

Privatization in the Middle East: An Insight Into Yemen's Initiatives

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Abstract: This article deals with privatization in the Middle East in general and in particular offers some insights into the country of Yemen's initiatives. It details the background, the reasons for privatization and the various challenges Yemen is facing in this era of privatization. As part of a comprehensive economic reform, the Government of Yemen initiated a privatization program in early 1995. Problems of economic development, public sector's poor performance, problem of government financing and promotion of private sector development were the major reasons in the adoption of privatization in Yemen. This article concludes with the various challenges and concerns that Yemen faces currently and in the future.

Key words: Privatization • Middle-East • Yemen

INTRODUCTION

So far, there have not been much work written on privatization in the Middle East and more so with regard to any particular country in the Middle East region even though such world-wide practices were available since 1980s. Many countries around the world moved to privatization in order to solve the economic problems which documented poor performance and failure of stated-owned enterprises. Privatization is a worldwide phenomenon with the many advantages propagated. According to Cowan [1] the concept of privatization has been used long time ago by Adam Smith when he talked about the great companies at that time like British South Africa company and Dutch East Indies Company but the term of privatization is new and defined as "the transfer of a function, activity, or organization from the public to the private sector". Savas [2] sees privatization as the change on the activity or on the ownership of assets which lead to decrease the government role and increment the private role. However, "privatization should not be treated as dogma, but rather it should be based on reasonable motives and objectives clearly understood by all parties concerned. This is because privatization is seldom motivated by a single concern. This assertion reaffirms the need to explore thoroughly the motives behind the decisions to privatize. These motives contribute greatly to the selection of state-owned

enterprises that were to be privatized, the methods to be adopted, the objectives pursued and the expected results [3].

As we have seen across many countries, the reasons for pursuing a privatization policy are related to the policy's potential benefits and most often the policy is part of a macroeconomic reform package with other components to stimulate the nation's economy. The stimuli may be in terms of investment, improved products and services, foreign market access, or increased capital. Some sources state that privatization is the "strong" policy called for because other measures, such as attempts to improve SOEs, do not go far enough; privatization is what is needed, for example, to get rid of excess labor and increase economic competition [4]. Lending and/or international agency pressure or persuasion is another compelling reason cited by authors for governments to pursue privatization, as following their recommendations may lead to fresh loans or an increase in donor funding [5]. The size of government, the bureaucratic activities of the government and the lack of efficiency also rendered such reasons for privatization which had caused tax revolt in many states in the USA even though by moving to privatization the needs of people had been delivered through less cost [6]. Many reasons had been mentioned in Development Research and Policy Analysis Division [7] that restricted SOEs and instead encouraged governments to opt for privatization which include:

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