

Enriching the Middle East's Economic Future
Conference XI – 2016
Concluding Remarks by Steven Spiegel

I want to thank everyone here for participating in what has been a very focused and collegial conference, and to thank our longstanding partner, the Ministry of Foreign Affairs of Qatar, for making it such a success.

Although this is our 11th conference, I think it's the first time that participants have been so concerned about the political turmoil in the United States — that is, the very unusual presidential election campaign and the wild-card candidacy of Donald Trump.

At the outset, our opening panel was asked to identify the most important problem in the Arab world. Their answers differed, but taken together they summarized the vast challenges faced by the region — yet none of our speakers focused on ISIS, perceived dangers from other countries, terrorism or even the Arab-Israeli conflict. Their list included:

- the breakdown of the social contract between people and their states, caused largely by a steady worsening of economic performance over several decades
- lack of a true private sector
- unbound technological change that as yet has no rules or policy prescriptions
- lack of security and stability
- the need for inclusive economic growth that will redistribute wealth more equitably among populations
- the need for greater regional integration and trade; and
- the imperative to diversify economies away from energy production and create jobs.

Many participants argued that the global economy is undergoing a structural change — some called it a fourth industrial revolution — in which technology and automation are doing away with many professions and will continue to do so in the future. And this at a time when large youth populations are entering the job market.

Speakers emphasized that low oil prices are here to stay, given the rise of oil production in the U.S., reductions in energy consumption, a focus on energy efficiency in the West, and the growing price competitiveness of alternative energy. As one speaker put it, “The \$100/barrel price that we became accustomed to was a paradise for a few years.” Today, he advised, it is better for Middle East oil producers to recognize that they are the low-cost producers in the market and accept lower prices. That strategy will allow them to secure market share and deal with the economic consequences of this change.

That means economic reform cannot be delayed. Economists and venture capitalists agreed: the region needs to act to help establish and grow small and medium enterprises — SMEs. One speaker reminded us that 50–75% of employment in Africa is in the SME sector.

Bringing the SME sector into being means changing the mindsets of youth about what constitutes desirable employment; changing the education system itself in favor of greater

vocational training and lifelong learning opportunities; establishing legal frameworks, creating access to capital and mentorship networks, and fostering female as well as male entrepreneurs. As one speaker noted, “Young people need to seek education not to get a job, but to create their own jobs.”

In terms of the strategic situation and the great powers, one thing is clear: long-term, intensive interventions on the ground have become too costly for the West (or even Russia) to consider repeating. The Middle East will largely be on its own in resolving its security challenges.

Discussions of ISIS revealed that countries in the region are still struggling to define it accurately in order to know how to defeat it. One Moroccan participant claimed that extremists had hijacked Islam and that the region needed to deconstruct their narrative. Other participants argued about whether or not ISIS should be defined as a state.

As one speaker observed, “This notion that we have taken so long to defeat ISIS reflects a fundamental misunderstanding of this type of war. When we say ISIS is a state, we commit the same error as when we say they are a terrorist organization.” He argued that the group is simultaneously a state, an insurgency waging guerilla warfare, and a terrorist group, depending on where it operates. ISIS was perceived as having both direct and indirect effects on the regional and global economy, having destroyed infrastructure, hurt tourism, and driven away investments and business.

With respect to regional players, Saudi Arabia remains focused on restoring security in Arab countries, fighting both Daesh and Al-Queda in the region, and preventing interference in individual countries. Although Saudi Arabia considers the Iranian regime an enemy, a Saudi speaker insisted that the country considers the Iranian people its friend. Public opinion in Turkey, on the other hand, appears to support a return to Turkey’s more traditional, non-interventionist foreign policy in the region.

According to the Iranian expert, Iran has adopted a multilateral approach that seeks to involve all countries in the region, big and small, in the resolution of conflicts and challenges. In his view, no country can act unilaterally in the region due to strategic limitations. Increased cooperation with its neighbors, he said, is in Iran’s national interest. Despite the nuclear deal with the U.S., he contended that Iran did not seek increased regional cooperation with Washington, saying that such cooperation would benefit only the U.S.

More is at stake than simply shifting alliances among regional and outside powers — a battle of ideas is underway regarding the best way to achieve stable governance. With Europe weakened by the economic and refugee crises, together with growing Islamophobia, the model of liberal democracy and a market economy has been called into question.

Participants and speakers recommended promising, cost-effective responses to the refugee issue, including: 1) creating safe zones in countries like Syria with funding to foster entrepreneurship and generate economic activity and 2) providing aid to host countries that targets both refugees and their local communities in support of entrepreneurial activities.

Which brings us to the all-important question of security. Because without security, economic development in the region will be deeply constrained. Contrasting views of regional security, both on the part of regional powers such as Iran, Saudi Arabia and Turkey, and among outside powers such as the United States and Russia, continue to complicate effective resolution of the Syrian civil war and the chaos in Libya, as well as crises in countries like Lebanon and Yemen.

And the longer insecurity prevails, the greater the number of people who will abandon their countries for the perilous migration to Europe. That number will, most participants agreed, continue to climb as the economic impacts of global warming are felt in MENA and Africa.

A Chinese expert stressed that successful development required nations to create clear plans for industrialization by sector and the infrastructure needed to support it, while Middle Eastern participants stressed the need for countries in the region to reduce tariffs and create a common market — both within countries and across the region. Economic development plans must also work to increase the labor participation rate of women, whose addition to the workforce will increase national GDP.

At a meeting on population growth, experts disagreed on how economic development and lower fertility rates were correlated, that is, which was the cause of the other. All agreed, however, that educating women, even modestly, leads to lower fertility rates.

The imperative to build regional economic and security structures, and for countries in the Middle East to work cooperatively in the region, have never been greater. Restoring stability, in the eyes of one expert, will require rebuilding the body politic, creating a platform for sustainable development, establishing sufficient security that is sufficient tolerable for local populations, and finding ways to encourage investment in the region. If the history of European nation states is any guide, the road to more effective governance will be long and complicated.

With many voices urging regional cooperation at this forum, this goal appears to be more than ever a priority for the Middle East. At the very least, the countries of MENA will have to be vigilant in taking advantage of the latest technology and educational tools to expand job opportunities and new industries. Without action in this direction, current conditions in the region will only get worse.