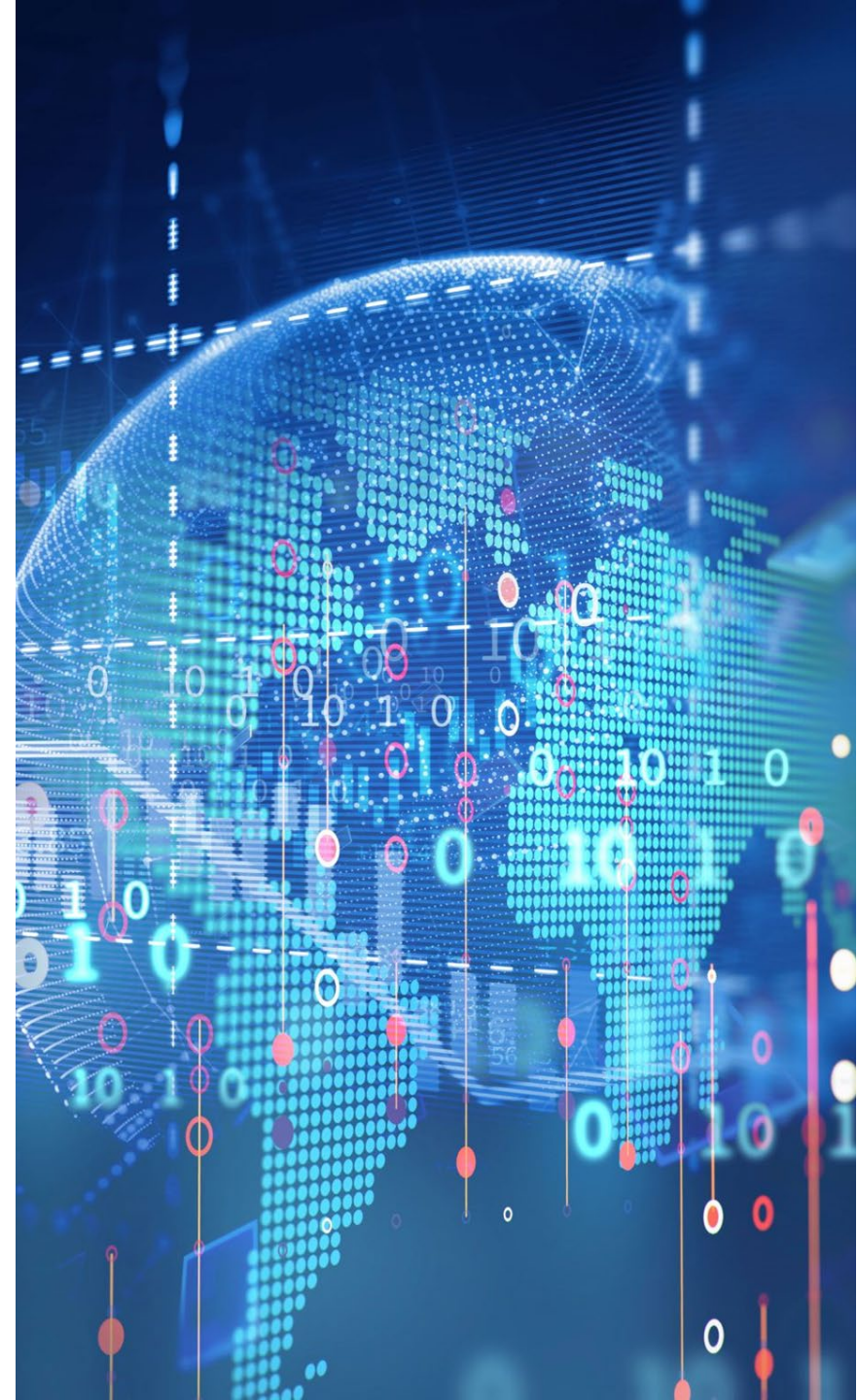


Regional Cooperation in a Fragmenting Global Economy

Hafez Ghanem



Extraordinary, Dangerous Times

- In the wake of financial crises, unprecedented since the great depression, persistent economic inequality, migratory pressures Brexit, ... the US Trump Administration of 2017-21, the first global pandemic in a century, an accelerating climate crisis, the Russian invasion of Ukraine, and the newest Israel Gaza war, the world looks to have moved into a distinctive era, many of the interwar tensions... (Maurice Obstfeld)

Changed Geopolitics

The most dangerous
geopolitical
environment since
World War II (Jeff
Sachs).

US-China rivalry.

Russian invasion of
Ukraine.

Civil wars as proxy
wars.

Israel-Hamas war.

The rise of populism

The Economic Impact of Geopolitical Tensions

The world appears to be fragmenting into blocs.

Trade between blocs fell by 5% since 2022.

World growth fell to 2.9%, well below the historical average of 3.8%.

Decline in ODA and outflow of private capital to developing countries.

Failing to achieve climate targets and the SDGs.

Two Responses to this Situation

- Calls for global reforms to boost international cooperation and multilateralism.
- Increasing regionalization in trade and investment has emerged at a time when global trade talks under the WTO are showing little progress.

The UN's Our Common Agenda
and the Summit of the Future.

Calls for
Boosting
Multilateralism

Reforming governance of the
global financial architecture.

Increasing financing for climate
and for development.

Enhancing Regionalism: The Need for Arab Economic Cooperation

- The world is seeing the emergence of more regional economic arrangements, e.g; the new 15 nation Comprehensive Economic Partnership in Asia-Pacific.
- Arab countries need to increase their cooperation or risk becoming more marginalized.
- Possible areas for increased cooperation include: (1) dealing with fragility and conflict; (2) climate, water and food security; and (3) job creation in digital and green technologies.

Dealing with Conflict and Fragility

8 out of the 22 members
of the Arab League are
failed or fragile states.



Need regional
interventions to end civil
strife and stop proxy wars.



Support inclusive
institution building in
those states.



Increase development
financing and investment.

Palestine: the Mother of all Conflicts

- Cannot wait for the world to recognize the state of Palestine: need to continue building and strengthening the institutional and economic foundations of a Palestinian State.
- Plans for Gaza reconstruction must be based on lessons of the last 3 decades.

Climate Change, Water and Food Security

- The region is currently water poor (per capita availability less than 1000 cubic meters).
- As a result of climate change and population growth it will be extremely water poor by 2030 with less than 500 cubic meters per capita.
- Water scarcity and poor soil quality lead to low agriculture production and high dependence on imports (hence vulnerability to global shocks)
- In 2022 13% of the population were undernourished (24% in conflict countries) and 15% of under 5 children are stunted.

Regional Cooperation on Water and Food Security (Climate Adaptation)

- Regional water projects.
- Coordinating water policies.
- Joint research on arid areas agriculture.
- Cross border agricultural investment within the region and beyond.
- Diversification of imports.
- Joint Emergency Food Reserves.



Jobs: Cooperation in the Digital and Green Economies, and Education

- Youth unemployment (26%) is a major economic, social and political challenge.
- Digital tools are underutilized and the upside from digitalization could be huge (40% higher GDP)
- Renewable energy another opportunity for creating jobs.
- Need to also modernize the education system to provide youth with the required skills.

The Way Forward

Dealing with conflict and fragility.

Rebuilding Gaza and strengthening the foundations for a Palestinian state.

Dealing with water and food security.

Developing a regional digital market.'

Cooperation on renewable energy and a regional electricity market.

Modernizing Arab education systems.

Reforming global and regional financial institutions.

Thank You!

