom of citizens. An important step could be represented by the democratization package, promising to issue many of those issues.

Progress in the accession negotiations and progress in the political reforms in Turkey are two sides of the same coin, and the
spotlight of EU is constantly on Turkey just to underline how important it is to face the issue of fundamental rights.

The chapters 23 and 24 of negotiations document are about judiciary and fundamental rights, and both EU and Turkey have an interest in agreeing on issues about freedom and security, to be communicated to Turkey as soon as possible with a view to enabling the opening of negotiations under these two chapters.

The aim of the negotiation chapters is to ensure that reforms in Turkey are constantly driven by the EU principles and standards. The key point is that the decision making process should involve the people and civil society, at a national and local levels.

The whole legal system needs to be modified in order to support the development of organizations in civil society. An important aspect is the environmental impact assessment that must fully comply with the EU principles, in order to be effective.

The issue of visa liberalization has been addressed by signing the EU-Turkey readmission plan and the simultaneous start of the visa dialogue, which can give a new momentum to EU-Turkey relations and bring concrete benefits for both.

Both readmission and visa must move forward together and be finalized as soon as possible in order to get full and effective implementation of all measures included in the documents.

Turkish foreign policy has been tracking its important role in the Eurasian region, by expanding its activities in the Horn of Africa, also playing an important role in the North-African countries’ democratic transition, and enhancing cooperation with and between Afghanistan and Pakistan.

Turkey played a crucial role also in the Syrian crisis, by supporting the opposition to President Assad, and providing humanitarian assistance to many refugees crossing the border to leave the war. Also, it has supported the dialogue on nuclear matters with Iran.

On the side of energy developments, Turkey signed an important agreement with Azerbaijan about the development of the Trans Anatolian Pipeline Project (TANAP), in view of promoting energy security for Europe through a southern corridor.

The dialogue on international policy and economy between EU and Turkey has been intensifying in the last years, involving important issues like the situation in Middle East and the Central Asia, also embracing global issues like non-proliferation of nuclear weapons and international terrorism.

At an international level, Turkey has kept being engaged in the Western Balkans, with an active participation in the South East European Cooperation process. Moreover it contributed effectively to the forces led by EU, in Bosnia and Kosovo.

The issue of Cyprus is also standing as a delicate matter of discussion and Turkey has continued in the years to support talks meant to achieve a comprehensive solution of the issue, under the good offices of the United Nations, with Greece. A positive step in this direction is of course the will of both parties to accept reciprocal contacts with chief negotiators.

As a member of EU, Cyprus is under the spotlight, and the Union has underlined how Turkey should progress in normalizing its relations with all the member states, including the small Aegean Republic. In this regard, EU called on Turkey to stop blocking the accession of Member States to international organizations and mechanisms.

The game is played around the sovereign rights of the EU member states, which should be allowed to enter bilateral agreements, and take benefit from their natural resources, so to conform to European regulations and international laws.

The 11th of December 2012 the European Council met and came to the conclusion of a deep regret towards Turkish behavior. After many calls, in fact, it turned out that Turkey continues in refusing to fulfill its obligation of full, non-discriminatory implementation of the Additional Protocol to the Association Agreement towards all Member States. Moreover restrictions are still in place on vessels and aircraft registered in Cyprus or whose last port of call was in Cyprus.

It has been pointed out that fulfillment of such kind of obligations is mandatory and very helpful in order to speed up negotiations. Without progress in that sense, EU may keep the measures from 2006, with a continuous effect on the overall progress of the negotiations.

The declaration of the European Community and Member states made on 21st September 2005 is very clear about that type of issue, and strict monitoring has been put in place to follow the progress made by Turkey, which is expected without delay.

The next challenge for Turkey is to peacefully and proactively commit to good neighborhood towards surrounding countries, in line with the Negotiating Framework and European Council conclusions.

This is essential to peacefully settle disputes in accordance with the United Nations Charter, going even through the International Court of Justice, if needed. Turkey has also been warned to not adopt any action against member states, or create frictions which could hinder good relations and the peaceful settlement of disputes.

Anyway, initiatives to improve bilateral relations between Greece and Turkey are continuing, even if Greece and Cyprus made formal complaints during a recent round of explora-
tory talks, about Turkish violations of territorial waters and air-space.

Besides political issues, also economic criteria affect the trend of the negotiations, with Turkey being recognized as a functioning economy, which anyway should better cope with competitive pressure and market forces, which characterize the Union. Again, the ability to comply with European standards still goes through the implementation of a structural reform program.

Turkey had an important growth in the second part of the 2000s with GDP increasing by 9% on average in the years before 2012. It then slowed down to about 2.2%, and the growth was rebalanced from domestic demand to foreign trade, with a temporary narrowing of the current account deficit, and a decline of inflation.

An improvement has been registered in 2013 when GDP growth was measured at a good 3.7%, with the current account deficit widening again and inflation rising due to an acceleration of consumer prices.

A positive indicator is the decrease of the public debt, which recently reached a level below 40%. In the last year, due to globalization, financial markets have come under pressure which led the central bank to immediately stabilize the exchange rate and contain capital outflows.

The economic performance of Turkey in the recent years illustrates the high potential of the economy, while still showing continuing imbalances. The financing of structural current account deficit by relying on sustained capital inflows, puts the economy at risk, with large exchange rate fluctuations and boom-bust cycles in economic activity.

The above vulnerability can only be addressed with specific measures to increase the level of national savings while improving the fiscal policy, which plays an important role. Budget transparency may be enhanced through a proper fiscal rule, so to provide a solid fiscal background and improve financial credibility.

While working on the above mentioned aspects, Turkey will have to face the issue of high inflation, which stays as a major challenge for the government. The solution to that may go through the rebalancing of macroeconomic policies, in order to relieve the pressure on monetary policy.

The functioning of all markets, including goods services and labor has to be firmly improved in the long term. Structural reforms are the way to do this, to enhance growth and increase international competitiveness of the Turkish economy.

Another negotiation chapter was opened in 2013, following the efforts made by Turkey to comply with the EU provisions. Progress was registered in the area of policy migration and asylum, as well as on trans-European networks.

The implementation of the EU-Turkey readmission agreement and of the Roadmap towards a visa-free regime is expected to continue. The need of further progress is evident in the area of fundamental rights and judicial matters.

Also general issues like social policy and employment are under the spot light, and must be addressed through appropriate interventions, in particular in the areas of labor law and health and safety at work.

One should recall that EU access negotiations with Turkey started in 2005, with a plan based on 33 thematic chapters to be opened according to the progress of negotiations. To date, a total of 14 chapters have been opened, with only one of them being provisionally closed.

The process had various problems on the way, and has not always gone smoothly. For example in 2006 EU decided to not open further eight negotiation chapters, due to Turkey failing to fully implement the provisions of the Additional Protocol to the Association Agreement. Following the same reasoning, it was also decided that no chapter could be provisionally closed until Turkey meets its obligations.

Table 1: Some important dates in the integration process

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>01/1995</td>
<td>Turkey and EU agree on creating a custom union</td>
</tr>
<tr>
<td>12/1999</td>
<td>Turkey is formally recognized as a candidate country to enter EU</td>
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<tr>
<td>12/2004</td>
<td>The European Council agrees to start accession negotiations with Turkey</td>
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<tr>
<td>10/2005</td>
<td>Accession negotiations start</td>
</tr>
<tr>
<td>12/2006</td>
<td>The Council decides not to pursue further negotiations, unless Turkey will meet its obligations, as from the Protocol to the Association Agreement</td>
</tr>
<tr>
<td>05/2012</td>
<td>Positive agenda for Turkey starts being implemented by both parties</td>
</tr>
<tr>
<td>11/2013</td>
<td>Negotiations are opened on the Chapter 22 on Regional Policy and Coordination</td>
</tr>
<tr>
<td>12/2013</td>
<td>Turkey and EU sign the readmission agreement, after visa liberalization dialogue</td>
</tr>
<tr>
<td>10/2014</td>
<td>The readmission agreement starts being effective</td>
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</table>
Conclusions

Turkish economy is nowadays characterized by unsustainable output growth and high inflation, defining the cycles of boom and recession experienced by the country in the last years, severely.

The 2001 crisis led the country to face a huge reconsideration of its financials and macroeconomic indicators. Even when the consequences of the crisis seemed to have been absorbed, still it was not clear what the real potential of the economy was.

There is a vibrant debate in the literature, about whether an expansionary phase of business cycle is taking place, or the change is more substantially driven by a renovating macroeconomic policy framework.

Turkish economy is in a delicate phase, given the general conditions of international markets and the issue of reforms. It is also in a demographic transition, as rarely happened in the history before.

Demographic changes and economic development are now strictly tied and the challenge for Turkey will be to fully exploit the demographic dividend in order to benefit from the age window.

The way out from a steady state and the restart of a phase of growth goes through the implementation of important reforms, especially related to the role of minorities, female labour and consideration of youth as a resource.

The overcoming of informality and other inefficiencies that hinder sustainable growth of the economy are the new ground of discussion for future policies and regulations in Turkey.

The situation can be solved only by critically analysing the aspects that mostly influenced the deceleration of the economy in the last years, and eliminate obstacles to expansion of the economy, through reforms.

The path to reforms and renovated growth is also the key to foster the dialogue and negotiations with EU for accession. Turkey is still a strong candidate to enter the union in the medium term, but needs to prove it can.

Some aspects of the negotiations are still controversial, due to the reluctance of Turkish government to bravely go through the deepest modification to economy and society, required by the European standards.

There is a lot of work to do but the path is drawn, and the next years will be crucial for the integration. In the meanwhile, Turkey struggles with severe protests from large shares of population, and a political class which does not create a dialogue with the citizens.

All of these issues form the package of reforms that Turkey is expected to implement in the coming years, in order to finally comply with European standards and regain its primary importance in being the bridge between Europe and Asia.

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Corporate Governance for Family-Owned Enterprises

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Background
Debates on corporate governance (CG) have comprised mainly those enterprises that have disseminated capitals and are public listed. Whereas CG did not cover in details the Non-listed companies (NLC). The OECD paper on “CG of Non-listed companies in emerging markets” is a valuable article for these developing economies. The method of executive succession that takes place is one of the critical dissimilarity between family business and non-family business, and more precisely, the aspects of intergenerational family business transfer.

NLCs are normally strictly held firms where their shares do not trade openly in stock markets. This is secondary to the small number of shareowners or constraints controlling their transferability. Prasad (2007) noted that over 85% of businesses in the European Union and USA are family-run whereas in Lebanon; more than 90 per cent of companies are family-owned. There is usually struggle among family interests and minority shareholders’ welfare (Prasad, 2007). This may range from pricing, dividend decisions, absence of satisfactory exposure for one family, enrichment of one branch of family in management control at the expense of others and family succession deciding management succession.

Although these enterprises are unlisted by choice, however they have financial stakeholders behind their controllers. This comprises firms, partly or fully, under founder/family supervision, with professional management although the founder/family may persist to contribute a critical governance/shareholder role. The establishment of a minority shareholder category is a usual expected development in the life cycle of a family company. Over generations quiet shareholders and weakening of ownership takes place secondary to succession (Visscher, 2005). In Canada it was found by Chouroy (2010), that when there is disagreement between voting rights and cash flow rights, owner CEOs receive higher compensation than non-owners. The increase in compensation is directly related to the level of divergence between voting rights and cash flow rights. Additional analysis reveals that only ill governed firms are affected by the expropriation problem (Chouroy, 2010).

The Lebanese Situation
Lebanon has traditionally been a free market economy, however the existing regulatory and legal environment constrains the business environment in general and small business activity in particular. Excessive government interaction at each step, duplication of functions and difficult regulations coupled with enormous discretionary powers of government functionaries pave way for bribes and corruption. The cost associated with excessive interaction and over regulation (in terms of time, administrative compliance, and bribes) has been estimated somewhere between 2-5% of annual turnover of a company. Family businesses are large and successful worldwide, due to their organizational structure, and are managed and operated by family members who usually hold key positions in the organization hierarchy. However, the division of power varies from one family business to another but it is possible to identify a certain pattern of power division based on two important factors, which are, organizational structure which means, whether the key positions are managed by one, few or many persons in the company as well as succession which means the transition of the family business from one stage of development to another due to several influences (Ibrahim, 2001).

Family Business in Lebanon and the world
Family businesses in Lebanon, and like any small, large, international or multinational firms abroad, have the following structure with minor changes depending of course on the type and the size of the business. For instance, there can be a president or chairman for each unit in the company. Based on the requirements of the firms, departments may be separated vertically or horizontally. A board of directors can be established or
another format of professional management will be set. Another characteristic of Lebanese family businesses that differentiates them from international ones is the managerial positions filled with family members from sons, cousins, in-laws, and relatives. This may have adverse repercussions on performance and leadership because the lack of merit and rewards between employees especially in large family businesses functioning in the World. Unfortunately, there is no specific law in Lebanon defining the size of the enterprises whether small, medium or large business. The only commercial law to define these firms is the French law which divides businesses into SAL (Société Anonyme Libanaise or SAL Corporation), SARL (Société Anonyme Responsibilité Limitée or Limited Liability Company), and sole proprietorship.

Family businesses are recognized as one of the engines of the post-industrial growth process since they are given credit for developing across generations' entrepreneurial talent, a sense of loyalty to business success, long-term strategic commitment, and corporate independence. However, the family business area is distinguished by alarmingly decreasing "survival rates." Only about one third of family businesses subist the move from the first generation to the second generation of owner-management. Additionally, of folks that endure the first stage, only about one third will survive the transition from second to third generation of ownership (Ibrahim, 2001). Therefore, effective succession within family business receives significant attention from researchers.

Family Business and Corporation

Family firms have been an integral part of the international economy for centuries. Family owned firms are generally reluctant to adopt the corporate hierarchy because owners are unwilling to hand over the administration or at least part of the enterprises to non-family, directors who are on the payroll. However, family business continues to play an important role, even though its importance is certainly decreasing. In large firms, family-ownership is no more the main issue, whereas, in smaller to medium size firms, ownership control is nevertheless a major feature. Succession in family business literature may be seen as a progression with clear pre-arrival and post-arrival phases (Gordon et al. 1981).

Handler (1994) proposes that succession can be grouped into separate stages based on the roles and functions performed by the executives and their offspring. Stavrou et al. (1998) propose a three-level prototype that explains the succession process. The first level represents the successor’s pre-entry stage where he/she can learn from the incumbent about business operations. The second is an entry stage where the main issue is amalgamating the offspring into the business processes. The final level involves the potential successor’s promotion to a managerial position. It is clear that there are several business requirements at the different stages and several strategies to handle these needs (Stavrou et al. 1998). The success of succession is not reduced to whether a managing director/CEO/leader has been appointed, but includes the continuity of the company, quality of life, and family dynamics.

Moreover, leadership performs a critical role in the succession cycle. Research in relevant areas shows that several critical factors are related to the effectiveness of succession, such as succession planning (Ibrahim et al., 2001; Gersick et al., 1997; Kets de Vries, 1993), offspring grooming (Ibrahim et al., 2001; Danco, 1997), inter-generational relationships (Handler, 1992; Kets de Vries, 1993), and remuneration of managers (Aronoff, 1997).

Succession planning

There are two reasons why succession planning is an important factor in family business (Sharma, 2001), To start with, the activities linked to succession planning are part of the succession process; secondly, succession preparation is recognized as a means to improve the success rate of ownership transition. Davis (1997) contends that succession planning has three main objectives: (1) to proficiently and equitably allocate assets from older to younger generations; (2) to hand rule of the business in a way that will safeguard successful business leadership; and (3) to uphold and encourage family coordination. Despite the fact that a huge determination has been made to meet these three objectives in family businesses, it did not lead to an effective succession but only lead to agony, confusion, and paralysis (Davis, 1997).

It is stated that, from 1924 to 1984, 80 per cent of 200 successful family owned manufacturing firms no longer existed and only 13 per cent are still owned by the same family as in 1924 (Ward, 1987; Handler, 1994). The explanations for the deterioration of these family businesses are multiple. However, Ward (1988) specifies that the failure to organize strategically for the business prospect is a chief reason of failure. In line with Ward (1988), Shulman (1991) believes that family businesses should start thinking about transferring ownership and managerial responsibility five to 20 years in advance; this opinion is also expressed by Dyck et al. (2002) and Davis (1992).

In Lebanon and in Lebanese family business, some of the high positions are inherited by direct family members which are known to be the successors from the day they are born. Most of the time, and no matter how professional and large is the business; the successor is usually the son of the CEO. Sometimes, he is prepared for it and sometimes he has to take charge suddenly which is a large responsibility. It’s a threat the firm has to submit to and the results may be sometimes catastrophic.

Compensation in Family Business

Research on management reimbursement has entertained a marked consideration from academicians. A positive relationship between top manager’s compensation and firm performance is consistent with agency theory, which emphasizes that managers are self-oriented and that reward systems should be developed to balance the incentives of top managers with the interests of shareholders (Barkema et al., 1998).
In family business, ownership and management are usually overlapping and family members might possibly consider their firms as entities to achieve their own interests and objectives. Thus, it is not unusual to find that family members, especially those in top management positions, charge higher remuneration, regardless of business performance. This unreasonable charge will constrain effective succession in the long term and may also cause conflicts between family and non-family members. Whereas, non-family members, sometimes believe that family members who work for the business should be paid less to reduce the company's payroll costs to ensure the business's survival. Aronoff et al (1997) suggested that when family members understand how much money is moving from owners to employees they will have fewer conflicts over compensation. It is recommended developing a compensation philosophy, which is a framework that "pays the job" rewarding people based on the market value of their position. Shelly (1995) concludes that creating a formalized compensation arrangement is a better way of dealing with compensation issues and suggests establishing a bonus based on a formula that is fair to all involved. Daily et al. (1998) believe that the creation of remuneration committees may be helpful in determining the level and mix of top management compensation. In general, the separation of management and ownership can be an effective way to overcome family and firm contradictions on compensation.

Financial Disclosure - An Economic Analysis

The analysis delivered in OECD report specifies that initiating a necessity of big private corporations to reveal publicly their financial statements is doubtful to accomplish a suitable equilibrium between the costs and benefits. The disclosure requirement will probably increase markedly the costs; meanwhile the profits of the proposition are vague. The costs could be from the adverse consequences for personal privacy, lack of commercial confidentiality, loss of personal property rights and increased direct costs. The benefits of disclosing more information are likely to accrue to the disclosing company. The NLCs may be family owned business where the chief difference is the expropriation, frequently legal, of minority shareholders and creditors by the controlling shareholder rather than the widespread conflict of interests between professional managers and shareholders. This expropriation can be seen in many forms, some of which are legal in some locations but illegal in others. (Johnson, La Porta, Lopez-De-Silanes, & Shleifer, 2000).

Ownership and Financing Structures

The OECD paper assesses NLCs and Listed Companies (LCs) in Europe, in regards to ownership and financial arrangements. The performance difference is small between the two categories of firms despite the fact that corporate governance issues may be different. Therefore, the existence of block-holders in NLCs provides benefits in monitoring and control, and creates administrative support regarding decision swiftness and harmony of command. In addition, NLCs usually are not obliged to report other legal issues that are required from listed companies, therefore they save financially, which lead them to concentrate on longer-term investment strategies.

The Lebanese corporate sector has seen substantial and significant changes in the last ten years with slight improvement in governance. Enterprises of small and medium size (SMEs) have a crucial function in the Lebanese economy. They perform a multitude of economic activities in the country and contribute significantly in advancing technology, generating employment, creating jobs and reducing poverty. These enterprises are the central part of the private sector, which is the real engine of growth of economy in Lebanon. They start and grow their business in a specific business environment, which is made up of national policy, legal and regulatory frameworks. This environment can be broadly defined as small business environment (ILO Seed working paper No.7 IE, 2005). The business environment includes policies, legal, institutional and regulatory frameworks in which SMEs start and operate their business. This includes markets' operations incentives to invest and the cost of business operations for SMEs. This business environment can affect the SME's competitiveness in the short term and repress their investments and growth in the long term (ILO, 2005). The Corporate Governance is weak in Lebanon especially with the issues of ownership and control, management integrity, accountability and transparency, succession and split still haunting the majority of Lebanese companies (OECD Paper 2006).

Trust bonds that are normally granted by the legal structure may be offered instead by family ties. Since family ownership may act as an alternative to the legal protection of minority shareholders it is more prosperous in countries with weak corporate governance and legal systems (Panunzi, Burkart, & Shleifer, 2002). However it is assumed: (a) that in family ownership there is no agency problems since the principal and the agent are of the same family, or (b) the family has internal ways to handle such issues whenever they occur (Pablo 2007).

National Variation in Financing Patterns

The research of OECD pinpoints that there are no marked differences in terms of financial matters between LCs and NLCs. It is recommended according to correct corporate governance that companies need to have clear disclosure policies that vary between countries. The nature of protection for minority shareholders rests as a political decision. In the USA some listed companies have trading practices similar to NLCs. The access to external financing between LCs and NLCs seem to be similar. The issue of minority shareholders and their role in governance remain the main issue in corporate governance of NLCs. The OECD paper proposes that the soundest method to safeguard active access to external finance and low costs of capital, as well as CH, is to decrease the risks posed to creditors and providers of external equity by enacting investor protection laws and enforcing them. This normally encompasses collateral registries, information accessibility on debtors and a sound disclosure on proprietorship.

Therefore concerned persons need to concentrate on two issues - using the capital assets in a useful and efficient way, in addition both consumers or investors must have a choice to diversify. Mutual Fund Industry provides one such avenue to diversify retail investments and lower the costs. The corporate performance from 2003 to 2010 shows glaring shortcomings.
in the CG all over the world. Banking and financial sectors were specifically criticized in various reports. It has shown situations where corporate governance may be unsuccessful in its job to enable the accomplishment of both these main goals (OECD paper). Transparency and accountability are keystones to achieving good CG and OECD principles can be applied to all NLCs.

The Role of the Law in Developing Efficient CG

CG has become an important topic for both research and business practice in emerging and transition markets. In a large number of markets NLCs will persist to contribute a marked function in development of these economies. Therefore there is a need for directed research and studies to improve corporate governance in them. OECD research attempts to provide firm laws to ameliorate the performances of NLCs and inspire them to be more transparent. There is an agreement that the most urgent issue comprises the abuse of minority welfares by controlling shareowners. Company law is the most important source of CG techniques in the context of NLCs. Among firm laws to improve corporate governance within NLCs, precise valuation methods, minority protection and fiduciary duties are of utmost importance. There has been a debate on public disclosure and its effectiveness in informing the stakeholders about the company’s financial health as many issues are not highlighted. This can be supplemented with a right of inspection of company ledger, books and other records. An alternative way of safeguarding investors in NLCs is enforcement. However, since it will be difficult to have one legal system that suit all firms, the rules need to be flexible. There can be some optional guidelines to supplement the existing legal frameworks.

Despite the matters of apprehensions brought out in the OECD paper, experiential evidence reveals that at least some large, multinational NLCs do defend the rights and welfare of their minority shareholders, whether the law requires them to do so or not. This is even if the minority shareholders are not related to the core of the family. It is critical to comprehend the processes NLCs use to align the incentives of all stakeholders (Pablo 2007).

Conclusion

The corporate governance discussions mainly concentrated on listed firms especially in nations with elaborated capital markets and firms with disseminated shareowners. A chief corporate matter worry is the suitable scheme of a legal, institutional and regulatory structure that encourages alignment of the welfare of shareowners and managers of NLCs. All over the world policy regulators and creators have attempted to develop an effective structure that delivers suitable encouragements for the board and management to perform in the interest of the company and its shareowners; and supply investors with sufficient monitoring information. One of the main dangers shareowners confront, is the fact that they will end up in a position where the controlling shareowner may employ his or her rank to deny the non-controlling shareowner of influence over major decisions. Numerous authorities have regulation that is capable of averting abuse of non-controlling shareowners in both situations, and classically these procedures pertain to both non-listed companies and listed firms.

References


OECD Corporate Governance for Non-Listed Companies. OECD 2006.


Introduction

As a country on the global arena, Saudi Arabia is primarily known for two factors: the religion of Islam and the abundance of crude oil. According to De Bel Air (2014), “With Islam, the Kingdom has an ideological and political influence over 1.6 billion Muslims, or 23 percent of the world’s population.” In terms of crude oil, he explains “the Kingdom has the second largest proven reserves and is currently the biggest economy in the Arab world.” Oil was originally discovered in the kingdom in the 1930’s, but World War II interrupted activities, and production later ramped up right after the war and for the next two decades, oil revenues that accrued to the kingdom were largely based off contracts that awarded greater shares to the oil multinational corporation. As such, while the country produced and exported oil, much of the revenues were accruing to the major oil companies, then known as the “Seven Sisters,” and the country remained largely agrarian and rural.

However, arising from the Arab-Israeli war of the early seventies, that prompted Oil Producing Exporting Countries, OPEC, members, led largely by the Saudis, to impose an oil embargo on the United States and a few other nations viewed as supporting the Israelis, the global crude oil market underwent significantly fundamental changes. With the crippling embargo resulting in the price of a barrel of oil quadrupling on the global market and acute shortages of gasoline across the United States, Saudi-led OPEC was able to, under nationalization programs renegotiate oil licensing contracts that resulted in the transfer of vast oil and gas holdings from the multinationals to State-owned enterprises. By 1976, virtually every other major producer in the mid-East, Africa, Asia, and Latin America had followed nationalizing at least some of its production garner a portion of participation or to completely control the entire industry and employ the international companies on a contractual basis (Kobrin, 1985).

Abstract

Despite its vast economic resources, Saudi Arabia has high unemployment among its citizens that is ironic given the large number of overseas foreign workers. Over the past decade, Saudi authorities have introduced a series of policies and programs aimed at addressing the situation and these plans deserve greater urgency in light of current realities of the global oil market. This manuscript thus aims to contribute to these efforts. It examines the unemployment scenario in Saudi Arabia primarily as it affects Saudi citizens, to better understand how foreign contract workers who have accumulated over the decades, have influenced the Saudi labor market. Employment patterns in both the private and public sectors, particularly as they affect citizens and non-citizens, are studied to better assess the recent efforts aimed at increasing domestic participation in the labor force.

Key words: Unemployment, Saudi Arabia, Foreign workers, employment
With greater control, and skyrocketing prices, Saudi Arabia and its fellow OPEC members became awash with an abundance of oil revenue. This resulted in the Saudi’s embarking on major development projects that would help modernize the kingdom. However, to achieve this, Saudi Arabia had, and has continued over the decades, to rely on and primarily utilize the abundant supply of low-wage South East Asians that are admitted into the kingdom as contract workers. While these workers are ordinarily not considered immigrants given the kingdom’s labor laws that govern foreign workers, immigration rates increased from “800 thousand in 1974 to 4.1 million in 1992, and 6.1 million in 2004” representing “an increase of 80.5% and 52.1% respectively” (Al-Gabbani; 2009, p.8). As a consequence, the last forty years have seen a major transformation in the country based on its oil wealth. A transformation described by Reidel (2015) as from a poor desert to a rich, conservative monarchy with global power. Writing of the effects of the new found wealth in the kingdom, Sayigh (1973), wrote of abundance that has “permitted the inflow of a large volume of imports, both for the expanding consumption of the population and for the accelerated development of the environment.” All this happened directly as a result of the ballooning of state coffers from the oil boom of the early seventies. From the 1972 oil income of about $2.7billion for the sale of 2.1 million barrels of oil, 1973 saw incomes of $4.3billion on sales of 2.7 million barrels and then the 1974 bonanza of close to $28billion for the sale of 3 million barrels of oil (Sayigh, 1973; p.144).

However, despite being considered a wealthy country based on its vast oil and gas production capacity, Saudi Arabia, like many other nations in the Middle East and North Africa region, faces enormous challenges resulting from high unemployment. With citizens who have, over the decades, become accustomed to the largesse that petrodollars allowed the State to dole out in various welfare schemes, an absence of work ethics was fostered resulting in the current situation where Saudi citizens make up less than half of the overall labor force.

Extending from the work ethic culture is the situation where there is a marked difference between private and public sectors within the economy. While the majority of the workers in the private sector are foreign contract workers, the majority in the public sector are native citizens. In the private sector where ownership is by predominantly Saudi businessmen, the overwhelming preference for employees is importing foreign labor over local citizens who they often cite with having bad work ethics. This becomes a convenient position of local businesses that certainly have an incentive in ensuring lower labor costs as they seek to maximize their profits. In some cases, private businesses are paid commissions by the State for importing workers to carry out tasks that are of considerable importance but have few Saudis willing to do them—such as trash collection. In the public sector, positions offer far more generous pay and benefits and typically have less demanding schedules than private sector jobs, which offer less pay and benefits, and still have longer hours and basically no labor law protections. As citizenship requirements exist for most public sector positions, the government has, over the decades, rewarded citizens with positions resulting in an over-padded civil service.

Generally, we can define employment as “the number of people who have a job,” and unemployment as “the number of people who do not have a job but are looking for one” (Blanchard & Johnson, 2003; p. 25) or put differently, “unemployment refers to the share of the labor force that is without work but available for and seeking employment” (The World Bank, 2014). Unemployment rates not only vary among countries but also within individual countries and result from wide-ranging factors. The global economic crisis of 2008, for instance, that directly affected both the financial and housing industries, resulted in massive lay-offs that led to high unemployment across the globe.

This manuscript explores the unemployment situation in Saudi Arabia primarily as it affects citizens and non-citizens and argues that an overabundance of foreign contract workers, accumulated over the decades, has significantly negatively affected the Saudi labor force and responsible for the unemployment rate among Saudi citizens. Beginning with some background information into the kingdom of Saudi Arabia and establishing its current unemployment situation; it attempts to identify some of the contributing factors to the high rate of unemployment and discusses some of the consequences of the unemployment figures. Going further, it executes a comparative analysis of both the private and public sectors with an emphasis on the employment and unemployment patterns between citizens and non-citizens and examines some of the potential solutions to achieve lower unemployment levels.

Literature Review

The issue of unemployment in Saudi Arabia can be described as being a relatively recent one given the country has been considered a wealthy nation with a high per capita income and citizens enjoy the benefits that come with wealth. In 1999, the kingdom began negotiations to join the World Trade Organization, WTO, and became a formal member in December 2001. This has somewhat unveiled the opaqueness that Saudi Arabia is notorious for and has created better insights into the unemployment and poverty situation in the kingdom (Sulivan, 2012). Much has been written about the development deficiencies in the Middle East and this was best captured in the landmark Arab Human Development Report released by the United Nations in 2002 and aptly titled “Creating Opportunities for Future Generations.” This comprehensive document encompassing the Arab World found “deeply rooted shortcomings” embedded in these societies and that were adversely affecting human development. Specific recommendations made focused on three key areas: respect for human rights, female empowerment, and the pursuit of knowledge as a prerequisite for development. Also mentioned in the report was the high youth population rates in these countries and the attendant implications of that as the title of the report clearly suggests. Less than a decade later, much of the Arab world erupted in flames largely as a result of some of the shortcomings highlighted in the UN report.

While Saudi Arabia was spared much of the political upheavals that began in 2011, with minor skirmishes reported in certain parts of the Eastern Region, which is home to predominantly Shia minorities, it has not escaped the high unemployment rates plaguing the region—and considered one of the main un-
Inextricably linked to the Saudi unemployment situation is the presence of millions of foreign workers in the kingdom (Alhamad, 2014; De Bel-Air, 2014) who began flowing in during the mid-1970s and have continued to do so over the last four decades resulting in the current situation where the country operates a two-tier economic structure with citizens dominating the private sector and foreign workers likewise in the public sector (Al-Sheikh & Erbas, 2012; Al-Qudsi, 2005; Hertog, 2013; Torofdar & Yunggar, 2012).

In 2005, concerted efforts began to address the issue of unemployment. Under the broad theme of Saudization, which is aimed at addressing unemployment primarily by reducing the amount of foreign workers in the kingdom, the government has introduced certain policies and programs in this regard (Alshanbri, Khalfan & Maqsood, 2014; Al-Omran, 2010; Al-fawaz, Hilal & Alghannam, 2014; Fleischhaker et al, 2013). These efforts gained greater urgency following the protests in the region in 2011 that led to the toppling of a few governments as the Saudi royal family recognizes the implications of a restive unemployed youth population. Four main policy thrusts under the program are examined here based on much of the available studies carried out on Saudization efforts, Nitaqat, Hafiz, KASP and Gender issues, and how all these can ultimately affect Saudi private sector employment.

Given that most of these programs are relatively new, available literature on the subject is somewhat limited. However, in one study utilizing international mobility theory to assess the effectiveness of these policies on wage rates, Alhamad (2014) found that the deportations of foreign workers carried out under Saudization enforcement led to wage increases for both Saudi and non-Saudi workers but cautioned that Saudi productivity rates could ultimately lead to further costs. Limiting foreign workers is also espoused by Al-Omran (2010) who, also, calls for a longer term view and reforms in immigrant and residency status in dealing with foreign workers who, in some cases are the second generation, with families having lived in the kingdom for decades but still legally considered as foreigners. In exploring the educational challenges facing the country, Al-fawaz, Hilal & Alghannam, (2014) examine the KASP program and conclude that the best hope of not only solving the unemployment problem, but also helping to diversify the Saudi economy and evolve in the 21st century knowledge-based globalized economy, is the scholarship program which has over a hundred thousand students in undergraduate and graduate programs in universities and colleges across the globe.

Furthermore, this view of the education and training imperative is explored by Fayad et al. (2012) who also advocate that over time, the steps being taken in the area of education and training will help “mitigate potential competitiveness pressure” between nationals and foreign workers. Echoing the imperative of education reform, (Alshanbri, Khalfan & Maqsood, 2014), in a study carried out by HR managers in the private sector to measure the effectiveness of the Nitaqat program, found that while some managers showed concern with regards to the work ethic of Saudi citizens, the majority had no problem hiring Saudis but advocated for better education, and better work ethic from Saudi workers. Also important are issues raised by (Fleischhaker et al, 2013) with regards to both labor laws and gender issues as they both relate to the overall effort to reduce unemployment with calls for better-codified labor regulations that apply to all workers irrespective of nationality as well as dealing with the issue of females who have a much larger unemployment rate than males.

To focus on female employment in the kingdom, much of the available studies here focus on the low labor market participation rate among Saudi women, which contributes immensely to the high overall unemployment among Saudi citizens (Al-Jarf, 1999; Al -Qudsi, 2005; Al-Fakeeh, 2009; Al-Munajed, 2010). In a study on female Saudi translators, Al-Jarf (1999) found that as high as 90% of females educated as translators between 1990 and 1996 were not working in the field despite the availability of such positions. Much of the issues around female unemployment stem from deep cultural traditions and practices that impose strict conditions on the conduct of women in public that invariably affect their employability. Others like (AlMunajed, 2010; &Rajkhan, 2014), see the low female participation rate, under 20%, in the national labor force as an opportunity to be seized with females representing an untapped resource that can help catalyze further development of the private sector in long-term efforts aimed at diversification from oil.

While much of the studies carried out on the Saudization programs have tended to agree broadly on the merits and achievable success of the individual programs, others have found disapproval with the overall thrust of Saudization. Eldemerdash, (2014) cautions about the securitization of Saudization and sees the Saudi government enforcement regime under the program, deportations of foreign workers and criminalization of Saudi private sector practices, as misplaced policies that could ultimately not yield the desired results. Similarly, De Bel-Air (2014) examined the enforcement procedures under Saudization, and noted the selective deportations among different foreign nationals with the resultant effect being that India with the largest number of foreign workers in the kingdom saw relatively small numbers of them deported while other nations with fewer numbers like Yemen and Egypt experienced larger deportations in a manner that suggested other political considerations were also at play. Lastly, Al Fakeeh (2009) takes a rejectionist approach to Saudization, arguing the focus on unemployment is misplaced and ought to actually be on employability that should take a longer term view with programs aimed at making the necessary cultural shifts needed to bolster the recognition of a sound education as a prerequisite for developing the human capital required...
for the 21st century knowledge driven globalized world that Saudi Arabia operates in.

While much of these studies have focused on the Saudi unemployment situation from the assumption of high oil revenues, the current realities of oil prices makes it a more compelling case. For comparison, while a barrel of oil is selling for under $30 a barrel in February 2016, February 2015 it sold for about $50 and in February 2014, it was about $100.

Given these new realities, which have led to some subsidy adjustments, the issue of unemployment in Saudi becomes even more important as the less revenue the kingdom makes, the more difficult it becomes for a welfare-oriented populace.

Country Profile and Demographic Structure

A United Nations Development Program (2015) reports the population of Saudi Arabia at 30 million and with a Human Development Index, HDI, of 0.836 that places it 34th globally. According to Human Development Report 2015, “the HDI is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living.” The kingdom enjoys a life expectancy of 75 years. Of the 30 million, roughly 10 million or 30% are foreigners, up from 11% in 1974, and the native Saudi population has grown steadily at roughly 2.3% per annum for the past two decades (Fayad, Raissi, Rasmussen & Westelius; 2012, p.21).

In examining these population figures, we find a general upward trend in population growth for both citizens and non-citizens. Saudi population has grown from 5 million in 1974 to roughly 20 million in 2014, a growth rate of 400% while on the other hand, the non-Saudi population grew from roughly 700,000 in 1974 to about 10 million in 2014 representing a growth of 1429%.

Political System

Founded as a sovereign and independent nation in 1932, Saudi Arabia operates an absolute monarchy form of government in which all power resides in the hands of a king, aided by members of the royal family. There is an Allegiance Council, charged with selecting a new king. There is also a Council Of Ministers, drawn from princes and non-royals that constitute the roughly 30 cabinet office positions, as well as a 150 person Consultative Assembly or Shura Council appointed by the King and charged with making recommendations on laws but not quite having an actual law making powers. In 2005, the country introduced municipal elections to fill local seats across the country. Only male citizens who were twenty-one and older were allowed to participate; this sparked the movement for female suffrage.

The next elections scheduled for 2009 were indefinitely postponed and not held till 2011, also as an all-male affair and the ensuing female agitations prompted the then King Abdullah to give women the right to participate in the next elections scheduled for 2015. It is important to point out that in addition to decreeing the right of women to participate in politics, the King Abdullah also took the unprecedented step of appointing women into the Consultative Assembly. With the death of King Abdullah in January 2015, and the ascension of his brother King Salman, the 2015 election exercise began in August 2015, and women have been allowed to register to...
vote and to run and hold office, this will be discussed in the section on gender issues.

**Economic System**

According to the kingdom's embassy in Washington D.C, Saudi Arabia is the world's largest producer of petroleum, and has about one-quarter of the world's oil reserves - over 260 billion barrels. A year after it was established in 1932, the Kingdom's founder, King Abdul Aziz Al Saud granted a prospecting license to an American oil company SOCAL, which later changed to Chevron. Oil exports, which began in 1939, were disrupted by the Second World War and resumed at its conclusion. During the 1970s and 1980s, the oil boom dramatically affected the country, and it became an economic giant as a consequence of both an increase in oil prices as well as the discoveries of vast quantities of reserves (Royal Embassy of Saudi Arabia, Washington DC; 2014). Based on these enormous discoveries, the country embarked upon a massive infrastructural expansion and modernization project that brought vast growth and development to the country.

This massive inflow of petrodollars made Saudi Arabia one of the fastest growing economies of the time. Indeed, Saudi Arabia sits atop approximately 25% of the world's petroleum reserves, and this accordingly makes it the largest exporter of oil with an average daily production of 10 million barrels and installed capacity that can allow it to ramp up to 14 million barrels. On the global competitiveness ranking, Saudi Arabia scored 5.06 out of 7, making it 24th out of 148 countries. GDP is $748.4 billion allowing for a Per Capita Income of roughly $26,000: The oil-production levels, furthermore, have enabled Saudi Arabia, to be the dominant member of the Organization of the Petroleum Exporting Countries, OPEC, which critics describe as a cartel with dominant control over the global oil markets. This largely allowed the country to push its economic weight around the globe and it is considered to be a wealthy nation. Past statistical figures reflect that the oil sector contributes 45% of the country's budget and roughly 90% of export earnings, and this is most surprising due to the country's "unworkable desert territory; it consists of very few commercial ports; very low vegetation and fresh water resources, limited farming activity and very little individual activity beyond that which the production of oil demands" (Deaver, 2013, p.110).

In attempting to understand this Saudi high unemployment effect, Fakkeh asserts, “Saudi benefited from a large influx of petrodollars during the last half of the twentieth century; there was no indigenous domestic social structure to provide the people with skills necessary for building a modern state” (p 20). Specifically, Fakkeh notes Saudi Arabia’s wealth, unlike those of over wealthy economies like Taiwan and South Korea, which all grew because of the production and export of manufactured goods, Saudi’s wealth relies on the export of oil as their only single natural resource, “which its exploration required imported expertise and few local workers” (p. 29). This would have the effect of further consolidating the powers of the state given how oil rents funded state operations and giving the little need for taxation revenues that could help engender public accountability if citizens feel they have a contributing stake in state affairs.

**Unemployment in the Saudi Labor Market**

To better understand the Saudi economy, let us examine the labor force between private and public sectors of the country. This is also significant due to large numbers of immigrants in the country. The Saudi economy, to a large degree, is built on the availability of cheap, mainly foreign, immigrant workers. According to the 2014 Saudi Department of Statistics and Information figures, (CDSI), Saudi had an overall labor force of 11,912,209, the total number of employed persons in the country was 11,229,865 or 94%, and the remaining number of 682,344 or roughly 6% represented the unemployed. Further, broken down by gender, total male employed stood at about 87% while total female employed was roughly 13%. On the unemployment side, total male unemployment was about 40% while total female unemployment made up the large chunk of 60%.

Regarding overall Saudi and non-Saudi citizens in the labor force, of Saudi workers employed, male and female make up 4,944,709 while unemployed Saudi citizens, male and female, were 646,854. Figure 2 (following page) shows that while Saudi’s make up about 47% of the labor force, immigrant workers make up the other 53%. In other words, there are more foreign immigrant workers employed than are Saudi citizens. In the next sections, we take a closer look at how this immigrant worker phenomenon affects the public and private sectors.

**Dual Figures-Saudi Unemployment v non-Saudi unemployment:** In examining figures relating to unemployment in Saudi Arabia, one often finds different numbers. One the one-hand, most international organizations, such as the World Bank, IMF, UN, and others, indicate figures in the 5-6% range. However, looking at the economy from within, as well as making a distinction between Saudis and non-Saudis, which is the case with Saudi financial and economic institutions, Ministry of Labor, CDSI, the figure is different and always much higher amongst Saudis (11.7% in 2014) than non-Saudis (0.3% in 2014). Averaged out, it is close to 6%. This interesting dimension to the Saudi unemployment issue is as a result of the vast numbers of foreign workers who play an enormously substantial role in the Saudi economy and, as such, equally significantly impact unemployment figures. As earlier stated, foreign workers in the kingdom are not admitted as immigrants and all are contracted with fixed-term work permits. As a result of this, these foreign workers are essentially in the country based on a guarantee of employment, and this explains the extremely low unemployment rate among foreign workers in the kingdom, compared to actual citizens.

As figure 3 (following page) shows, in every year from 1999 to 2014, there are vastly significant differences in unemployment rates between Saudis and non-Saudis if we look at five-year intervals, we find that in 1999, while Saudis had a rate of 8.1%, non-Saudis had 0.84%; by 2004, Saudis had 11%, non-Saudis 0.8%; five years later in 2009, Saudis dropped to 10.5%, but non-Saudis also dropped to 0.3%; and in 2014, unemployment rose amongst Saudis to 11.7%, but remained at the 2009 level of 0.3% for non-Saudis.
Figure 2: Saudi Labor force - Saudi and non-Saudis

Source: Central Department of Statistics & Information

Figure 3: Private sector employment figures (2005-2014) by gender and citizenship status

Source: Ministry of Labor
Understanding the Foreign Worker Impact on Saudi Unemployment

The Saudi Public Sector

Like in most developing economies, employment with the government agencies in Saudi Arabia comes as a result of various factors centered primarily on citizenship rights and then secondarily on professional or technical expertise. Essentially, only native Saudis are generally employed by the government into the civil service and foreigners with advanced skill sets like engineers, doctors, and other professionals can be employed by the government based on the unavailability of citizens to fill such jobs. It is also important to note that the work ethics of Saudis play a contributing role to the overall unemployment figures in the nation. Seghayer (2013) explains that younger Saudis typically lack a true commitment to their jobs and do not seem to demonstrate professional habits, in addition to being often absent from work. Moreover, these Saudis prefer to work in the public sector, largely based on a combination of the generous compensation received lax work requirements and a guarantee of employment given the cumbersome process of firing a citizen from the civil service. Given the country’s resource endowment, the state can use the civil service as the main conduit to channel oil income to the citizens, and this has helped create a ‘huge welfare state’ (Al-Sheikh & Nuri-Erbas, 2012; p.7). This has, over the decades resulted in "over-manning and disguised unemployment" as a result of "the expansion of employment in the public sector to absorb Saudi employees" (Mahdi & Barrientos, 2003; p.75).

In 2005, of the roughly 800,000 employed in the public sector, including health, education, judiciary, and other civil service positions, 91% were Saudi citizens and ten years later in 2014, of the total figure of about 1.2 million, 94% were Saudi citizens. This shows a consistent pattern in which mainly citizens are employed by the state and can be expected to remain so as efforts continue to open up the private sector to citizens and reduce foreign workers. Additionally, we also find an interesting pattern with regards to gender in the public sector employment market. With Saudi citizens employed in the public sector over the ten-year period, Saudi males were generally double the Saudi female population every single year while amongst non-Saudis on the other hand; the male-female ratio was more generally balanced over the decade and with some years having more females than males. This can be understood within the context of 'gender issues’ discussed above in section 2, and the total population of women working in Saudi is 95 percent in the public sector (AlMunajed, 2010). By being allowed to work in government agencies that can be well regulated to ensure no gender mingling, the state can thus provide strong arguments for increased female labor force participation and push back against ultra-conservative teachings that preach against women working.

The Saudi Private Sector

The private sector, known as Saudi business owners, generally prefer to employ foreigners than citizens for a variety of reasons (Alhamad, 2014; Al Omran, 2010; Hertog, 2013). In the first instance, as a result of its exceptional oil productions, making it a petrostate with large budgetary expenditures, Saudi Arabia attracts millions of largely cheap South East Asian labor, a phenomenon that began during the oil boom days of the 1970’s that saw Saudi Arabia embarking on massive development projects that helped to modernize the kingdom. This availability of cheap labor over the decades has created a system in which private Saudi businesses resist employing Saudis primarily because of the easy access to cheap foreign labor (Al Omran, 2010). In other words, over the decades, a private sector business culture has evolved based on an ever increasing number of available cheap laborers. Coming from South East Asian nations like India, Pakistan, Bangladesh, Thailand, The Philippines, Indonesia, as well as Arab nations like Egypt, Sudan, Lebanon, Yemen and others, these workers make up an overwhelming majority of workers employed by private enterprise in the country (Al Omran, 2010; Summerville & Sumption, 2010; Edo, 2015).

Based on government policies originally designed to ensure that shortages were filled in cases when non-citizens were unavailable, these have, over the decades, been broadened and now, through the use of third party agencies and other recruiters, private businesses can import foreign workers on fixed-term contracts based on renewable short-term visas. Over the decades, private Saudi businesses have generated a market in trading in sponsorship visas, a practice that has made many middlemen dealers significant benefits in profits, and the business community has resisted different attempts by the government to curb down on excesses.

When between 2004 and 2005, the government enacted a 30% reduction in sponsorship visas issued, the business community responded by lobbying regulators, threatening to close businesses and move to neighboring countries, and media campaigns aimed at getting the government to back down which eventually occurred largely as a result of the global food crisis of 2007, where Saudi business interests were able to use the crisis to justify the continued need for sponsored foreign labor (Al Omran, 2010). This sponsorship or khafeel system essentially means that a foreign worker “needs to be sponsored by a specific employer and is only allowed into the country if he has a sponsor” (Al Omran, 2010; p.22). Such a worker, upon arrival in the Kingdom, is allowed to work only for the sponsor unless permission is given by the sponsor to transfer the worker’s services to another sponsor. In other words, workers can be freely traded among sponsors, and these foreign laborers are essentially at the mercy of their bosses and can be fired and deported anytime. Also, these workers often “suffer from social abuse and unfair legal protection” (Alfawaz, Hilal, & Alghanam, 2014; p.2). Based on the nature of their contracts and how much controlling power the sponsors have over them, foreign workers are not “entitled to social and political rights” (De Bel-Air, 2014; p. 3).
While much has been written about the plight of foreign laborers in the Gulf and Saudi Arabia with regards to lack of labor union rights and attendant benefits derived from unionization, especially collective bargaining and wage protections, Al-Rasheed (2014) points out that the Saudis lacks that right. The country, therefore, has no associations and no trade unions. In other words, the country has no organized labor movements and workers’ rights are essentially not recognized in any formalized manner.

In 2005, out of a total number of 5,400,000 employed in the Saudi private sector, 4,740,000 or 87.7% were foreign workers while Saudi citizens accounted for only 620,000 or 11.4%. Continuing with the trend, we find a decade later in 2014, of a total number of 10,021,339 in the private sector, foreigners accounted for 8,471,364 or 84.5% while Saudis citizens accounted for 1,549,975 or 15.4%. One has also to consider some of the social factors hindering Saudi nationals from seeking employment in the private sector. This is important given that according to AlFawaz, Hilal, & Alghanam, (2014), the Saudi social perception of work in the private sector is struggling due to lower social status, little job security, and demand for productivity compared with the private sector.

In examining private sector employment from a gender perspective, we find that non-Saudi males are the most represented in this sector, and female Saudi citizens are the least represented. For example, in 2005, out of an overall private sector workforce of 5,400,000, Saudis females accounted for only 0.5% while non-Saudi males accounted for 86.2%. That same year, Saudi males accounted for 10.9% while non-Saudi females were 1.5%. Close to a decade later, in 2014, and with various intervention mechanisms in place, we find that of the total private sector labor force of 10,021,339, females accounted for 4.1%, marking an improvement in the demographic. Saudi males, on the other hand, failed to change much at just about 11.3%. Non-Saudi females also failed to make much of a change at 1.6%. The leading category of non-Saudi males at 82.8% experienced a slight decline. Here we see that while most categories experienced slight changes, the greatest movement was on the part of Saudi females employed in the private sector which saw a jump from 0.5% in 2005 to 4.1% in 2014. In the same period, non-Saudi male figures fell from 86.2% in 2005 to 82.8% in 2014 suggesting programs designed to encourage female employment may be yielding desired results. It is important to note that the majority of non-Saudi female workers in the private sector are employed as domestic workers.

A significant factor impacting the private sector employment has to do with wages. In comparison to the public sector, and unlike other economies, the public sector not only pays higher wages, but also guarantees much desired retirement and other related benefit packages. Also, both daily and hourly requirements in both sectors are different with public sector workers working in, on average, less hours a week than their private sector counterparts. While the average salary for Saudi nationals in the private sector is about SR3000 ($800), expatriates earn an average of SR1000 ($270) (Hertog, 2013).

This information allows us to take a closer look at the educational levels of Saudis and non-Saudis in the workforce, and from this analysis, a few pertinent issues are raised. On all the four levels of illiterate, read & write, primary, and intermediate (which collectively make up roughly 40% of the labor force) foreign workers significantly outnumber native Saudis. In the illiterate category of employed workers, for example, with a total of 154,082, Saudis make up 32,574 or 21% while foreign illiterates make up 121,508 or roughly 79%. In the read and write category, Saudis comprise of about 11% while foreigners make up the remaining 89%. Amongst workers with only primary education, Saudis are 22%, while foreigners are 78%. With those at the intermediate level, Saudis account for 29% while foreigners are 71%. What we find here is that in the category of the lowest educated workers with a total of 4,515,278 out of the overall total of 11,229,865 workers in the labor force, Saudis make up only 1,012,812 or 22% essentially meaning there are four times as many low educated foreign workers in the country doing jobs that Saudi’s could be doing.

In the next three education levels, secondary, diploma, and bachelors which account for 57% of the labor force, we see a reverse situation in which Saudi citizens outnumber foreign workers. When comparing workers with secondary degrees, 61% are Saudi and 39% are foreign workers; and while Saudi diploma holders make up 60%, foreign workers with diplomas hold 40%; and lastly with bachelor’s degree holders, Saudis account for 58% and foreigners 42% of those jobs.

This trend becomes reversed again with foreign workers dominating in the final two categories of workers with master’s and doctorate degrees that account for only about 2.7% of jobs in the entire labor force. Saudis fare better in employment with master’s degrees with 45% of master’s degree jobs held by Saudis but with doctorates, foreign workers holding 75% of those positions.

This information gives a clearer picture of the concentrations of citizens and noncitizens in specific industry sectors within the overall economy. This way, interventions designed to address unemployment can be better tailored to specific industries.

Of the ten industrial sectors examined, which include manufacturing, mining & quarrying, construction, wholesale & retail, accommodation & food services, financial & insurance, professional & scientific, public demonstration & defense, education, and domestic workers, only three are dominated by Saudi citizens while the remaining seven have more foreign workers.

Understandably, the industry with the highest Saudi penetration is public demonstration and defense, positions including the armed forces as well as civil security institutions, which are reserved for only citizens. Here, of a total labor force of 1,762,125, Saudis make up 98%. Conversely, the industry with the least Saudi’s employed is domestic workers as out of a total of 966,918 workers, Saudi citizens make up only 7386 or 0.76%.
Figure 4: Average Monthly Wages of Manpower in the Private Sector in Dollars

Source: Ministry of Labor.

Table 1: Overall employment figures (15 Year and Above) by education citizenship status

<table>
<thead>
<tr>
<th>Education Status</th>
<th>Total Saudi Employed persons</th>
<th>Total Non-Saudi Employed persons</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiterate</td>
<td>32,574</td>
<td>121,508</td>
<td>154,082</td>
</tr>
<tr>
<td>Read &amp; Write</td>
<td>110,376</td>
<td>875,270</td>
<td>985,646</td>
</tr>
<tr>
<td>Primary</td>
<td>319,236</td>
<td>1,159,435</td>
<td>1,478,671</td>
</tr>
<tr>
<td>Intermediate</td>
<td>550,626</td>
<td>1,346,253</td>
<td>1,896,879</td>
</tr>
<tr>
<td>Secondary or Equivalent</td>
<td>1,789,955</td>
<td>1,138,890</td>
<td>2,928,845</td>
</tr>
<tr>
<td>Diploma</td>
<td>488,690</td>
<td>327,398</td>
<td>816,088</td>
</tr>
<tr>
<td>Bachelor Degree</td>
<td>1,542,463</td>
<td>1,118,763</td>
<td>2,661,226</td>
</tr>
<tr>
<td>Higher Diploma/ Master Degree</td>
<td>74,491</td>
<td>90,445</td>
<td>164,936</td>
</tr>
<tr>
<td>Doctorate</td>
<td>36,298</td>
<td>107,194</td>
<td>143,492</td>
</tr>
<tr>
<td>Total</td>
<td>4,944,709</td>
<td>6,285,156</td>
<td>11,229,865</td>
</tr>
</tbody>
</table>

In manufacturing, Saudis make up just 17.2%; in construction, 9%; in wholesale & retail, 17%; in accommodation & food services, 13%; and in professional/scientific jobs requiring advanced degrees and specialization, 19%.

The key take-away from this section is the stark bifurcation of the Saudi labor force between the private and public sectors. The system operates an over-bloated public sector that employed 94% of citizens in 2014 and a private sector dependent on cheap foreign labor with overseas contract workers accounting for 85% of its workforce also in 2014. Saudi authorities need to seriously tackle issues aimed at boosting private sector employment among citizens and this is further explored in section five which discusses some of the remedies aimed at reducing unemployment in the kingdom.
Figure 5: Overall Employed persons (15 Years and Above) By Economic Activity and citizenship status

Source: Central Department of Statistics & Information

Figure 6 below shows how Saudi Arabia compares with other Organization for Economic Cooperation and Development, OECD, countries regarding foreigners in the labor force.

Underlying Causes of Saudi Unemployment

Government Policies on Overseas Contract Workers

As an absolute monarchy that controls all aspects of the country, the government has been directly responsible for the principles and policies that have resulted in the country’s labor laws and regulations. The oil increase of the 1970s and 1980s forced the government to find foreign labor to help grow its booming oil industry because of the severe shortages of local expertise. With new wealth came the demand for schools, hospitals, and other institutions, and since the locals were not skilled enough to build and run these establishments, it became necessary to find foreign workers. Employers in Saudi found it easier and less expensive to import both blue-collar workers and professionals like teachers, doctors, accountants, and engineers than to employ locals who would cost more to train (Lippman, 2012). This policy of imported labor has resulted in making Saudi Arabia “one of the world’s major destinations for international migrants, and ranks 5th among the world’s top ten countries with the largest foreign population” (Al-Gabbani, 2009; p.3).

In addition to this policy of importing labor, Saudi government policies also affected the employment of its citizens as “prior to 1984, Saudi graduates were forbidden to be employed in the private sector and had to work for the government sector, as they were financed and sponsored by the government” (Torofdar & Yunggar, 2012). The most critical challenge of the unemployment situation is the presence of large numbers of foreign workers in the kingdom which began decades ago. As with other countries which suddenly become awash with minerals and other precious commodities, “Saudi Arabia suffered from the Dutch disease, which means an increase in the value of the country’s currency with an increasing dependency on the natural resources and large inflow of foreign assistance” (Alfawaz, Hilal, & Alghannam, 2014). This practice of importing labor lasted until around the early 2000s when the Saudi government began to institute new policies based on the concept of Saudiasation, which aimed to replace the multinational workforce with a Saudi workforce in all workplaces” (Alfawaz, Hilal, & Alghannam, 2014). As part of efforts to reduce unemployment among citizens, the government began a policy aimed at deporting illegal foreign workers, and a 2013 amnesty program allowed 4.7 million foreign workers to regularize their status while another roughly 1 million workers left the kingdom (De Bel-Air, 2014; p.3).

Education Disconnection

The mismatch between the skills required for economic development and those actually acquired by students created a unique problem for the Saudi employment efforts. Essentially, Saudi students were not studying the types of majors required to operate the critical sectors for national development. Rather than a focus on science and technology, there was a concentration in arts, education and religious studies. Ramadi (2005) explained that “a very small percentage of Saudi students that graduate possess the necessary scientific and/or technical training skills needed to meet private-sector requirements” and as a result, this impacted “labor nationalization which has become extremely difficult to replace skilled foreign workers with Saudi nationals.” Compounding the situation, the Saudi government launched a large-scale scholar-

Figure 7: Estimate of non-national populations in Saudi Arabia, selected nationalities (Nov 2013)
ship program designed to help in the professional training of Saudi citizens. With regards to technical and vocational training, while the kingdom is home to many institutions, both privately and publicly funded, demand still exceeds supply. Al-Omran (2010) notes the case of the government-owned Technical & Vocational Training Corporation, TVTC, where in 2007, “more than 167 thousand candidates applied for seats at TVTC, but only 58% were accepted” (p. 26).

With regards to female education in trying to understand the Saudi labor market gender segmentation, AlMunajed (2010) aptly contends that the “Saudi educational system simply is not providing girls with the skills and background they need to compete successfully in the labor market” and that the current system does not “sufficiently promote analysis, skills development, problem solving, communication, and creativity” (p.11).

Culture, Tradition & Gender Issues

Another underlying factor impacting high unemployment figures in Saudi Arabia deals with the societal and cultural traditions in the Kingdom. AlMunajed (2010) reminds us that cultural traditions and local customs play a “major role in a nation’s economic development, creating a unique set of opportunities and challenges that both inform and constrain labor policy” (p.10). Here, Saudi nationals have generally looked down on low paying jobs and have instead sought to bring in low-skilled workers from other nations. Other traditional and social customs, such as males having to act as guardians for females, affect the employment situation, and this affects both sexes. Saudi Arabia’s unique guardianship system ensures that females are required to have a legal male guardian and also have to obtain permission for practically everything they do given that male guardians are practically in control of most facets of a woman’s life. As a result, female employment, as with practically all other endeavors, is conditioned on being permitted to seek employment.

In Saudi Arabia, the entire society is segregated based on gender, and this also affects employment. As a result, just as schools and other institutions are gender separated, so is the workplace in Saudi Arabia; it is only recently things are beginning to change. In the most conservative quarters of the society, there are some who don’t believe women ought to be employed at all and should focus solely on domestic affairs. This gender factor is a critically important issue in understanding unemployment in Saudi Arabia. In examining the 2011 overall unemployment rate of 12.4%, we find that amongst females it was 35% compared to 7.4% for males (Alhamad, 2014).

Beginning in 2005, with the ascent to the throne by the late King Abdullah, several significant changes were made over the course of the King’s reign, which ended in January 2015, that were aimed directly at giving women greater rights and freedoms in the kingdom. These changes over the years are noteworthy, as AlMunajed (2010) asserts that since 1992, women’s participation rate almost tripled from 5.4 percent to 14.4 percent in 2009. Also in 2009, the Kingdom recorded a first with the appointment of a woman as the deputy education minister, being the first time a woman would hold a cabinet position. The government also adopted policies related to vacation time, maternity leave, and provision of nurseries all aimed at encouraging female participation in the labor force (Lippman, 2012; Eldemerdash, 2014). In 2012, a royal decree by the late king granted rights to women to be appointed to the National Consultative Assembly or Shura Council, an upper-level advisory council appointed by the king that can propose but not pass or enforce laws, as well as to actually run as candidates in municipal elections, and based on this, women joined, for the first time in the Kingdoms history, the Consultative Council. It is important to note that following the introduction of women in the Council, the following laws all relating to women’s affairs have been passed by the council and introduced into governance: Criminalize Domestic Abuse, passed in 2013; Granting a law license to first Saudi female lawyer, January 2014; and the Council’s acceptance to consider a petition in favor of female driving (Rajkhan, 2014). The crowning glory for Abdullah’s efforts came on December 12, 2015 when Saudi women both stood for and voted in municipal elections for the first time in the kingdom’s history.

However, despite these improvements, there is still much to be achieved in improving the employment situation for Saudi women. Being the most conservative of the Gulf Arab States, Saudi still considerably lags behind other Gulf Cooperation Council, GCC countries. In 2009, Bahrain had a national female participation rate of 34 percent; Qatar had 36 percent; Kuwait had 43 percent; and the United Arab Emirates, UAE had 60 percent (AlMunajed, 2010). Al-Jarf(1999) found that “90% of female Saudi translators who graduated between 1990 and 1996 are not working as translators” and that many graduates found the available jobs for women to be “unsuitable because of working conditions, stringent qualifications, staff policies, salaries and benefits” (p. 391). Al-Jarf goes on to note that based on the strong influence of culture and traditions, particularly as they play out within the family dynamic, many graduates are faced with meeting requirements meant to conform to tradition and culture. Some respondents in the study responded that “their families forbade them to work as translators” while some stated that their families “did not allow them to work in the private sector, at hospitals, embassies and corporations because of concerns about contact with men and working hours that might interfere with family obligations” (p.394).

Consequences of Unemployment in Saudi Arabia

Potentially Lost Revenues

Based on the huge amount of foreign workers in the country, in addition to the unemployment among nationals, the Kingdom also faces the outflow of funds that are sent back home by the foreign workers. As millions of these workers leave their homes, and in some cases families, behind, in search of better economic opportunities, they often become responsible for families and relatives back home based on the wages they earn in the kingdom. Many of these workers are in the kingdom doing jobs that a lot of Saudi’s based on some of the cultural norms discussed above believe socially beneath them. In 2009, it was estimated that the labor force stands at 7.337
Given the current fiscal environment, the kingdom finds itself with oil prices continuing to slide, ensuring that all loopholes are pegged become a matter of necessity and the government may want to explore measures aimed at limiting the wage outflows of foreign workers.

Social Costs

Besides the obvious economic effects of high unemployment as well as the political consequences of periods of high unemployment on ruling governments, there are also social costs that need to be mentioned. Regarding the political consequences, much has been debated about the impact of high youth unemployment as a catalyst for the Arab Spring uprisings across parts of the Middle East and North Africa (Hertog, 2013; Behar & Mok, 2013). With many nations in the region up in flames, the late King Abdullah “circumvented protest in Saudi by announcing a massive $130 billion subsidy package to fund new housing programmes, raise the minimum wage of public servants, (mostly Saudi’s) and create more employment opportunities in the government sector” (De Bel-Air, 2014; p.4).

In addition to the potential for high crime rates and also as a result of the high youth population in the Kingdom, Saudi Arabia has to be especially careful to ensure the idleness of unemployment does not foster larger societal ills. Al Omran (2010), cautions of the effects of unemployment on the “psychological state of the unemployed” such as “low self-esteem, depression, which lead to weak family ties and isolation from the community” (p.16). Substance abuse is one such area that causes concern based on how easy unemployment affects personal esteem and can lead one to substances. Although not widely known, drug abuse is also a major problem for authorities. In October 2015, it was widely reported globally that a Saudi prince was arrested with “2 tons of captagon amphetamine pills” on his private plane in Beirut Lebanon in an attempt to fly on to Saudi Arabia (Qiblawi & Cullinane, 2015).

Another area of concern arising from unemployment has to do with the effects of the resulting discontent that comes with an inability to find a means of sustenance through employment. Either as a result of becoming unemployed via layoffs or not being able to secure employment upon graduation from formal training, inability to find work, particularly in a country like Saudi Arabia with its vast energy resources, can lead the unemployed to begin questioning the systems with political agitation for better policies, which in turn, if sustained, can lead to social unrest. Also of great importance is the potential for radicalization among the disillusioned, who in some cases are victims of unemployment and its general attendant despair. It is well understood that radical elements prey on the indigent and entice them into radicalization based to a large extent on their economic conditions with the promises of providing for them.

Current Options for Saudi Unemployment

Saudization Program

To help remedy the high unemployment situation in the Kingdom, the government has been instituting some policies and programs aimed primarily at creating employment opportunities for millions of its youth. Most of these programs, launched in the early 2000s, are centered around training and positioning the youth to enable them to take over from the foreign workers in the country. At its core, Saudization seeks three primary objectives: to increase employment among citizens; to reduce the reliance on foreign workers; and to reduce the amount of remittances foreign workers send out of the kingdom (Alshanbri, Khalfan & Maqsood, 2014; Alfawaz, Hilal, & Alghannam, 2014). Specifically, the government enacted poli-
cies that restricted the numbers of foreign workers employed, limited certain occupations for Saudis only, and required the private sector to reduce foreign workers (Eldemerdash, 2014).

Additionally, and in recognition of the importance of education as the foundation to building a productive citizenry, twenty-three universities were founded in the period (2000-2008) to boost Saudi Arabia’s higher education capabilities. In 2009, the government set up the King Abdullah University of Science and Technology to encourage research in science, medicine, computer science, engineering, and education, with a budget of over 10 billion US dollars to support its goal to be one of the leading universities in the world. In the technical training industry, the Saudi government also established seven new technical institutes for women and 16 vocational training centers in the period of 2000-2008 (Alshammari, 2009). The government is aggressively developing a higher education system that will supply the engineering and research talent needed to support advanced technology and medical industries (Alshammari, 2009). Following the Arab Spring revolts of January 2011, Saudization gained further urgency and the then Saudi King Abdullah responded with the Royal Decrees of 2011 (February 23 and March 18) that created “unemployment benefits” as well as “more aggressive guidelines for Saudization” (Al-Sheikh & Nuri-Erbas, 2012).

King Abdullah Scholarship Program, KASP

The flagship of the Abdullah Saudization efforts is the KASP “which is considered to be the largest fully endowed government scholarship program ever supported by a nation-state” since launched in 2005/2006, and the program sponsors “qualified Saudi students to gain a bachelor, master, or Ph.D. degree as well as medical fellowships to the world’s best universities” (Alzabani, 2004). From 2006 to 2012, an estimation of about 140,000 students have been sponsored by the program, and the Saudi Arabian government has spent about $5.3 billion to date to cover tuition fees; life expenses; the students’ spouses and children who live overseas with the students, and cover the annual ticket to Saudi Arabia” (Alfawaz, Hilal, & Alghannam, 2014). This is an excellent program that is well suited to help solve some of the long-term unemployment issues as well as other general issues that need tackling in the Kingdom to help build a 21st century nation. With such large numbers of college level citizens scattered around different institutions across the globe in pursuit of education, the kingdom is poised to benefit from the skills and expertise the scholarship recipients, who are bound by scholarship contract terms, to return to the country upon completion of studies. Additionally, and equally importantly, these students serve as cultural ambassadors for their country both in exporting their culture, as well as in bringing other cultures back home.

The Human Resources Development Fund, HRDF

The HRDF is a government agency designed to help address unemployment and it provide grants for qualifying, training, and recruiting Saudis in the private sector. Program incentives for employers to recruit, train, and employ Saudis include “75% of the salary of employees while in training (up to a maximum of 1,500 per month)” for three months, and 50% of the salary for the first two years (up to 2,000 per month)” and in addition, the HRDF pays “75% of the training costs of a Saudi employee in the private sector for two years” (Alzalabani, 2004).

Hafiz Program

Launched as part of the Royal Decrees of 2011, and administered by the HRDF, Hafiz essentially provides unemployment benefits to young Saudis who qualify. It provides “unemployed young Saudis with a monthly allowance of SAR 2000 (S533) for one year only as well as conditional on their participation in job search and training activities” (Fleischhaker et. al 2013). In 2014 Al-Obaid completed a study to measure the effects of Hafiz on beneficiaries’ consumption and ultimately economic growth, His results found that this program helped to support and motivate Saudis who are unemployed and to assist in building their career skills and also boost the Saudi Economy by creating a powerful multiplier effect taking advantage of the beneficiaries high consumption tendency” (p.1). The response to the program has been overwhelming, and out of the roughly 2 million that applied for the program in 2012, about 1.3 million qualified, of which 70% of these were women (Al Obaid, 2014). Based on the roughly 1.3 million eligible applicants, Hafiz would be depositing roughly SR 2.7 billion ($720 million) monthly in beneficiaries accounts (Al Obaid, 2014). It is important to note that in addition to being a remedy for high unemployment, Hafiz also allows for more up-to-date demographic data management in terms of the overall labor trends in the kingdom. A major critique of the program is the extent to which the unemployment benefits help stimulate economic growth and this is a topic that remains controversial. Following the passage, by the U.S Congress in 2013, of a law that ended unemployment benefits at the end of that year, (Hagedorn, Manovskii, and Mitman, 2015) found that “a 1% drop in benefit duration leads to a statistically significant increase in employment by 0.0161 log points” and that “1.8 million additional jobs were created in 2014 due to the benefit cut”. Another area of concern has been the effect of unemployment benefits on inflationary trends.

Alhamad (2014) cautions that when examining inflation in Saudi Arabia, “we find that general index figures can be misleading and do not explain why people are complaining about higher prices” but when specific sectors like housing, water, electricity, and gas are examined closer, one finds them much higher than the general index. In a study for the International Monetary Fund, IMF, (Shbaikat, 2015) explains that “expatriates have helped dampen the inflationary impact of higher growth during oil cycles and helped limit real exchange rate appreciation” and, as such, “inflation has been low in Saudi Arabia despite strong growth, and has remained below that of trading partners” and this “has limited the appreciation of the real effective exchange rate”.

Nitaqat Program

This particular program launched in June 2011, Nitaqat, which means ‘zones’ or ‘ranges’ in Arabic, is a program unveiled by the Saudi Ministry of Labor as part of efforts aimed at addressing high unemployment (Alshabhri, Khalfan & Maqsood, 2014). Designed to build on previous efforts aimed at indigenizing
labor, Nitaqat focuses primarily on private sector employment of Saudis but also established a minimum wage of SR 3000 ($800) for the Saudi public sector. Under the improved scheme, private companies are graded on the four categories of, Premier Green, Green, Yellow, Red, based upon their compliance with Nitaqat requirements. In each category, there are incentives and sanctions to help improve compliance. For example, companies with a majority of foreign workers are fined a fee of SR 200 ($53) per worker per month, proceeds of which are funneled back into the Hafiz unemployment benefit scheme.

Regarding incentives, the policy also loosened some of the restrictions on foreign workers changing employers freely (Fleischhaker et al., 2013). Regarding the major provisions, (Crossley, Taylor, Wardrop & Morrison; 2012) explain that Nitaqat:

- Delineated 41 economic activities as operational in the private sector
- Abolished the mandatory 30% applicable to Saudiization under the old system
- Issued new percentages that factored in establishments’ capabilities and citizen availability
- Allowed for firm size to become the basis for determining Saudiization percentage

Regarding firm size, companies were classified based on their number of employees in the following enumeration: Huge: 3000+; Large: 500+; Medium: 50-499; Small: 10-49; Very small: 9 or less. In its actual application, firms with 9 or fewer employees are generally exempt from the program but must employ at least one Saudi citizen.

In all, responses are mixed on the outcomes of the program. Alhamad (2014) argues that nitaqat has been successful in that since its introduction, most firms were in the red category, meaning they needed to hire more Saudi workers to remain operational, and this “caused both the wage rate and the Saudi labor force to increase, causing unemployment to drop” (p.4).

<table>
<thead>
<tr>
<th>Year</th>
<th>Saudi**</th>
<th>Non-Saudi**</th>
<th>Total**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>12.40</td>
<td>0.39</td>
<td>5.80</td>
</tr>
<tr>
<td>2012</td>
<td>12.10</td>
<td>0.08</td>
<td>5.50</td>
</tr>
<tr>
<td>2013</td>
<td>11.70</td>
<td>0.20</td>
<td>5.60</td>
</tr>
<tr>
<td>2014</td>
<td>11.70</td>
<td>0.30</td>
<td>5.70</td>
</tr>
</tbody>
</table>

Source: Central Department of Statistics & Information, Ministry of Economy and Planning.

**Cultural shifts**

It is also extremely important to address the cultural hindrances to gainful employment particularly with stereotypes associated with certain types of jobs. Norms, habits and assumptions about certain occupations, largely based on beliefs that Saudis shouldn’t be engaged in jobs considered to be beneath them, need to be engaged through well-structured campaigns that promote the virtues of working hard for one’s nation if efforts towards reducing unemployment, based on a ‘Saudiization’ policy, are to be successful. Accordingly, this is an area that the authorities pay a lot of attention to as they formulate and implement policies since Saudi Arabia has a special adherence to its inherited values. This unemployment situation, therefore, is a challenge for the government to provide solutions without altering or conflicting with the culture (Alfawaz, Hilal, & Alghannam, 2014).

While much has been said about the potential benefits of the Saudiization policies, (Fakeeh, 2009) argues that the policy falls short as it targets “the symptom (unemployment) instead of focusing on the problem employability” and the focus should be on evolving an “indigenous domestic social structure” that can create the right human capital required to operate in the 21st century knowledge-based globalized economy. However, one is encouraged particularly given the giant strides achieved regarding greater female rights in general and also specifically with current trends in female employment.

**Conclusion and Discussion**

While Saudi Arabia continues to face challenges both regionally and internationally, arguably the greatest challenge the kingdom currently faces is the domestic reality of how to manage the issue of high unemployment among citizens, particularly given its high youth population.

When the Arab Spring uprisings, of which strong connections to unemployment and other socio-economic issues have been established, broke out in the region in 2011, the Kingdom was spared the upheaval largely in part to extremely generous welfare package rolled out to placate citizens. However, with greater costly regional and international engagement, namely, the wars in Yemen and Syria, financial and economic aid in the billions to countries like Egypt and Lebanon; the headquarters of a new global Islamic military coalition designed to address the issue of the Islamic State, all present substantial economic challenges to the kingdom which is reeling from the collapse of oil prices and further add pressure to employment initiatives designed to increase citizens in the labor force.

Given these urgent realities, this article examined the realities of the Saudi private and public sectors to help explain the concentration of foreign workers in the private sector and how this impacts the overall labor market. The study found that the Saudi economy operates a two-tier system with deep structural imbalances between the private and public sectors. While nationality requirements help ensure that citizens are employed in the public sector with its generous wages and benefits, they also ensure foreign workers are sought after for
the much lower wage and little or non-existent benefits and labor protections of the jobs in the private sector. Further examination revealed the concentration of foreign workers in the private sector is largely underpinned by a combination of economic and socio-cultural factors. Decades of cheap foreign labor freely flowing into the sector resulted in depressed wages in the sector in addition to social stigmas attached to the sector that essentially discourage citizens from seeking such jobs.

The Saudization efforts embarked upon over the last decade have recorded significant progress with regards to increasing the Saudi participation in the labor force but deep institutional and cultural factors still act as impediments to both employability and employment and much work remains to be done. Programs like Hafiz, Nitaqat and the King Abdullah Scholarship program are well designed to address both the short and long-term unemployment issues. However, policies need to be structured such that they remain consistent with the overall objective of increasing citizenship participation in the labor force. For example, while we see major increases in female employment rates between 2004 and 2014 (pro-Nitaqat) the same period also sees increases in the number of foreign workers allowed into the kingdom on work visas (anti-Nitaqat).

Sectoral analysis of the labor force based on both industry activity and skills/education attainment reveal major unsustainable structural imbalances in the labor market that call for immediate reform if significant improvements are to be recorded in reducing unemployment among Saudi citizens. This paper makes the following four recommendations as a contribution towards these efforts.

**Private Sector Wage Increase**

Given that any serious effort to address Saudi unemployment can only be made by addressing the private sector labor pattern and also given that the single most important impediment to Saudi private sector participation is as a result of low wages offered, this issue becomes a priority. It is essential to create some form of minimum wage parity in both sectors as this will certainly attract more Saudis to private sector jobs. Here, government subsidies can be utilized to ensure minimum wage parity and government can guarantee the difference for citizens who seek private sector jobs and so it would not make a difference where they work as they are guaranteed the same salaries as workers in the public sector—in essence a uniform Saudi minimum wage. Regarding the needed revenue for such a policy, some of the unemployment benefits paid out to citizens can be redirected here as those citizens will now be employed in the private sector. Additional revenue can be sourced from increased visa fees, work and residency permits, driver’s license fees and all other related monies generated from foreign workers both as a deterrent measure but also more importantly to raise the much-needed resources.

**Foreign Worker Time Restrictions**

While the kingdom realizes it is impossible to ship out all foreign workers it has made efforts at restriction. Immigration enforcement measures introduced in 2013 resulted in both forced and self-deportations of millions but with deep seated issues resulting from the length of stay of foreign workers. There are cases of multi-generational foreign workers in cases of those who came in the 1970s and 1980s and now have children or even grandchildren in the kingdom. As Saudi Arabia does not operate birthright citizenship policies, children, born in the kingdom to foreign worker parents are not automatically given citizenship rights and remain as foreigners. This essentially just further aids the growing of the cheap-labor foreign worker pool. Visas issued can be limited to a maximum of five years for new applicants. By introducing time-based restrictions, government can begin to address the issue of foreign workers.

**Gender Issues**

Just as the issue of foreign workers is critically important to addressing unemployment, the issue of women in Saudi Arabia is also fundamental to this issue. The well-documented cultural impediments and other limitations that are the reality of Saudi women directly influences the Saudi labor force given the outright opposition to female employment that exists in quarters of a Saudi society that is traditional and slow to embrace change. As pointed out earlier, much progress has been made with regards to increases in female participation in the labor force, but a lot more still needs to be done. We see, for example, with the Hafiz program, which pays unemployment benefits conditional upon recipients actively looking for work but not being able to find one, that a majority of recipients are female. In addition to promoting social campaigns that highlight the importance of female labor participation, the Saudi government should also take specific, concrete steps to help address some of the difficulties and challenges females face with employment. Here, transportation issues present the paramount challenge. In a country where women do not have the right to drive, their mobility is thus based on the availability of a male to ferry them around. This clearly represents a huge challenge and ought to be addressed. If traditional Saudi customs still prevent female driving, at the very least the government ought to provide female-only work shuttle services, like Mexico, which introduced all-female train and metro services following increased reported cases of sexual harassment on the regular trains. The Saudi government can invest in train and bus shuttles that help ensure women have the means to get to and from work.

**King Abdullah Scholarship Program**

This program has the potential to be the most successful of all the Saudization efforts given how much the effects of educational investments can be beneficial for the long-term growth and development of a country. While unemployment benefits, deportations, and others can provide immediate relief, investments from education can provide generational benefits and act as the anchor for not only addressing unemployment but more broadly as the kingdom embarks on privatization, diversification and other necessities of a post-oil 21st-century
knowledge-based economy. With over a hundred thousand students scattered across the globe in bachelor’s and master’s degree programs, these scholarship recipients can act as the vanguard for a new and modern Saudi economy. Most importantly here are the educational and multicultural skills acquired as well as the much required work ethic culture.

In closing, as Saudi Arabia has issues regarding high unemployment among its citizens, recent efforts that address this have both a long and short-term component to them and ultimately the solution to this Saudi problem will be solved best by taking a long-term generational approach.

Bibliography


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Special Editorial: The internet - where to now?

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Background

The internet has expanded exponentially since its inception in the 1960’s.

Most of its development up until the 2000’s was to utilise the services it already provided for communications, data storage and applications. It has spread into most walks of life and many services now exist only online.

Its replacement of paper based products has allowed for very cheap and almost instantaneous business, commerce and social communications. So much so that the business and commercial world continue to attempt to find ways to monopolise and to make it pay.

The internet in reality, is a network of networks that consists of millions of private, public, academic, business, and government networks of local to global proportions, linked by usually pre-existing networking technology.

Worldwide e-commerce, when global business-to-business and consumer transactions are combined, equated to $16 trillion for 2013. A report by Oxford Economics adds those two together to estimate the total size of the digital economy at $20.4 trillion, equivalent to roughly 13.8% of all global sales.

It is to be noted that the English language still dominates as far as content and users are concerned.

Worldwide internet users

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2010</th>
<th>2014*</th>
</tr>
</thead>
<tbody>
<tr>
<td>World population</td>
<td>6.5 billion</td>
<td>6.9 billion</td>
<td>7.2 billion</td>
</tr>
<tr>
<td>Not using the Internet</td>
<td>84%</td>
<td>70%</td>
<td>60%</td>
</tr>
<tr>
<td>Using the Internet</td>
<td>16%</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Users in the developing world</td>
<td>8%</td>
<td>21%</td>
<td>32%</td>
</tr>
<tr>
<td>Users in the developed world</td>
<td>51%</td>
<td>67%</td>
<td>78%</td>
</tr>
</tbody>
</table>

Source:
International Telecommunications Union

* Estimate
Website content by language

Users by language
The positive side

On the positive side you could argue it has done even more for the developing world, where the needs were greatest, than the developed world.

Universal access to quality education and information services has assisted in providing parity and equity to all members of society who would not have had such access to quality education and information resources. While a computer or a smaller device is required to be purchased to access these services, this equipment has become much cheaper over time and schools and libraries, even in the developing world rarely have no access to at least one computer.

While broadband services and Wi-Fi may not always be available, even a standard phone line, while slow, provides access for those not in a hurry.

An individual or small business can connect their own server to the web and conduct their business in a relatively free and freely accessible global market place.

Coupled with this many countries give free citizen’s access to the web. It seems an Internet Service provider (ISP) is only required in those countries where the government or telephony systems decide people can afford to pay to be connected.

The author has been involved in the production of some major global medical education strategies to provide free medical education to ‘all countries of the world’ via NGO sponsors and self-sponsored and while the technical aspects of reach required some reckoning originally with the main issue being to whom to address the content given a global audience/user. No ethnicity, geography, climate, gender, local knowledge, prior knowledge, agreed terminology or socio economic conditions could be assumed.

Universal orthodoxy is now a little easier as more people of the world become used to online delivery formats and content.

As well as parity of education and information, the internet has also contributed to betterment of many social causes through its use by charities, microfinance, crowd funding, political and social reform movements, global petitions and even by affected parties in wars and conflicts. The ‘Arab Spring’ and the 2014 Thai coup d’état, are examples where social media played an important part in their relative success.

As such the internet can be seen as a true tool of egalitarianism and societal advancement.

Some would argue however that while much has been written of the economic advantages of Internet-enabled commerce, there is also evidence that some aspects of the Internet such as maps and location-aware services may serve to reinforce economic inequality. This is a direct result of those trying to financially capitalise on what has been until now very much an egalitarian service.

The silly side

The internet, of course has its silly side, like the CB radios of previous times.

While we all love to see the antics of the ‘internet cats’ very little can be done about the huge bandwidth taken up by mass vanities of people seeking their little bit of fame through uploading their latest selfies ad nauseum. Hopefully like other mass crazes throughout history it will die its own death and leave the bandwidth for more worthy communications.

As long as you don’t require dignity, full accuracy or good manners, civility or decency in your online mass media activities the social aspects of the internet persist.

The dark side

Unfortunately the internet has a dark side – just as humanity generally has, and this is now often referred to as the dark web. Scams and outright criminal activities lurk everywhere to rob the unsuspecting user via email and false products and commercial sites that either don’t deliver the quality of good displayed or don’t deliver anything at all.

Anti-social activities (often called ‘trolling’) and communications by people who hate everyone, or a person or a group in particular, or political or social causes they do not agree with, cause genuine distress, slander, threat and assault. Some of this is deliberate and sometimes it is not harmful in intent; often it is to call attention to themselves – a seemingly common by-product of generally accessible media. This does not make it any less destructive for some of the affected parties who are often subject to threatened violence or assault. Often when it is via an online service, the authorities or those who are meant to be mediating online services are often too reluctant to get involved.

Trolls and the vacuous feed on attention. This overwhelming narcissism of some, is a quality not to be encouraged in a fragile world. It detracts from the real issues of society and fills the mind with vacuous pursuits while our planet is dying under our feet. It can be related to the old saying “Nero fiddled while Rome burned”.

The darkest side is the proliferation of the most heinous crimes where the abominable that live among us globally, can be gathered into dark and murky secret online markets for, and using the worst example, so called child porn, which is in reality, the torture, rape and often murder of children for adult entertainment. Unfortunately there are also further weak and ridiculous humans in our midst, who may never have indulged in such crimes if it wasn’t readily available and see but now see these human abominations as somehow legitimising these activities. The degradation and abuse of women in so called porn has now become mainstream and can probably also be directly related to the epidemic of violence against women across the world. Those responsible for the carriage of such scum activity need to take an active role in preventing it. This includes carriage services and civil authorities. Some countries are beginning to devise legislation for online crimes.
A Pew Research Center survey published two years ago found that 70% of 18-to-24-year-olds who use the Internet had experienced harassment, and 26% of women that age said they’d been stalked online. A 2014 study published in the psychology journal Personality and Individual Differences found that the approximately 5% of Internet users who self-identified as trolls scored extremely high in the personality traits: narcissism, psychopathy, Machiavellianism and, especially, sadism.

The future – where to now?

Now the Internet has come under threat also from those huge multi nationals seeking to make even more money and market domination by commercialising the Internet. That is, creating premium services for those who wish to pay for faster access, i.e. attempting to monopolise what was once a free resource for all. The Internet does not sit in a small box as portrayed in a very funny episode of the television series The IT Crowd, it exists within the infrastructure already out there and to which anyone in theory can connect a server and broadcast into this global network. As such it belongs to all humanity.

Political, industrial and commercial espionage, Mass surveillance and individual surveillance are also unwelcome aspects seeping into generally accepted Internet cultures.

If we consider some countries’ attempts to filter “politically unsuitable material” from the Internet, most of us would agree that this resembles a self-protective measure by their governments against the growing civic potentials of the Internet. Even though limited, the Internet is proving to be an empowering tool of the down trodden. Internet based petitions have often heavily influenced policy implementation in favour of the public’s online-articulated will.

Incidents of politically motivated Internet censorship have now been recorded in many countries, including Western democracies.

The vast majority of computer surveillance involves the monitoring of data and traffic on the Internet, that is, commercial espionage, some done with the ‘knowledge of the user’ but much done without any notification or warning.

The Internet can also be harmful in physical and psychological ways arguably contributing to obesity for example and limited attention span issues that work against the actual learning processes of the brain. Much of course is deliberate on the part of content providers and advertisers – this aspect could also be listed under the ‘dark web’.

Where to now?

Adopted on February 26, 2015, the FCC’s Open Internet rules are designed to protect free expression and innovation on the Internet and promote investment in the nation’s broadband networks. They champion the competitive choices and freedom demanded by consumers.

The Open Internet rules went into effect on June 12, 2015. They are ensuring consumers and businesses have access to a fast, fair, and open Internet.

In a global fight that ranged across 7 years and 4 continents first in the US, then Brazil, India and now the European community EU law has announced the safeguarding of the Internet for half a billion people:

Columbia Law School and consultant to the FTC, has even argued that in the interests of promoting competition, big “information monopolies” such as Apple and Google should be forced to choose between being providers of digital content, producers of hardware or information distributors (via such things as cloud-computing services).

Verizon has spent $100 million lobbying for new powers to decide which sites load fast (presumably to favour wealthy companies over small business and individuals).

FCC regulators just proposed strong new rules prohibiting Internet discrimination. The biggest threat now is fear of a Republican backlash in Congress to strip the FCC’s authority if they do the right thing.

Officials announcing the law showed charts of unprecedented numbers of public comments! One hopes that these were not just for the vanities.

Corporations wanted a fast internet for the rich and powerful, and a slower service for the rest of us. The only argument for a slower internet perhaps is for the vacuous and silly elements, not the elements that provide parity and equity, I would argue that these require the highest bandwidth until parity and equity for all humans can be achieved.

The Internet will either become just another business tool, like computers that have overtaken the electric typewriter or it can evolve into a tool to bring genuine equality to all people on earth and bring us together at a time that our combined survival depends on a united approach to save both humanity and the poorly treated planet we dwell upon. Electronic services may be the least harmful of all technologies and my dream is of a pristine planet combined with very high technology as perhaps the only way we can all continue safely and equally into the future.
The recent surge in the Freedom Movement of Kashmiris and the role of Pakistan

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Background of Kashmir:
The Disputed Territory

In the early 1930s, the Muslims of United India decided to get separated from the Hindu Majority to establish a new Muslim majority country. The Pakistan Declaration of 1933 had envisioned the princely state of Jammu and Kashmir as one of the “five Northern units of India” that were to form the new nation of Pakistan, on the basis of its Muslim majority. Pakistan still claims the whole of Kashmir as its own territory, including Indian-controlled Kashmir.

The Kashmir issue always arouses strong feelings not just among the ordinary people residing on both sides of the border, but also among armies and political leaders of both countries. The issue primarily rose just after the India-Pakistan partition in 1947. Both the countries have fought three wars over Kashmir (1948, 1965 and Kargil war).

The term Line of Control (LOC) refers to the military control line between the Indian and Pakistani controlled parts of the former princely state of Kashmir and Jammu—a line which, to this day, does not constitute a legally recognized international boundary but is the de facto border. Pakistan and India have organized several bilateral talks on Kashmir which always ended in failure due to the Indian stance that Kashmir is an integral part of India. This is absolutely wrong as both countries fought three overt and many hidden wars on this dispute. Moreover, it was India who took this dispute to UN Security Council. It is still on the UN Security Council’s agenda. There was a United Nations Security Council Resolution 47 (in 1948) on the region saying there needed to be a plebiscite as to whether Kashmiris wanted to be part of India or Pakistan.

Recent Surge in Freedom Movement

The freedom movement initially started by elders and now led primarily by the youth of Kashmir is absolutely indigenous. The Indian army calls the protesters militants but they call themselves Freedom Fighters. There is a rise in it after every four to five years. Kashmir movement is absolutely an indigenous effort from Kashmiris. Pakistan only supports them morally, politically and diplomatically. Pakistan supports all the political leaders in Kashmir openly. They are invited in Pakistan High Commission in India in almost all celebrations.

The Hindu population in Srinagar is just 1%. Despite the fact the Indians are involved in mass rape, torture and killing of innocent Muslims, Kashmiris have never ever harmed or killed the Hindu population in Srinagar in response.

In the recent years, reported growth in radicalisation and home-grown militancy has been observed in the Kashmiri population. This trend has been due to numerous reasons incorporating the frustration among the population due to lack of employment opportunities, economic downfall, the absence of a political dialogue between India and Pakistan on the Kashmir issue, excessive militarisation of the public space and repeated human rights violations by the security forces (mass rape, murders and torture).

The fresh clashes however, began some three months before when a Youth Leader (India calls him Militant) Burhan Wani was brutally killed by the Indian Army. His brother was also killed by the Army in April, 2015. Burhan Wani was a commander of the Kashmir-based Hizbul Mujahideen. He was popular among the Kashmiris due to his activity on social media and had issued many photos and videos on social media against Indian rule in Kashmir. He was killed in an encounter with the Indian security forces on 8 July 2016. Widespread protests have erupted in the Kashmir valley since his death, in which more than 100 people have died while over 7,000 civilians and more than 4,000 security personnel have been injured. The violence which erupted after his death has been described as the worst unrest in the region since the 2010 Kashmir unrest, with Kashmir being placed under 80 consecutive days of curfews imposed by Indian authorities.
The recent series of violent protests that arose in the Muslim-majority Kashmir Valley in the state of Jammu and Kashmir as a result of killing of Burhan Wani are therefore also known as Burhan Aftermath.

Furthermore, this unrest in Kashmir resulted due to the response of youth of Kashmir who have started armed struggle against Indian forces. This struggle is a result of mass raping of women and torturing and killing of unarmed civilians by the army.

Indian army and paramilitary forces are using pellet guns, stone guns, assault rifles, tear gas shells and rubber bullets on unarmed Kashmiri protestors who want plebiscite on this dispute. The violence and torture of the Indian army is not only limited to human beings they recently killed 13 horses in Frisal area of South Kashmir’s Kulgam district. Indian Army vehicles deliberately mowed down these innocent horses. Though India is denying it but it can be seen in the pictures.

What’s more, India had not allowed foreign media to observe the situation. Mobile internet services were also suspended in Kashmir as well as in Jammu region and the Jammu and Kashmir government imposed a press emergency. Cable television was also shut off, ostensibly to stop Pakistani channels from being broadcasted. Many foreign NGOs including Doctors Without Borders have asked the government of India to allow them to help these victims but the offer was not accepted. India is putting all blame on Pakistan and is stating that Pakistani Militants are responsible for this crisis.

However, it is questionable how these terrorists entered Kashmir where 700,000 Indian Army is present. If not protecting the land against terrorist intrusion, then what is the army doing there? This army is extremely busy in raping, and torturing innocent children, elders and women.

What’s the Solution?

India and Pakistan both are nuclear states. Kashmir dispute cannot be resolved with war because such war would end in total destruction in major parts of both countries. The only solution is bilateral negotiations between India and Pakistan with the consent of Kashmiris on both sides of the LOC. Let the Kashmiris living on both side of LOC decide on one of the three following options:

1. Do they want to have independent Kashmir?
2. Do they want to be a part of Pakistan?
3. Do they want to be a part of India?

Only Kashmiris have the right to decide about their future.
I'm terrified, I'm fatigued, and I tried to be a doctor. I may not physically be at the hospital but I can't stop thinking about one of my patients who need me from the day they cruelly suspend me without a prior valid reasoning nor explanation.

I accidentally prick my finger with an old stored needle in the sharp objects yellow box. I know those boxes should be sealed so no one dare to open. However the nurse accidentally thrown a loaded needle without asking me and I had to retrieve it to document the amount thrown as nurses keep saying they count after them how much were the consumables, and accidentally punctured my finger and it had bled for a while bit. There is no law prohibits opening them and no one assume to not open if no one told you nor explain. Any respected place would do the necessary deliverable information at the first place if their member of staff counts for them, and won't assume it's a basic knowledge. We were working in a poor condition where no aeration, proper ventilation, and the ceiling were dribbling everywhere, and moreover there were no simple tissues even to wipe dry the hands after each case apt examination and they claim the cross infection control. Not sure of that though and what basic they really follow.

This was not the plan at all. All of sudden found myself, sat at home forcefully without proper explanation, without work and tears and pain poured down my face and a hurtful pain killing me, inside my spirit, and wont calm anyway. It just feels painful and awkward instead of support and care that I should anticipate.

It's like certifying a death while still alive. Feeling cold and numb and can't help it. Trying to forget and won't help at all either. Though I made up my mind to quit them and the one who propose knew, I wanted to give them the privilege.

They call up for a meeting, and was only a ridiculous decision based on the proposer conveyed god knows message.

I always dreamt of rosy days post graduation and dreamt to further up my career and reach the top of my career rank as I always was in my years of study all years. But that dream kept holding back due to many circumstances that I can't control, nor exert power upon, and utterly not in my hand.

I didn't expect after serving nearly four years in a private clinic that I felt home and loved, to be sacked away like that unexpectedly in at the deep dark end, cold and gloomy, but I expected support and care and I was totally wrong.

I expected a well-oiled team around me, keeping an eye on me, never leaving me feeling alone, feeling disappointment and deep pain and fear the unknown and the unexpected.

Found myself sat lonely home at my computer – keeping myself busy to distract my aching brain from thinking and speculating.

I was clueless, exhausted, and had no idea what to do about it.

I barely spoke to anyone, and was isolated in fear and this tears me apart.

I tried not to think about it, but the subconscious won’t submit.

The well-oiled team was not there– or maybe, it hadn’t even been created yet. Planning secretly and claiming investigation and god knows their intentions. Even criminals had been given a chance to defend before the judge issue a verdict and me found myself judged silently and not even given the chance to tell my own story and excuses. They think they can control the life. They didn’t see what I brought up to the clinic, or they pretend to keep a blind eye upon, and the punctuality and the full commitment and the full devotion in work and with my patients who I never declined even when they shown up late. All they could have done is just according to their secret agenda. Someone proposes and the other finishes. Time will only prove and I leave it to Allah almighty above us all, to take my revenge on such cruelty, nastiness and mistreatment. After years of scribbling in notes, and prescribing on neatly laid-out forms, I was faced with a new computer system I would have never used, on which I was expected to document, request every test and order every drug by it. Though I wasn’t bad at all
for me despite of the continuous disconnect and the failure to connect to the server, but I liked it and I was good at it as I was a computer literate.

I always ensure my patients are well and well informed about their ailment and how to treat. Thought didn't find who can treat my hurtful deep aching feelings and broken emotions. I was left in grieve lonely and it feels just bad.

I was not able to glimpse the reasons why I would be suspended though it was me who suffered the incident and the misfortune– despite the fact, I would help people, that I would learn from my own patients, that I would make a difference.

I could not secure a work at the government as any normal civilian and a citizen in this country who has the right for which, and it is a sad fact.

I still have no contract, and no one can tell me how much I can expect to be paid.

I hope and pray it will get better and ease my souring soul, as no one can feel the burning pain inside me.

I am not even insured for any emergency though we serve the health system, what a sad joke.

By the end of my nearly four years as a doctor in a place I had full devotion for, I was kicked off as simple as that without a proper explanation or official clarification? Just they serve their own agenda.

I had to fight with myself to keep my head around and spin.

The pain and the tears fell like rain.

All I ever wanted to do was be a doctor and help other people in need with my rich updated knowledge.

I worked before in the government and never saw my salary improve nor education nor training.

Just the symptoms of emotional exhaustion, depersonalisation, and reduced sense of personal accomplishment, are what I am feeling.

I can't afford to attend the conferences and courses I need to in order to make consultant and improve my life and career. I can't afford some exam I need to do to keep in the track as civilized countries.

All my youthful enthusiasm for healing, big dreams of saving lives and of making a difference had soured and I felt an astronomic emptiness. Made monumentally selfish by depression, I would ceased even to care about the surroundings. I am totally lost in meaningless. No one seems to care. I never harmed any one.

I am not regretting medicine, but I regret the unfairness and the circumstances I am caught in and around me in this place that are beyond my control and which obviously they make use of it effectively. Of course it's a lesson I learnt very well and wont for sure hamper me from self development and self improvement and for sure I made difference for some others lives.