



Policy Conference on

**ARAB OIL EXPORTERS:
COPING WITH A NEW GLOBAL OIL ORDER**

November 26-27, 2017, AFESD, Kuwait

ECONOMIC
RESEARCH
FORUM



منتدى
البحوث
الاقتصادية



ARAB FUND FOR
ECONOMIC AND
SOCIAL
DEVELOPMENT
(AFESD)

ABOUT ERF

Our Mission

The Economic Research Forum (ERF) is a regional network dedicated to promoting high quality economic research to contribute to sustainable development in the Arab countries, Iran and Turkey.

Our Objectives

Established in 1993, ERF's core objectives are to build strong research capacity in the ERF region, to lead and support the production of independent, high quality economic research, and to disseminate research output to a wide and diverse audience.

Our Activities

To achieve these objectives, ERF carries out a portfolio of activities. These include mobilizing funds for well conceived proposals; managing carefully selected regional research initiatives and providing training and mentoring programs to junior researchers. It also includes organizing seminars and conferences based on research outcomes; and publishing research output through multiple channels including working papers, books, policy briefs and through the ERF Policy Portal - *The forum*.

Our Network

The ERF network comprises a distinguished Board of Trustees (BOT), accomplished researchers from the region and highly dedicated head-office staff. A not-for-profit organization, the Forum is supported by multiple donors, both regional and international.

ARAB OIL EXPORTERS: COPING WITH A NEW GLOBAL OIL ORDER

Context

The unexpected decline in oil prices to a level below US\$50, 50 percent lower than their peak level in mid-June 2014, marks the end of the commodity super cycle that began in the early 2000s. Though the current oil price plunge is significant, it is not an unprecedented event. Yet, what distinguishes this bust cycle from previous ones is that it is expected to persist into the medium term. Moreover, this trend seems to be primarily due to supply factors resulting from the shale oil revolution in the U.S., weakening global demand, and the U.S. dollar appreciation against other major currencies.

The causes and consequences of the recent drop in oil prices and the ensuing policy responses have invited heated debates. Nowhere are these debates more relevant than for the Arab region which is blessed with large hydrocarbon endowments, holding about half of global oil reserves and a quarter of natural gas reserves. It also controls close to 33 percent and 14 percent of oil and natural gas production respectively. For the Arab region, the severe drop in oil revenues is expected to have wide-ranging consequences for the region's growth and development prospects.

At the heart of the current debate are the following policy questions: What is the

medium-to-long term outlook for oil prices? What is the optimal macroeconomic policy response for Arab oil exporters and importers? Is there room for countercyclical macroeconomic policy? What is the role of sovereign wealth funds in short-term stabilization and in economic diversification. Can the existing social contract in the GCC survive a prolonged decline in oil prices?

Conference Objectives

To better understand the recent dynamics in global oil markets, their consequences for the Arab region and its future prospects, this conference aims to provide a platform for timely debates and open discussions among a diverse audience including international experts, regional academics and policymakers. Ultimately, the discussion is meant to be of relevance to policymakers, especially in the oil-dependent Arab countries.

Conference Organization

The conference is organized jointly by ERF and the Arab Fund for Economic and Social Development (AFESD). It will gather around 100 participants over the course of two days. Each session is structured such that ample time is left for open discussion.

GENERAL INFORMATION

Venue

- The Arab Fund for Economic and Social Development | Address:- P.O.Box 21923 Safat 13080 – Kuwait – Tel: +965 2495 9300.

Travel Arrangements

- Transportation from the airport to the hotel will be provided to all participants.
- Kindly travel with a copy of the visa as it is needed for checking in with airlines in various airports.
- Upon your arrival in Kuwait, you will be met by a representative from the “Arab Fund for Economic and Social Development” who will be carrying your original visa.
- In case you miss your airport pickup, or you do not find the representative, please contact Mr. Ajeel Al-Mutoutah on the following mobile number +965 99886417 or Mr. Hossam Omar – mobile number +965 99701693.
- In case of any delay in your departure, it is imperative that you send a message or call +20108844995 to inform the person carrying your visa to arrange for your airport pickup and update your hotel reservation.

Hotel Accommodation

- Participants will be residing at: Four Points Sheraton - Safat 13058/Fahd Al Salem St · P.O. Box 5902 Safat · Kuwait City 13060 · Kuwait · Phone: +965 - 2242 2055 - Fax: +965 2448032/34.
- To speed up the check-in process, please advise the check-in clerk that you are with the Arab Fund Group.

- Kindly note that ERF does not cover expenses related to laundry, phone calls (local and long distance), room service, drinks or use of the mini-bar etc.

Meals

- Participants covered by ERF should take their meals at “El Saif” restaurant on the second floor of the hotel. Please sign your room number on the bill.
- Daily breakfast will be served for the participants covered by ERF at “El Saif” restaurant.

Transportation

- The trip from The Four Points Sheraton to the AFESD takes approximately 10 minutes. Buses will be available to transport you from the hotel to the conference venue at 8:30 a.m. on November 26 and November 27, 2017.

Welcome Dinner

- There will be a welcome dinner on Sunday November 26th, 2017, 8:00 pm, at *Babel Restaurant*.

DAY ONE: NOVEMBER 26, 2017

08:30-09:00 **REGISTRATION**

09:00-11:00 **SESSION 1: THE NEW OIL ORDER AND THE ARAB WORLD**

Welcome Remarks and Session Moderator:

Abdlatif Al-Hamad, Arab Fund for Economic and Social Development (AFESD)

Opening Remarks:

Ibrahim Elbadawi, Economic Research Forum (ERF)

Diaa Noureldin, American University in Cairo and ERF

Kamiar Mohaddes, University of Cambridge and ERF

Keynote Speaker:

Hafez Ghanem, The World Bank and ERF

What Should Arab Oil Exporters Do in Response to the New Normal?

Perspectives from the Region:

Ibrahim Elbadawi, Economic Research Forum (ERF)

How Could Arab Oil Exporters Respond to the New Normal?

Open Discussion

There is an emerging consensus among the academic scholarship and the regional and international development community that the *New Oil Order* is a game changer for economic policy, especially macroeconomic policy, for oil-dependent economies, and even for non-oil economies in the MENA region. Responding to the challenges posed by the *New Oil Order* would, therefore, require a paradigm shift in the current type of institutions and policies for managing oil resources as well as the prevailing social contracts that underpinned them. However, the achievement of the envisaged change must be mediated through political economy and local capacity considerations. The objective of this opening session would be to explore the extent to which the desired policy frontier might find home in the unfolding economic and political environment in the region.

11:00-11:30 **COFFEE BREAK**

11:30-13:00 SESSION 2: OIL AND MINERAL MARKETS OUTLOOK AND SECTORAL STRATEGIES FOR ARAB OIL AND MINERAL EXPORTING COUNTRIES

Moderator: *Abdulrahman Al-Hamidy*, Arab Monetary Fund

Speakers: *Majid Al-Moneef*, Former Governor of the Organization of Petroleum Exporting Countries, Saudi Arabia and ERF

Oil Market Outlook: Oil Exporters Adjustment to the New Dynamics

Allison Holland, International Monetary Fund

Securing Economic Resilience under the New Oil Order: The Need for Reform

Kamiar Mohaddes, University of Cambridge and ERF

Oil Prices and the Global Economy: Is It Different This Time Around?

Open Discussion

As with all markets, lower oil prices will eventually lead to higher demand and lower supplies. The beneficial income effects of lower oil prices will show up in higher oil demand by oil importers including the US, while the loss of revenues by oil exporters will act in the opposite direction but the net effect (at the global level) is likely to be positive. On the supply side, the response to price changes is likely to differ markedly across major oil producers. Non-OPEC producers, particularly US oil producers, tend to respond reasonably quickly and positively (negatively) to oil price rises (falls). In contrast to the US, oil production from OPEC is likely to be less responsive to price changes, with political factors playing a significant role in the process. This means that oil markets equilibrate, but very slowly. Oil prices are likely to fluctuate within a wide range, the ceiling being the marginal cost for US shale oil producers (around \$60 per barrel). This episodic process gets further accentuated by new reserve discoveries, technological advances in oil production and alternative energy sources. These issues and others related to oil and mineral markets outlook will be explored in this session.

**13:00-14:30 LUNCH BREAK
CLOSED MEETING OF THE STEERING COMMITTEE
OF THE GCC ECONOMIC RESEARCH INITIATIVE (BY INVITATION ONLY)**

14:30-16:00 SESSION 3: ADJUSTING TO THE NEW GLOBAL OIL ORDER: THE ROLE OF FISCAL AND MONETARY POLICIES

Moderator: *Yousef H. Al-Ebraheem*, Al Diwan Al Amiri, Kuwait and ERF

Keynote Speaker: *Hilde C. Bjørnland*, BI Norwegian Business School

Fiscal Management of Oil Resources in Booms and Busts

Policy Perspectives: *Abdullah El-Kuwaiz*, Oxford Institute of Energy Studies and ERF
Saudi Arabian Fiscal Imbalances : Drop in Oil Prices is a Blessing in Disguise

Magda Kandil, Central Bank of the UAE and ERF

Macro-Financial Vulnerabilities: The Way Forward for GCC

Open Discussion

Zooming in, this session stresses the importance of graduating from discretionary to Rule-based fiscal and monetary institutions. The keynote presentation would explore and assess the effectiveness of various approaches to macroeconomic management of oil resource rents, while the policy perspectives would present experiences and outline plans for dealing with emerging challenges.

16:00-16:30 COFFEE BREAK

**16:30-18:00 POLICY PANEL I:
SUSTAINING GROWTH IN THE ARAB WORLD IN THE NEW GLOBAL OIL ORDER**
Moderator:

Samir Makdisi, American University of Beirut and ERF

Keynote Speaker:

Rabah Arezki, World Bank and ERF

Transformation, Not Diversification?

Panelists:

Jamel Zarrouk, Dubai Economic Department and ERF

Ishac Diwan, Harvard University and ERF

Dhuha Fadhel, Standard Chartered Bank

Lead Commentator:

Hanan Morsy, European Bank for Reconstruction and Development and ERF

Open Discussion

Despite the volatility and the challenges it presents to macroeconomic management, a vibrant oil economy has been a huge boon for growth in the Arab world. Now that the resource rents generated from oil will be relatively less abundant, especially for the populous oil Arab economies, deep fiscal adjustments will be required. Achieving high and sustained growth will be a challenge. However, so far, most oil-dependent economies have yet to exploit their potential for structural transformation growth. The key questions here are: how could these countries undertake the required adjustments, while avoiding severe consequences for future growth; what are the prospects for implementing structural transformation to shore up overall growth; and how could these countries affect growth, promoting structural transformation as happened in East Asia, for example.

20:00- DINNER

DAY TWO: NOVEMBER 27, 2017

09:00-10:00 **SESSION 5: HOW SHOULD SAVING-INVESTMENT DECISIONS OF SOVEREIGN WEALTH FUNDS (SWFs) BE DIFFERENT IN THE NEW CONTEXT?**

Moderator: *Abdulrazak Alfaris*, Dubai Economic Department and ERF

Speakers: *Diaa Noureldin*, American University in Cairo and ERF
Strategies for SWFs: Asset Allocation and Intertemporal Consumption Decisions

Christof Rühl, Abu Dhabi Investment Authority

Oil Price Volatility: Non-oil GDP Growth vs. Sovereign Wealth Fund investment

Open Discussion

In addition to their role in short-term macroeconomic stabilization, SWFs play a prominent role in the GCC economies over the longer term being vehicles for national saving and intergenerational wealth transfer. The objective of this session is to discuss the asset allocation strategies of SWFs offering views on the determinants of the optimal asset allocation as opposed to the actual drivers of the observed allocation for MENA-based SWFs. The discussion will focus on the future outlook for SWFs under the “new normal” in oil prices, touching upon important issues related to the funds’ objective, their potential role in consumption smoothing, the interplay between below- and above-ground wealth, in addition to strategic consideration when it comes to asset allocation.

10:00-11:30 **SESSION 6: SOVEREIGN WEALTH FUNDS (SWFs) AS MACRO STABILIZER AND PROMOTER OF INVESTMENT DIVERSIFICATION**

Moderator: *Fatima Al-Shamsi*, Paris-Sorbonne University Abu Dhabi

Keynote Speaker:

Farouk Bastaki, Kuwait Investment Authority

SWFs as Macro Stabilizer and Promoter of Investments

Speakers:

Ibrahim Elbadawi, Economic Research Forum (ERF)

Chahir Zaki, Cairo University and ERF

SWFs, Cross-border Investments and Institutions: Are Arab Countries Different?

Raimundo Soto, Catholic University of Chile

Hoda Youssef, World Bank

SWFs and Macroeconomic Stabilization in the Home Economy

Open Discussion

SWFs have been deployed as fiscal institutions for promoting countercyclical macroeconomic policy as well as financiers of investments at home and abroad. The keynote speech will discuss the experiences and perspectives by a leading Investment Authority in the MENA region, while the panelists will share evidence from research on the efficacy of the macroeconomic stabilizing role of SWFs; and on the determinants of SWFs cross-border investments.

11:30-11:45 COFFEE BREAK

**11:45-13:45 POLICY PANEL II: COPING WITH THE NEW WORLD ORDER:
DRAWING FROM PRACTICAL EXPERIENCES AND THINKING AHEAD**

Moderator:

Mustapha Nabli, North Africa Bureau of Economic Studies and ERF

Panelists:

Ziad Bahaa-Eldin, Former Deputy Prime Minister for Economic Development and ERF

Abda Yahia El-Mahdi, Former State Minister of Finance and National Economy, Sudan and ERF

Nadir Mohammed, World Bank

El Mouhoub Mouhoud, University of Paris-Dauphine and ERF

Open Discussion

This panel of former policy makers and experts will critically reflect on past experiences and take stock of the main policy messages on the way forward, in terms of institutional and policy responses for an effective response to the unfolding *New Oil Order* and its potential challenges for development policy in oil and non-oil countries in the MENA region.

13:45-14:45 LUNCH

14:45-15:30 CLOSING SESSION: TAKING STOCK AND CHARTING THE WAY FORWARD

Moderator:

Hafez Ghanem, The World Bank and ERF

Overview:

Ibrahim Elbadawi, Economic Research Forum (ERF)

Taking Stock and Future Research:

Diaa Noureldin, American University in Cairo and ERF

Kamiar Mohaddes, University of Cambridge and ERF

The GCC Economic Research Initiative:

Yousef H. Al-Ebraheem, Al Diwan Al Amiri, Kuwait and ERF

ERF Policy Outreach:

Sherine Ghoneim, Economic Research Forum (ERF)

Open Discussion

In closing, we take stock of the issues discussed over the course of the two days and provide a briefing about ERF programs for further in-depth research on the implications of the “new normal” in oil prices; strengthening engagement with the policy making community in the region; and enhancing knowledge creation and capacity-building in the GCC in collaboration with GCC universities research centers and policy and development institutions.