

The Middle East and the New Global Economy: The Drive for Competitiveness, Skills and Innovation

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Introduction to the Series

Economic performance in the Middle East is increasingly connected to global trends and policies. The region has experienced the economic slowdown through a variety of channels, including commodity price and export market volatility and declining tourism and investment. While specific policy priorities during the global recovery will vary across the Middle East, nearly every country in the region must meet the challenge of diversifying its economy to stimulate new, innovative markets and sources of growth. As this entails moving toward greater competition in new global markets, it is certain that the Middle East will play an increasingly significant role in future global economic stability.

Following from our successful online interview series which began last fall – “Food, Fuel, and Finance: How Will the Middle East Weather the Global Economic Crisis?” – the Middle East Youth Initiative (MEYI) turns once again to our network of scholars to ask how the region is faring. Have chronic unemployment challenges in the region been exacerbated by the economic slowdown? Has the global crisis forced a rethinking of development strategies in the region? Have ambitious programs been put on hold due to declining revenues from commodities, investment, exports and tourism?

Part 4: Exploring Green Models for Sustainable Growth

An edited transcript of a discussion between Tarik Yousef and Jad Chaaban follows, in which they address the food, water and natural resource challenges facing a rapidly developing Middle East. Chaaban is assistant professor of economics in the department of agricultural sciences at the American University of Beirut and author of “The Costs of Youth Exclusion in the Middle East,” Middle East Youth Initiative Working Paper 7 (Wolfensohn Center for Development at the Brookings Institution and the Dubai School of Government, 2008).



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Sustainable Development: Strategies and Skills Needed for the Future

Tarik Yousef: Jad, much of your work focuses on agriculture and food security. In the past, we have talked about how sustainable development – in the agriculture sector, agrobusiness, alternative energy and water management – could lead to more jobs for young people in the broader Middle East. You gave some examples of policies that could encourage investment in these areas. Have you seen any promising initiatives in the region to date that are directing resources toward these sectors?

Jad Chaaban: What I have seen are investments by big companies, like [Almarai](#) in Saudi Arabia or other companies in Egypt where cornfields are planted for ethanol production. However, we do not yet have a clear strategy from governments for entering the green economy and alternative energy markets, or even [a strategy for] water management. Unfortunately, all of these projects are still driven by donor support [such as] World Bank loans. In many cases they are good projects, but they are piecemeal and they do not fall within a global strategy where each country prioritizes these sectors, especially water management and a decreased dependency on fossil fuels. There have been some small-scale initiatives, most of them guided by donors, but we have not seen yet a massive adoption of policies or projects that would indicate that we are moving in that direction.

Yousef: Besides investment in sustainable development, part of the challenge is bringing young people into these careers through education and training. How can we encourage more young people to go into innovative sectors that will contribute to sustainable development?

Chaaban: Some years ago, the environment and sustainable development were seen as nice diplomas to [receive]. I know from the American University of Beirut here that there was a demand [for] the environmental sciences and majors in sustainable development. But this was just a trend where some parents would decide with their children to send them to these programs. Unfortunately the trend still, in private universities and public universities across the Arab world, is to study social sciences, business and related fields, and not to go into more scientific fields related to agriculture, energy and environmental management.

Why is this the case? I think there are a couple of reasons. The first one is a cultural attitude. People feel that studying agriculture is not “cool” or trendy, and [they] look down on these degrees: they do not know that there are tremendous opportunities in studying sustainable agriculture, organic production, and new methods in agriculture. So, there is a demand-side attitude. At the same time on the supply side, universities



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are slow in introducing these majors because they do not see them as profitable. There have been some breakthroughs: at some private universities there are diplomas now in agrobusiness, sustainable agriculture, and integrated environmental management. From the students I know pursuing these degrees, they seem to get jobs quickly and at very good salaries. Unfortunately, the general public is not yet aware of this opportunity, and we still have cultural barriers. Adding to this is the fact that most people who study these majors end up working in multinational companies and tend to travel abroad, so they tend to leave the region.

I think we can solve this by creating synergies between universities and public projects, or even internationally funded projects, where you have a technology part that is integrated with specific programs. Let us say you want to manage a watershed in a given area on the Nile River – you need to integrate the universities in Egypt with this project. This would guarantee that there is a linkage between graduates and actual recruitment in this project. But, this of course [requires] a management decision where you would...integrate major green investment projects with the talent pool being grown locally.

Yousef: The most recent [Arab Human Development Report](#) points to the severity of the region's environmental challenges, including water scarcity. The report predicts that, by 2025, 90 percent of the region's population will be living in countries suffering from a water shortage. Since agriculture consumes the vast majority of fresh water, how can agricultural policies, investment, and practices play a decisive role in addressing this problem?

Chaaban: There is growing data on the water shortage problem in the Middle East region. One thing that is common across the Middle East is the lack of potable water and the fact that it is drained by the agricultural sector. At the same time, we have to remember that the Middle East is not a uniform region and that some countries are better equipped than others, depending first on their water endowments and second on their monetary endowments. The Gulf countries can solve the water issue and they have started. For instance, a couple of years ago Saudi Arabia dropped wheat production because it was draining their resources, and instead they decided to invest abroad in buying farmland to produce wheat abroad. ...This decision was made because they could afford, obviously, to buy land outside and produce wheat in other places.

The problem is that other countries...do not have the same endowments and do not have the same resources. We are talking about countries like Yemen, some parts of Egypt, and some parts of Morocco, where water shortages are often linked with poverty and dry areas where there are no job opportunities. There is environmental stress which compounds demographic and social stresses, and one ends up having political tensions



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and conflict. I think one of the features of the recent Yemeni conflict is also that it is a conflict [over] fertile land and water access. It is not openly said so, but if you were to put a map of the Middle East and [its] water endowments over another map showing the places of conflict, you would have a strikingly complementary picture.

Now, regarding the agriculture sector, unfortunately we are still suffering from a lack of a long-term vision, in terms of sustainable water management. There are some initiatives, very limited and again donor driven, that focus on drip water irrigation and reusing agricultural water. There is a research center based in Aleppo, Syria, [ICARDA](#): they are doing a lot of research on sustainable agriculture and water reuse. However, the practice is still not widespread. There needs to be a clear, national policy that is championed by everyone, and not a policy that pays lip service to some kind of reform promise. I think it should be a strategic decision...to put water use at the forefront of the policy agenda.

Regional Water and Land Constraints: Achieving Food Security at Home by Investing Abroad?

Yousef: You mentioned the Gulf countries and their strategies for guaranteeing their own food security, which includes investment in agricultural land in developing countries, particularly in Africa, Central Asia and some cases within the Middle East itself, particularly in Egypt. It is understandable that this strategy makes sense for the Gulf countries, given their water constraints and the limited agricultural land. What impact will such efforts have on agricultural sectors in the countries receiving the investment? Do such investments actually provide Gulf countries with increased food security? What are the risks of this strategy, both for the Gulf countries and the countries providing agricultural land?

Chaaban: This is a very important question and it came on the scene quite recently, although Gulf countries' investments in agricultural land abroad are an old phenomenon. It started in Sudan in the 1970s, when many countries like Kuwait and Saudi Arabia bought land to produce cotton and wheat. Then, there were two things: first, a

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drying out of many areas and, at the same time, political problems in Sudan that drove out these investments. They could not maintain them.

The first thing to note now is that Gulf states are acquiring land in sister Islamic countries like Sudan, Pakistan, and then in Asia. It is interesting to see that, at face value, many Gulf banks based on Islamic *shari'a* are trying to market these investments as compliant with Islamic traditions and as fitting within the global solidarity among Islamic nations. Also, the Gulf governments are promoting a win-win outcome, where they ...are investing in food production abroad, but also in some contracts [through which] they will provide energy to these countries, in the form of gas or oil, in exchange for land and food.

The Gulf states are stressing these positive aspects and cultural linkages...They are trying to highlight in their investments many positive effects. First is the fresh inflow of capital to recipient countries to build rural infrastructure. Second is an upgrade of local storage and shipping facilities in agriculture value chains. Also, these investments will bring with them new plant breeding programs and other research programs that would promote local varieties and help recipient countries achieve efficiency gains in agriculture.

This is a quick overview of the positive outcomes that were discussed in the media and in some papers on this phenomenon. The problem is that many researchers see these investments abroad by Gulf countries as not necessarily pro-poor, stating that they would create competition between rich countries in the Gulf and poor recipient countries for scarce resources [such as] land, water and food. A major question [being] asked by researchers is: are these investments crowding out access by local populations to their food needs? An example is Sudan and Darfur and the problems they face... you have a country with a lot of food poverty and chronic malnutrition, and at the same time you have land being sold to major foreigners to produce and export wheat.

So, there is more or less a moral contradiction in allowing these investments. At the same time, these investments do not really facilitate market access and entry for small producers in recipient countries. These investments are on a very large scale and they bring with them a lot of manpower and financing. Therefore they create uneven competition with the small landowners, who see themselves as co-existing with these large firms with no impact.

There was an argument that these investments would contribute to creating local jobs and establishing certain economies in these areas. This might be true in some countries, but in countries where there are very low skills, it is not entirely clear that these investments would promote employment in rural areas.



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It is a mixed picture. I think this strategy is not really sustainable because it is prone to conflict. So, for instance, in Sudan, the key thing to investing there, in terms of production, is that producers would need to be able to export the foods back to their home countries. If any conflict erupts in Sudan around the ports, Saudi Arabians would be deprived of their exports and their investments. So, there is a tradeoff to be made: it is not entirely clear how this is manageable. But the sheer volumes of these investments show that it is something that is being established as a trend, and it is expanding beyond even Pakistan, the Philippines, reaching Vietnam and Laos. You have a lot of land being sold all around the developing countries.

Yousef: Do the Gulf states improve their food security, or could they theoretically improve their food security, by investing more in logistical infrastructure and ports in these countries that are underserved, in order to improve productivity?

Chaaban: You highlight a very important problematic, which is: is it more important to buy property and crowd out people and compete with them and then ship food from this country to another country, or is it better to upgrade their infrastructure and skills to try to trade with them on a more equal basis and try to buy food that is produced there? There are even examples of where investors would enter into partnerships where the land would still be owned by Sudanese, but investing companies would be providing finance and help to growers and cooperatives where they would have an advantage in scaling up their production and making their logistics more efficient.

Thus, there are two separate models. The first one, which is plainly buying land, is obviously more aggressive, but at the same time it [relieves] investors from the hurdles of dealing with many people and red tape. The second model is definitely more sustainable, because it creates partnerships and long-term benefits for the two parties. With this model, you would have a win-win situation in the long run. I think [that with] the present investments, it is still not clear if they are creating benefits for the local economies. Some newspapers call them outright “land grabs,” stating the countries are just buying land in a neocolonial way. It is still a hotly debated issue, and I’m not sure that there will be a clear resolution.