



# 5<sup>TH</sup> INTERNATIONAL MIDDLE EAST CONGRESS



"Future of the Middle Eastern Economy and Integration"





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## VISION DOCUMENT (DRAFT)

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## “Future of the Middle Eastern Economy and Integration”

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Among the regions surrounding Türkiye, the Middle East has an exceptional place. It can be said that as it cannot be expected from Türkiye experiencing instability in its relations with the Middle East to be successful in the foreign policy, it is also not possible that it can easily manage its own political issues. As it is clearly seen in recent times, the developments in the Middle East are directly related to and deeply effect Türkiye. However, the regional policies of the global powers and the regional actors experiencing a legitimacy problem or an integration problem with the Region hinders Türkiye from developing such policies that it can get by itself single-handedly. For this reason, it is required to pay regard to the regional and global balances in the policies directed to the Region. All the issues, such as energy security, reaching export objectives, border security, resolution of the terror issue, depend on the stabilization of the relations of Türkiye with the Middle East.

Dizzying change and transformation which have seen in the Middle East and North Africa since the beginning of the 2011 has led all the attentions focused on the Region. Considerations about how the Middle Eastern economies will be affected from these changes have formed the basis of expectations and concerns in this respect. Changes have triggered the questions about evaluation of the global economic crises, fluctuations in the oil prices, pattern of interaction between the economies of the regional countries and Global economy, how the ongoing political change and transformation will affect the dynamics of the regional economy.

International statistical data show that economic performance of the Middle East in the last two centuries is quite low. Per capita income in the region is even below one third of the developed industrial countries. Life expectancy is 8-year lower than the Western countries. There are some differences in the regional countries but this difference is based on natural resources. Yet, in the not too distant periods, the region had been displaying quite a good performance according to the standards of the time. Therefore, Middle Eastern countries should define the causes of worsening economic conditions and take the necessary measures for economic growth, development and welfare as soon as possible.

Although the Middle Eastern countries have considerable differences when they are individually evaluated, they can still be delineated as developing economic structures that based on producing and exporting oil and natural gas whereas importing other goods and services; share of agriculture maintains its importance regarding the national income and employment and divergence of produced goods and services is limited. When it is evaluated together with the young and relatively qualified populations in the agricultural countries of the region, it can be observed that the Middle Eastern countries have complementarity attributions because they do sufficiently have all such components required for a developed economy as accumulated capital, relatively ‘qualified’ manpower, raw materials etc.



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However, immaturity of technological expertise and deficiencies in macro and micro economic policies prevent the Middle Eastern countries to realize their present economic potentials. If the human resources of the countries which have relatively large and trained populations, like Egypt and Türkiye, could meaningfully be integrated by the resources of the capital and natural resource-rich countries and should expertise and know-how accumulations of the neighboring countries be utilized, regional economic potential can be activated.

Compared to the developed countries, the Middle Eastern countries have a much younger demographic structure. Although life expectation level, which is an important indicator of development, has increased from 58 to 69 years in the last three decades, it falls far short of 79 years of developed countries.

Still, one third of the population is under 15. Regarding the basic factors of the production, which are labor, capital, natural resources, entrepreneurship and human resources, such a young population represents important human resources potential for the regional countries. Despite the fact that the Middle Eastern countries spend substantial amount in education, they have not succeeded in activating their human potentials. The main reason for this is that they do not have necessary capital accumulation and expertise to activate potential human resources. An economic integration among the Middle Eastern countries will make it significantly easier to overcome this problem. Of course, realizing this potential depends on well educating the young population according to the needs of the economy. The level of high-tech exports of these countries, too, shows that their human capital has not sufficiently been developed. Therefore, steps of integration in the field of education bear great importance to activate human resources potential.

Impermeability of the borders of the regional countries is the most important cause preventing economic mobility. To activate the region's economic potential without delay, barriers to the flow of capital, human resources and goods must immediately be removed through improved transitivity among the regional countries. One of the most fundamental requirements for the regional countries to accelerate economic development is to clear the way to economic interaction. Even if just for transportation costs, the regional countries are in dire need of each other. Therefore, a set of measures must immediately be implemented, such as developing communication & transportation facilities, elimination of trade barriers with neighboring countries, making necessary legal arrangements and agreements internally and internationally. Otherwise, continuing fragmentation of the region will serve not of the interests of the regional countries but of foreign elements.

The foundation of the modern global economy has its basis on capital accumulation and transforming this accumulation into rational investment tools. Demographically crowded Middle Eastern countries, however, could not have managed sufficient capital accumulation for a fuller economic performance. The countries with a certain level of capital accumulation seem to lack the human resources and expertise. The capital accumulation based on the richness of natural resources is evaluated by Western countries rather than transformed into investment for the countries of the region.



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Regional political instability and lack of legal regulations constitutes the most important obstacle before making investment in the countries of the region and evaluation of the regional accumulations. Differences in ideology and regimes are the most important obstacles before the economic interaction between countries. Cultural and historical factors, lack of human resources, above all, that sufficient capital accumulation is unobtainable, all make it impossible to bring economic institutions which allow using physical technologies to the full extent, into the Middle East. To achieve this goal, necessary legal reforms should be made. To support this new legal environment, various professions and schools which train workforce for these professions should be developed. Reaching to all these aims depends on the intensification of political dialogue and cooperation activities.

Measures taken for the survival of regimes have negative influences on political dialogue and interaction between the countries of the Middle East. However, as it can be seen through the recent winds of change and transformation in the Arab world, current policies drags the existing regimes to a gentle position rather than strengthen them.

Oil and natural gas are the basic energy resources and most of the oil and natural gas reserves are located in the Middle East. This led resource rich countries of the region have higher per capita income and be able to increase this income to a certain level. However, this does not mean that these countries are managing economic development procedures well. As we know, economic development is a procedure which not only includes economic growth but also brings with it qualitative transformations in the economic and social structures. On the other hand, that the wealth of some natural resource rich countries persists to go in the other countries of the region even as investments deepen jealousies between countries in the region and makes current unstable environment even more complicated. Using an important part of the region's natural resources and capital accumulation in support of the regional countries is of great importance for long-term stability in the region.

In an economy, such factors as the position of subsectors, foreign trade liberalization and composition of imported and exported goods, in other words, shares of natural resources, agriculture, industry and services determine the economic structure. Middle Eastern countries are typical not only in the geographical, social and political terms but also with their economic structures. An important part of the Middle Eastern countries has economic structures based on producing and exporting natural resources. Agriculture sector maintains its importance regarding its share in GDP's and employment. Industrial sectors of these countries have not the capacity to produce high added value. Because of the fact that the natural resources are finite and efficiency of agriculture sector is limited, regional countries must take radical precautions to transform and improve their economies.

Most of the explanations about the economic performance of the Middle Eastern Countries have focused on erroneous orientations of the state policies. Inappropriate priorities, visional defects, the regulations that restrict growth of the private sector are some examples that can be brought as evidences of these bad policies. In this context, however, one should consider effects of the recent advances in the international system and the regional policies of global powers in addition to the cultural and historical elements.



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In the 20<sup>th</sup> century, political regimes in the Middle Eastern countries have been determined not only by the basic characteristics of the peoples in the region but also by the colonial heritage and the regional – especially security and energy- policies of the major powers. Therefore, peoples in the region have fallen behind the general global economic and social dynamism. In terms of global politics, on the other hand, geostrategic importance of the Middle East and its energy resources has led the region to remain as a continuous direct intervention area for the global powers. As to the global economic crises of 2008, it has led the region to become an expansion area with its new market and investment possibilities for the troubled western economies.

The symbolic importance of the region for, and its central position in, the Islamic world has led the geo-cultural and global strategic calculations become more complicated. Should the countries of the region be able to coordinate and integrate their economic policies, as it should be in all the other areas, they will be able to cover a considerable distance to cope with the political challenges in the regional and global arenas.

**The 5<sup>th</sup> International Middle Eastern Congress**, which will be held with the main theme of the **“Future of the Middle Eastern Economy and Integration”**, aims at contributing to the resolution of the regional issues and the development of the relations of Türkiye with the Region.

## Main Theme

**Future of the Middle Eastern Economy and Integration**

## Sub-Themes

**Political and Cultural Integration Experiences Effecting the Region**

OIC, Arab League, Gulf Cooperation Organization

**Country Perspectives**

Türkiye, Egypt, Saudi Arabia, Jordan, Syria and Lebanon, Gulf Countries, Iran

**Future of the Regional Economy Ecosystem**

Diversification in the Economic Structure

Capital, Expertise Cooperation

Development of Quality of the Human Resources and Cooperation

Optimum Use of the Natural Resources, Strengthening of the Local Economies

Transportation, Logistics, Legal Infrastructure

**Model Project(s)**

Istanbul Financial Center