

**THE NEW NORMAL IN THE GLOBAL ECONOMY:
CHALLENGES AND PROSPECTS FOR MENA**

ERF 24th ANNUAL CONFERENCE

March 2-4, 2018 | Luxor, Egypt

January, 2018

The Economic Research Forum's (ERF) Annual Conference has become the premiere regional event for economists of the Middle East, where new ideas are born, nourished and promoted; where the community of researchers meet and where excellence is celebrated. This year's conference will be held in Luxor, Egypt, March 2-4, 2018. The main theme of the plenary sessions is "The New Normal in the Global Economy: Challenges and Prospects for MENA."

Besides the plenary sessions, which will feature world-renowned economists, social scientists and policymakers, six parallel sessions will be held on 2 – 3 March. Parallel sessions will include the presentation of forty-eight papers under the themes of Macroeconomics, Microeconomics, International Economics, Finance, Labor and Human Development, and Institutional Economics. In addition, there will be two special plenary sessions, the first of which is a joint event with the Egyptian Center for Economic Studies (ECES), addressing the critical issue of subsidies and social justice as a partial mitigating policy response to the consequences of global and other external shocks. The second session, organized in collaboration with the European Bank for Reconstruction and Development (EBRD), will focus on growth experiences in middle-income countries. As always, the closing session will be devoted to celebrating the six winners of what has become a regional mark of excellence: The Best Paper Awards.

Conference Theme

The MENA region has experienced several episodes of short-term commodity and capital booms throughout its recent history, but they have had a relatively limited effect in boosting sustained growth. Booms are typically associated with large inflows of foreign currency in the form of natural resource exports for oil exporters that are then redistributed to oil importers through remittances and short-term capital flows. The latest boom between 2003 and 2008 was coupled with a favorable global environment that led to unprecedented growth in a number of MENA countries. Since then, the MENA region has been hit by three crises. First, the global financial crisis, which began in late 2007 and led to a global slowdown in economic activity and trade, causing a temporary dip in their economic growth. Second, though a sustained recovery from the effects of the first crisis was already an elusive goal, the political and social uprisings erupted have effectively made it out of reach.

Finally, the unexpected plunge in oil prices (reaching a level below US\$50 per barrel (Brent crude), a 50 percent drop since their peak in mid-June 2014) marked the end of the commodity super-cycle that began in the early 2000s.

Though it has time and time again defied expectations, most of the scholarship community seems to believe that relatively low oil prices are here to stay. Triggered by supply factors such as the rapid expansion in unconventional oil sources like shale gas, but also a weakening global demand resulting from the anticipated shift of the Chinese economic growth agenda toward inward non-tradable domestic economic activities; and the possible advent of an episode of secular stagnation of major industrial economies, coupled with an appreciation of the U.S. dollar.

The dramatic decline in oil prices is expected to have wide-ranging consequences on the whole region's growth and development prospects. MENA oil exporters and importers alike have already started to experience the impact of this emerging oil market situation, but their initial policy responses leave a lot to be desired. To be sure, accommodating the oil price decline of the massive scale experienced since 2014 is not an easy task, even for well-managed economies. Nothing short of a drastic rethinking of the social contracts prevailing in both MENA oil exporters and importers would be adequate. Therefore, a new growth strategy for low oil prices or even a post-oil era is in order.

As the region adjusts and repositions itself to the new normal, policymakers need to draw lessons to take advantage of the restructuring of the economic order. In doing so, they are faced with critical policy dilemmas playing out in numerous dimensions, monetary, fiscal and external. In particular, as social turbulence and conflict persist in several MENA countries, policymakers must adequately reconcile short-term social and economic concerns with long-term growth and reform efforts.

Three plenaries are considered to address these issues. *First, what do MENA countries need to do to lay the foundation for sustained growth under the New Normal: lessons learned from the Asian experience? Second, what is the most appropriate macroeconomic framework for absorbing the extended shocks associated with the new normal and resuming growth? Third, what is the growth agenda for the MENA region under the "new normal" global economy, especially with regards to the seemingly secular oil price bust?*

Plenary Session 1: Laying the foundation for sustained growth under the New Normal: lessons learned from the Asian experience?

Structural change constitutes one of the main ingredients of economic development since the reallocation of resources is expected to generate higher overall productivity and, therefore, higher incomes. Despite the importance of structural transformation in the process of economic development, there is no consensus on how to achieve this objective and the appropriate role for government. From import substitution and state economic planning, to increased openness and trade specialization, sophistication as well as technological spillovers and joining the global value chains. The recent wave of post-financial-crisis interventionism has reinforced the argument that the state could play an active role in facilitating the process of structural change and transformation. More recently, taking into account the evolving economic structure of factor endowments and varying

economic development levels, new structural economics argue that policies which target activities that are not “comparative advantage defying” (CAD) are the most likely to contribute to structural transformation. Policies should thus be of the “comparative advantage facilitating” (CAF) type, helping to solve and overcome the problems of coordination and externalities which beset processes of structural transformation and innovation.

Against this backdrop, this plenary asks the following questions: *which industrial policies can be derived from the new structural economics? what would be the optimal role of the state in achieving effective structural change in MENA countries? What explains structural transformation in MENA or lack thereof?*

Plenary Session 2: A macroeconomic framework for growth under the New Normal

In the context of the macroeconomic framework for dealing with shocks and secular global developments, there are important lessons to be learned by contrasting the experiences of the MENA region and that of Latin America, another major commodity and mineral-dependent region. The combination of commitment to flexible exchange rate regimes and inflation targeting have created favorable macroeconomic and political economy prerequisites for steady real exchange rate depreciation, which in turn allowed the agricultural and industrial sectors of several Latin American countries to act as a shock absorber in the face of declining oil, mineral and commodity prices.

Against this backdrop, this plenary asks the following questions: *How normal is the “new normal” likely to be? What is the optimal macroeconomic framework for dealing with secular commodity price decline? What are the likely growth consequences of different approaches?*

Plenary Session 3: Towards a growth agenda for MENA under the ‘New Normal’ in the global economy

The ERF region is understandably diverse, comprised of highly endowed small population countries of the GCC; populous oil exporting economies (Algeria, Iran, and Iraq); middle-income oil importers (North Africa, Turkey, and Lebanon) and a low and lower middle-income group (Sudan, Mauritania, and Yemen). Nonetheless, all countries are affected by developments in the global oil markets accounting for a variety of factors and issues, such as the following:

- The new normal in global oil markets
- Fundamental vs structural transformation growth
- Manufacturing and unconditional convergence - is there scope for others outside China?
- The new industrial revolutions: challenges and prospects

This plenary asks some fundamental questions as to whether the “era of growth miracles is over?” *What sort of implications (if any) this has for the region? What growth agenda should we consider for the diverse MENA-plus region under the new normal?*

Special Plenary I: A joint ERF-ECES Session on Subsidies Reforms and Social Justice

This special plenary comes in the context of the broad-based collaboration between ERF and the Egyptian Center for Economic Studies (ECES) whereby a special session will be organized in collaboration between the two institutions during the ERF annual conference held in Egypt every other year. The session will typically provide a platform to discuss topical issues of relevance to Egypt and the region. This year, the session will address the critical issue of subsidies and social justice as a partial mitigating policy response to the consequences of global and other external shocks.

Special Plenary II: EBRD Transition Report 2017-18

This session will showcase the research based on the chapters of the EBRD Transition Report 2017-18 which will focus on growth. It seeks to evaluate the current position of various countries in the EBRD and MENA regions in terms of economic convergence and to articulate a new growth agenda, with reference to the distinct challenges faced by lower-middle-income and upper-middle-income countries in the region. The session will particularly focus on potential new sources of growth in the 21st century: Greater dynamism reflected in the entry and exit of firms; infrastructure investment taking advantage of the record-low cost of financing as well as the lower unit cost of investment; and green growth - seeing climate change commitments as an engine of growth rather than a constraint on economic development.

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DAY ONE (March 2, 2018)

8:00 – 9:00 Registration

9:00 – 11:30 **Opening and Plenary Session 1: Laying the foundation for sustained growth under the New Normal: lessons learned from the Asian experience?**

Chairperson: *Abdlatif Al-Hamad (Arab Fund for Economics and Social Development and ERF)*

Welcome Remarks: *Ibrahim Elbadawi (ERF)*

Opening Remarks: *Ghada Wali (Minister of Social Solidarity, Egypt)-TBC*

Keynote Speaker: *Keun Lee (Seoul National University)*

Lead Commentaries: *Gouda Abdel-Khalek (Cairo University)
Diaa Noureldin (American University in Cairo and ERF)*

11:30 – 12:00 Coffee Break

12:00 – 13:30 Parallel Sessions

13:30 – 15:00 Lunch Break

15:00 – 16:30 Parallel Sessions

16:30 – 17:00 Coffee Break

17:00 – 19:00 **Research Fellows' Meeting (Closed Meeting)**

20:00 Welcome Dinner

