

The New Normal in the Global Economy: Challenges & Prospects for MENA

ERF 24th Annual Conference

July 8 – 10, 2018 | Cairo, Egypt

2018

Conference Program



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, collecting and sharing micro data 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 perspectives, Middle East Development Journal (MEDJ), and 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, ERF is supported by multiple donors, both regional and international.

Contact Information

Address: 21 Al-Sad Al-Aaly St. Dokki, Giza, Egypt
Telephone: 00 202 333 18 600 - 603 **Fax:** 00 202 333 18 604
Email: erf@erf.org.eg **Website:** <http://www.erf.org.eg>

ERF Annual Conference

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, and where excellence is celebrated. This year's conference, which will be held in Cairo, Egypt throughout 8-10 July 2018, will include plenary sessions discussing the theme of "The New Normal in the Global Economy: Challenges and Prospects for MENA."

Besides the three main plenary sessions, which will feature world-renowned economists, social scientists and policymakers, 12 parallel sessions will be held to deliver presentations on 52 papers under the themes of Macroeconomics, Microeconomics, International Economics, Finance, Labor and Human Development, and Institutional Economics. This year, three special plenary sessions will be held in partnership with the Economic and Social Commission for Western Asia (ESCWA), the Egyptian Center for Economic Studies (ECES), The United Nations Environment Programme (UNEP). 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, which are then redistributed to oil importers through remittances and short-term capital flows. The latest boom, which happened between 2003 and 2008, was coupled with a favorable global environment; thereby leading 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, led to a global slow-down 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 have effectively made it out of reach. Third, the unexpected plunge in oil prices, 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. Moreover, though more recently the price of oil has picked up, partly due to rising demand, the structural changes in the supply side and the ensuing flattening of the oil supply will likely eventually restore the new normal in the global oil markets.

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. The prices are triggered by supply factors, such as the rapid expansion in unconventional oil sources like shale gas, as well as a weakening global demand resulting from the anticipated shift of the Chinese economic growth agenda towards inward, non-tradable domestic economic activities. In addition, the possible advent of an episode of secular stagnation of major industrial economies, coupled with an appreciation of the US dollar, also played a role.

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 much to be desired. What remains certain is that accommodating the massive oil price decline 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. Moreover, 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 will address these issues. First, what do MENA countries need to do in order to lay the foundation for sustained growth under the new normal and what are the lessons learned from the Asian experience? Second, what is the most appropriate macroeconomic framework for absorbing extended shocks associated with the new normal? Third, what is the growth agenda for the MENA region under the new normal in the 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 what the exact role of government should be. Moreover, what should be the optimum policy mix from a menu of often conflicting instruments, including import substitution and state economic planning to trade openness, and specialization and sophistication, technological spillovers, and the joining of 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, and 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 target “comparative advantage facilitating” (CAF) activities to help solve and overcome problems of coordination and externalities that beset processes of structural transformation and innovation.

This plenary asks a number of pressing 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 of 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: comprising the highly endowed countries of the GCC (Bahrain, Kuwait, Qatar, Saudi Arabia, Oman and the United Arab Emirates); populous oil exporting economies (Algeria, Iran, and Iraq); middle-income oil importers (North Africa, Turkey, and Lebanon); and a lower middle-income group (Sudan, Mauritania, and Yemen). Nonetheless, all these countries are affected by developments in global oil markets, which account 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. Is the era of growth miracles over? What sort of implications (if any) does this have for the region? What growth agenda should we consider for the diverse MENA-plus region under the new normal?

Special Plenary 1: Joint ERF-ESCWA Report on: Rethinking Inequality in the Arab World

The aim of this session is to present the collaboration between ERF and the Economic and Social Commission for Western Asia (ESCWA) in the area of inequality, and to solicit feedback and views on the envisaged research in the context of producing an ESCWA report on “Rethinking Inequality in Arab States: How Big of a Problem is it? What Can be Done?”

Special Plenary 2: 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 in collaboration between the two institutions will be organized in Egypt every other year during the ERF Annual Conference. The session typically provides 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 external shocks.

Special Session 3: Environmental Challenges in MENA: Better Research for Better Policy Outcomes

Environmental concerns in MENA are not sufficiently taken into consideration in the design of public policy, despite the fact that most countries in the region now have specific ministries or entities with a specific focus on the environment. This neglect is not justified. The region is exhausting its natural resources at rates well above sustainable levels. The environmental challenges facing the region are deep and varied, ranging from local to global pollution problems, water scarcity, and degradation of arable land, to solid waste problems, and/or illegal or over harvesting problems due to slack regulation or lack thereof. One reason why environmental problems tend to receive less attention than necessary in the region is the shortage of systematic knowledge about their magnitude, causes, and possible remedies, as well as weak research capacity in the area of environmental economics. This session, organized in collaboration with The United Nations Environment Programme (UNEP), aims to present the research efforts carried out so far by ERF to fill this knowledge gap, the current research agenda, and proposed research, as well as the most important challenges and issues of priority in the region.

DAY ONE

08:00 – 09:00 **Registration | Aida Ballroom** Foyer

09:00 – 11:30 **Opening and Plenary Session 1: Laying the foundation for sustained growth under the New Normal: what lessons could be learned from the Asian Experience | Aida Ballroom**

Chairperson: *Abdlatif Al-Hamad (Arab Fund for Economic and Social Development and ERF)*
 Welcome Remarks: *Ibrahim Elbadawi (Economic Research Forum)*
 Opening Remarks: *H.E. Ghada Wali (Minister of Social Solidarity, Egypt)*
 Keynote Speaker: *Keun Lee (Seoul National University)*
 Lead Commentaries: *Gouda Abdel-Khalek (Cairo University)*
Diaa Nouredin (American University in Cairo and ERF)

11:30 – 12:00 **Coffee Break**

12:00 – 13:30 Parallel Sessions

Institutional Economics Political Business Cycles and Electoral Response Verdi Ballroom (2nd Floor of the Palace) Chairperson: <i>Heba Handoussa</i> Speakers: <i>Nelly El-Mallakh</i> Did the Egyptian protests lead to change? <i>Ali T. Akarca</i> Coup induced political business cycles in Turkey Discussant: <i>Hoda Youssef</i>	Finance Financial Markets Al Farafra (Zamalek Tower 1st Floor) Chairperson: <i>Wafik Grais</i> Speakers: <i>Lassaâd Mbarek, Hardik A. Marfatia & Sonja Juko</i> Time-varying response of treasury yields to monetary policy shocks <i>Hamadi Matoussi & Md Ahmed Mostafa</i> An investigation of investors bias on Saudi stock exchange Discussant: <i>Mine Cinar</i>	Macroeconomics Fiscal Policy Radames Salon (2nd Floor of the Palace) Chairperson: <i>Jaime de Melo</i> Speakers: <i>Santiago Herrera, Wilfred Kouame, Pierre Mandon & Janine Walz</i> Why some countries can escape the fiscal pro-cyclicality trap and others can't <i>Salem Kanoun</i> Delayed fiscal adjustment & national competitiveness Discussant: <i>Raimundo Soto</i>
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13:30 – 15:00 **Lunch Break | Omar's Cafe**

15:00 – 16:30 Parallel Sessions

Institutional Economics New Developments in Industrial Organization Verdi Ballroom (2nd Floor of the Palace) Chairperson: <i>Khamis Al-Yahyaee</i> Speakers: <i>Aya Elewa</i> Mixed market structure, competition & market size: How does product mix respond? <i>Tamer Taha</i> Impact of coworking on innovation and employment Discussant: <i>Hadi Salehi Esfahani</i>	Finance Banking Systems, Risks and Efficiency Al Farafra (Zamalek Tower 1st Floor) Chairperson: <i>Magda Kandil</i> Speakers: <i>Imène Berguiga, Philippe Adair, Nadia Zrelli & Ali Abdallah</i> The performance of Islamic banks in the MENA region <i>Mohamed Chaffai & Paolo Coccoresse</i> How far away is the MENA banking system? Discussant: <i>Wafik Grais</i>	Macroeconomics Government Size and Economic Growth Radames Salon (2nd Floor of the Palace) Chairperson: <i>Mongi Bougzala</i> Speakers: <i>Mohamed Kouni & Ridha Nouria</i> Optimal government size and economic growth in developing MENA countries <i>Nermeen Harb & Stephen G. Hall</i> Does government size matter for economic growth? Discussant: <i>Hamid Mohtadi</i>
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16:30 – 17:00 **Coffee break | Foyer**

17:00 – 19:00 **Research Fellows Meeting (Closed Meeting) | Memphis Salon**

International Economics

Trade Policy and the Neighbors

Al Fayoum (Zamalek Tower 1st Floor)Chairperson: *Raed Safadi*

Speakers:

Johanes Agbahey, Harald Grethe, Jonas Luckmann & Khalid Siddig

Trade policy in a sovereign Palestinian State

Anda David, Mohamed Ali Marouani, Charbel Nahas & Bjorn Nilsson

The economics of the Syrian refugee crisis in neighboring countries

Discussant:
*Atif Kubursi***Labor**

Female Employment & Poverty

Thebes Salon (2nd Floor of the Palace)Chairperson: *Abda El Mahdi*

Speakers:

Gunes A. Asik

Impact of terrorism & refugee crisis on female employment

Abdelkhalek Touhami & Fouzia Ejjanoui

Impact des politiques fiscales sur la pauvreté et les inégalités au Maroc

Discussant:
*Racha Ramadan***Microeconomics**

Poverty in the ERF Region: Issues of Measurement and Impacts

Memphis Salon (2nd Floor of the Palace)Chairperson: *Shahrokh Fardoust*

Speakers:

Shireen AlAzzawi

Regional and income disparities in cost of living changes

Besma Jellali

Hétérogénéités spatiales et inefficiences sur les marchés régionaux

*Khaled Nasri & Besma Belhadj*Measuring vulnerability to multidimensional poverty in Tunisia
Discussant:**International Economics**

Trade Policy and the Neighborhood

Al Fayoum (Zamalek Tower 1st Floor)Chairperson: *Alia El Mahdi*

Speakers:

Ebaidalla M. Ebaidalla & Mohamed E. Mustafa

Assessing the intra-Arab trade integration and potential

Fida Karam & Chahir Zaki

A new dawn for MENA firms: Service trade liberalization for more competitive exports

Discussant:
*Ahmed Ghoneim***Labor**

Inequality and Early Childhood Development

Thebes Salon (2nd Floor of the Palace)Chairperson: *Maha El Rabbat*

Speakers:

Asena Caner, Deniz Karaoğlu & Gülbiye Yaşar

Utilization of healthcare services by young children

Touhami Abdelkhalek & Moundir Lassassi

Inequality of opportunity in early childhood development in Algeria over time

Discussant:
*Mohamed Ali Marouani***Microeconomics**

Participation, Inclusiveness and Consequences

Memphis Salon (2nd Floor of the Palace)Chairperson: *Samir Makdisi*

Speakers:

Olivier Parent & Abdallah Zouache
Role of peer effects in social protest.
Evidence from the Arab spring*Mohamed Amara, Wajih Khallouli & Faycel Zidi*

Gender discrimination in the Tunisian labor market

Walid Merouani, Claire El Mouden & Nacer-Edinne Hammouda

Social security entitlement in Maghreb countries

DAY TWO

09:00 – 11:00 **Plenary Session 2: A macroeconomic framework for growth under the New Normal** | Aida Ballroom

Chairperson: *Sultan Abou Ali* (Zagazig University and ERF)
Keynote Speaker: *Raimundo Soto* (Universidad Catolica de Chile)
Lead Commentaries: *H.E. Rania Al-Mashat* (Minister of Tourism, Egypt and ERF)
Kamiar Mohaddes (University of Cambridge and ERF)

11:00 – 11:30 **Coffee Break**

11:30 **ERF Board of Trustees Meeting (Closed Meeting)**

11:30 – 13:00 **Parallel Sessions**

Institutional Economics Performance Efficiency and Credit Rating Bias Verdi Ballroom (2nd Floor of the Palace) Chairperson: <i>Bedri Kamil Onur Tas</i> Speakers: <i>Miryam Daoud Marrakchi & Hedi Essid</i> Efficiency assessment of Tunisian public hospitals using DEA <i>A.Talha Yalta & A. Yasemin Yalta</i> Are the credit rating agencies biased against MENA countries? Discussant: <i>Moamen Gouda</i>	Finance Microfinance, Remittances and Growth Al Farafra (Zamalek Tower 1st Floor) Chairperson: <i>Faika El Refaie</i> Speakers: <i>Mohamed Mekki Ben Jemaa & Sahar Obey</i> On the trade-off between size, sustainability and social outcome <i>Ilham Haouas, Naceur Kheraief & Syed Shahzad</i> Time-varying casual nexuses between remittances and financial development Discussant: <i>Samir Ghazouani</i>	Macroeconomics Global Financial Cycles Radames Salon (2nd Floor of the Palace) Chairperson: <i>Abdel Razek Al Faris</i> Speakers: <i>Mohamed Bechri & Imen Ben Mohamed</i> Global financial crisis and credit conditions in the UAE <i>Hany Abdel-Latif & Mahmoud El-Gamal</i> Financial liquidity, geopolitics, and oil prices Discussant: <i>Magda Kandil</i>
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13:00 – 14:30 **Lunch Break** | Omar's Cafe

14:30 – 16:00 **Parallel Sessions**

Institutional Economics Oil Market and Muslims' Attitudes towards Democracy Verdi Ballroom (2nd Floor of the Palace) Chairperson: <i>Jamel Zarrouk</i> Speakers: <i>Rashid Sbia & Bedri Kamil Onur Tas</i> A dynamic network analysis of the world oil market <i>Shireen AlAzzawi & Moamen Gouda</i> How Muslims understand democracy? An empirical investigation Discussant: <i>Kabbashi Suliman</i>	Finance Oil Prices and Financial Markets Al Farafra (Zamalek Tower 1st Floor) Chairperson: <i>Mohamed Lahouel</i> Speakers: <i>Magda Elsayed Kandil & Minko Markovski</i> UAE banks' performance and the oil price shock <i>Nidhaleddine Ben Cheikh, Samy Ben Naceur, Oussama Kanaan & Christophe Rault</i> Oil prices & GCC stock markets Discussant: <i>Mohamed Chaffai</i>	Macroeconomics Country-Specific Studies Radames Salon (2nd Floor of the Palace) Chairperson: <i>Khaled Abu Ismail</i> Speakers: <i>Iman Cheratian, Saleh Goltabar & Carla Daniela Calá</i> Spatial drivers of firm birth in Iran <i>Öner Günçavdi & Saime Suna Kayam</i> Demand pressure and export performance in Turkey Discussant: <i>Mahmoud El Gamal</i>
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16:30 – 18:00 **Special Plenary 1: Joint ERF- ESCWA Report on: Rethinking Inequality in Arab States** – Aida Ballroom

Chairperson: *Ibrahim Elbadawi* (ERF)
Panelists: *Khalid Abu Ismail* (UN ESCWA), *Racha Ramadan* (Cairo University and ERF)

International Economics

Trade, Aid & Poverty

Al Fayoum (Zamalek Tower 1st Floor)

Chairperson: *Abeer Elshennawy*

Speakers:
Mohammed E. Mustafa, Ebaidalla M. Ebaidalla & Manal M. Elshakh

Does foreign aid promote economic growth in Sudan?

Ahmed M. Ezzat

Trade Openness: An effective tool for poverty alleviation or an instrument for increasing poverty severity?

Chahir Zaki & Nora Aboushady
Do exports and innovation matter for the demand of skilled labor?
Discussant: *Adam Al Harika*

Labor

Challenges Facing Youth

Thebes Salon (2nd Floor of the Palace)

Chairperson: *Karima Korayem*

Speakers:
Bellal Fellaoui & Ayhab Saad

Schooling choices responses to labor market shocks

Mohamed Abdel Jelil, Kartika Bhatia, Anne Brockmeyer, Quy-Toan Do & Clement Joubert

What drives youth to violent extremism?

Mahdi Majbouri

Sir! I'd rather go to school, sir!

Discussant: *Vladimir Hlasny*

Microeconomics

Environment and Credit

Memphis Salon (2nd Floor of the Palace)

Chairperson: *Hala Abou-Ali*

Speakers:
Imad A. Moosa

Growth and environmental degradation in MENA countries

G. Gulsun Akin, Ahmet Faruk Aysan, Ezgi Özer & Levent Yildiran

Consumer preferences in the Turkish credit card market

Discussant:
Kabbashi Suliman

International Economics

Trade Policy, Competitiveness, and Labor Market Outcomes

Al Fayoum (Zamalek Tower 1st Floor)

Chairperson: *Abla Abdel Latif*

Speakers:
Nada Shokry & Mohammed Bouaddi

Devaluation: Is it contractionary or expansionary to economic sectors?

Hajer Habib & Ghazi Boulila

Transferts de fonds migratoires, chômage et changements démographiques entre la Tunisie et l'Europe

Discussant:
Chahir Zaki

Labor

Gender and Labor Demand in Egypt

Thebes Salon (2nd Floor of the Palace)

Chairperson: *Aysit Tansel*

Speakers:
Hanan Nazier

Female labor in Egyptian manufacturing sector

Rami Galal, Mona Said, Susan Joeke & Mina Sami

Gender diversity, productivity and wages in Egyptian firms

Discussant:
Imad Limam

Institutional Economics

Trade Restrictions and Socio-Economic Outcomes

Verdi Ballroom (2nd Floor of the Palace)

Chairperson: *Izak Atiyas*

Speakers:
Vladimir Hlasny

Business lifecycle under conflict-related mobility restrictions in Palestine

Mohammad Reza Farzanegan & Tim Krieger

Oil rents shocks & inequality in Iran

Discussant:
Fardoust Shahrokh

DAY THREE

09:00 – 11:00 **Plenary Session 3: Towards a growth agenda for MENA under the New Normal in the Global Economy** | Aida Ballroom

Chairperson: *Mine Cinar* (Loyola University and ERF)
Speakers: *Mustapha Nabli* (North Africa Bureau of Economic Studies International and ERF)
Hadi Salehi Esfahani (University of Illinois at Urbana-Champaign and ERF)
Rabah Arezki (World Bank and ERF)

11:00 – 11:30 **Coffee break** | Foyer

11:30 – 13:30 **Special Session 2: A joint ERF-ECES session on subsidies reforms and social justice** | Nile Palace 1

Chairperson: *Abla Abdel Latif* (Egyptian Center for Economic Studies and ERF)
Keynote Speaker: *Paul Makdissi* (University of Ottawa)
Panelists: *Magued Osman* (Baseera)
Sherine Al-Shawarby (Cairo University and ERF)
Nevine Kabbaj (Ministry of Social Solidarity, Egypt)

13:30 – 14:30 **Lunch** | Omar's Cafe

14:30 – 16:00 **Special Session 3: Environmental challenges in MENA: Prospects for better policy outcomes**

Chairperson: *Ibrahim Elbadawi* (Economic Research Forum)
Speakers: *Atif Kubursi* (McMaster University and ERF)
Shereen Zorba (United Nations Environment Programme, UNEP)
Hala Abou-Ali (Cairo University and ERF)
Abeer Elshennawy (American University in Cairo)

16:00 – 16:30 **Coffee Break** | Foyer

16:30 – 18:00 **Closing Plenary: Awards Ceremony**

