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in cooperation with

The UCLA Center for Middle East Development

Enriching the Middle East's Economic Future Conference

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CLOSING SUMMARY- Presented by Professor Steven L. Spiegel, Center Director

At this year's meeting there was a particular emphasis on identifying and developing solutions to recurring problems in the Middle East and the world at large. These potential solutions bring us beyond esoteric conceptions to practical measures we can take to tackle both new and ongoing challenges. This focus may not encompass all sessions, or groups, or even states in a broader context, but they do bring us closer toward solving specific problems. It is on these potential ideas designed to solve recurring problems that I want to focus, as we seek to summarize the complex variety of issues discussed in the last two days.

Persistent economic and political challenges are forcing states across the region to reassess and reshape their outsized roles in their economies. Historically, many states across the region were the sole providers for their societies. However, the public sector can only do so much and it is time for states to create space for more robust and active private sectors. Empowering the private sector would mean allowing greater leverage in providing for the needs of the populace, which would in turn encourage countries to diversify their economies, promote innovation and foreign investment, and generate alternative solutions to endemic issues.

Several participants reiterated the need to prioritize the promotion and growth of the private sector as it is responsible for 90% of job creation. However, countries in the region will need to take the steps necessary to promote the growth and strength of their private sectors by improving governance and strengthening institutions. Some of the methods that can be utilized to achieve these goals include pursuing comprehensive macro-economic reforms, improving the rule of law, addressing wide-spread corruption, and strengthening digital infrastructures. For example, one



group discussed the potential promise of entrepreneurship as a means of reinvigorating stagnant economies and generating new opportunities for employment in a region plagued with soaring unemployment. Entrepreneurship can only deliver when states move toward acting as regulators and facilitators instead of the sole providers. Entrepreneurship in the region has often begun out of necessity, but states must continue to provide the resources and space for it to continue to grow.

Though we have seen positive gains in investment in microbusinesses and entrepreneurship, the region should also seek to strengthen the private sector by developing more opportunities for investment on a larger scale. Recently, attempts to open up to investors through initial public offerings have prompted a focus on the region's lack of large-scale investment opportunities. Without these initiations, it is much more difficult to promote the growth of private companies that compete with the state for business and can better reach local needs while also growing beyond the region.

Decentralization may be one of the keys to improving governance and strengthening the region's economies. States not only need to reorganize their economies by empowering the private sector, but central governments must also aim to give greater autonomy to municipal governments, yet another example in which politics and economics go hand in hand. In a session on megacities across the region, participants noted that there has been a rise of entrepreneurship at the city level. National governments cannot prompt these changes, but they can incentivize entrepreneurship by allocating greater resources and decision-making power at the municipal level. Greater autonomy at lower levels of government can also help countries foster the balanced development of their urban centers as well as their rural peripheries to avoid perpetuating urban vs. rural inequalities.

In addition to reshaping the balance between public and private, central and municipal, states in the region also need to restructure and diversify their economies. In particular, oil-producing states across the region are experiencing renewed pressure to address their reliance on natural resources. There is an approaching global slowdown in growth that will likely negatively impact GCC states. Two of the region's largest trade partners, China and the European Union, are



projected to experience a marked decline in growth rates which will likely impact their demand for oil. Additionally, increasingly competitive clean energy alternatives will further slow demand.

Unfortunately, climate is a global issue with disastrous implications that go far beyond affecting the global demand for oil. As one of our speakers mentioned during the opening plenary, rising temperatures are expected to render parts of the region unlivable. It is difficult to adequately summarize all the negative implications of climate change in one conference, much less in one speech!

But several participants continually noted that the degradation of the environment has already deeply impacted all of our lives, and will continue to do so. One example of a major threat climate change poses to the region is through the water crises it has produced. Specifically, salination has negatively impacted the region's food and water supply. This development, in turn, has detrimental impacts on agriculture which is the bedrock of many of the region's economies and societies. If the farming industry suffers, all other economic areas will suffer as well. Struggling agricultural sectors negatively impact food security through rising food prices and detrimentally affect national and regional security. Impoverished farmers are more likely to join radical groups across the region.

It is crucial for MENA countries to work together to help solve some of the problems associated with climate change. Integrated efforts can have the important consequence of improving diplomatic and social relations between countries in the region.

Another global force rapidly transforming and disrupting the region is the development of advanced technologies. Throughout the conference, participants consistently noted how our society is becoming increasingly digitized. The prevalence of technology in our lives has grown tremendously, and rapidly, in the past decade and this shift has consequences in terms of governance, international relations and diplomacy, personal and national security, and economies.



The MENA region has often been caught behind the various waves of industrialization, which includes the most recent digital revolution. In order to catch up, the countries across the Middle East and North Africa must develop crucial legal and governance structures, restructure education to promote technological literacy, and close gaps in knowledge. These interventions will allow states and their citizens to benefit from technological disruptions and not be harmed by them.

A discussion on Artificial Intelligence or AI illuminated the challenges the region faces when it comes to adapting to new and rapidly evolving technologies. Participants noted that most governments in the MENA region lack AI infrastructure, and should look to countries outside the region that have them to replicate their policies and regulations as a first step. Once established, these infrastructures aid in the development of comprehensive legislation dedicated toward regulating these technologies, promoting transparency, and addressing any potential negative implications they may have.

These changes, however, will prove challenging because part of the problem is that governments have consistently been years behind tech companies due to a lack of technological expertise within the government. Administrations must aim to attract talent in the tech industry as well as educating young people at an earlier age in computer science, artificial intelligence, technological literacy, and ethics.

The region is also experiencing shifting degrees of engagement from external actors such as the United States, the European Union, Russia, and states in Asia.

Participants argued that powers that have previously been deeply involved in forging the fate of the region, such as the United States and the European Union, are changing the way they previously engaged with the area due to domestic political pressures. For example, one participant explained that although the United States will maintain a continued commitment to the region, the Trump administration wants to devote fewer American resources in favor of more proportionate burden-sharing through the establishment of the Middle East Strategic Alliance (or MESA). Nevertheless, major players in the region, such as Russian participants, acknowledged



that the United States retains the ability to exert power and forge alliances in the region, but lacks the political will to do so.

New players, like China, Japan, and India have been actively seeking increased involvement in the region by pursuing more partnerships, investments, and trade agreements. For example, through the “digital silk road”, China is enhancing its position in the Middle East through its economic and foreign policy. In recent years, it has invested heavily in the development of technological infrastructure in the region. This activity demonstrates a great degree of promise and potential in the Middle East. However, there are also concerns about driving out local competition, government surveillance and freedoms, and data sovereignty.

The fluctuating degrees of involvement by major world players in the region’s economy, politics, and conflicts will pose a series of new challenges and opportunities for the area.

Although the region is experiencing significant changes in many locations encompassing diverse problems, it also continues to struggle with long-standing issues--in particular, those presented by demographic challenges. The Middle East is among the youngest regions in the world. According to one of the assembled groups, 60% of the population of the Middle East is under the age of 30. Additionally, as a region, MENA retains the highest youth unemployment rate in the world. As a result, there is an urgent need to focus on the next generation and its trajectory because it will have a deep impact on the region’s long term political and economic stability. Additionally, participants noted that youth unemployment is highest among women in the region.

The importance of addressing the needs of the MENA region’s youth cannot be overstated. Participants argued that the failure to improve outcomes for these young people could mean severe consequences. The generation that supported 2011 uprisings has been met mostly with chaos, conflict, repression, and lack of opportunities, leaving the region ripe for popular unrest. Some participants suggested that we may have another Arab Spring sooner than we would have liked. Recent widespread protests in Iraq and Lebanon are indicative of these developments.



In order to address youth unemployment, governments must prioritize the establishment of policies aimed at promoting opportunities for young people, while simultaneously expanding the growth of the private sector. The provision of education, safety standards, health benefits, child care, and labor rights are some of the areas that can begin to be more actively involved in tackling high unemployment rates.

In addition to these measures, the region could stand to benefit from looking to Africa as an example of promoting women's entrepreneurship in the effort to tackle unemployment among women. Africa currently has the most female entrepreneurs and MENA has the least among the regions of the world. Developing greater opportunities for women has the potential to positively impact economies across the region as a whole.

In a time of deep social transformation, rising global temperatures, rapidly changing technologies, shifting global relationships, and persistent demographic issues, it is clear that the Middle East will continue to face new and long standing challenges.

And yet, we have witnessed the hope and determination of participants from every corner of the globe to take advantage of opportunities to overcome challenges and identify pathways for assuring that new inventions and new collaborations will indeed lead to better lives for a wider range of people seeking a more promising future. Thus our conclusions are met with cautious optimism and we have worked hard to establish a basis for possible progress and achievement.