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WEBINAR

HOW COVID-19 AND THE OIL SHOCK WILL RESHAPE THE MIDDLE EAST

Washington, D.C.

Monday, June 1, 2020

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MR. AMR: Thank you. Welcome to our viewers here in D.C., and across the USA, and around the world. Thank you for joining this Brookings Institution event titled: How COVID-19 and the Oil Shock Will Reshape the Middle East; or, as I'm thinking about it, no going back.

Brookings is one of the oldest and largest public policy think tanks here in Washington. We're used to meeting in person, and webinars are something relatively new to the crisis, but that enables to reach many people around the world.

Before COVID-19 countries across the Middle East were already facing a crisis of some combination, of poverty corruption, and an absence of freedom. It's a region where many of the countries' top 1 percent earn more than the bottom 50 percent, it's a region where many countries and peoples have seen horrendous civil wars in places like Libya, Syria and Yemen, in places like Algeria and Sudan have seen transitions and protests, as well as in Iraq and Lebanon.

And now we've got the coronavirus, COVID-19 crisis. To talk about things and where we go from here, I am so honored to host this amazing panel with wonderful colleagues, like Jihad Azour, Director of the IMF's Middle East and Central Asia Department, and former Finance Minister of Lebanon about a decade ago. Dr. Rola Dashti, who is Undersecretary General and Executive Secretary of the Beirut-based UN Agency, ESCWA, the Economic and Social Commission for West Asia, she's also a former Minister of Planning in Kuwait. And of course, my wonderful colleague, Samantha Gross, here at Brookings, who's an expert and fellow in Energy Studies.

I'll remind listeners to submit questions via email: events@brookings.edu, or tweet us @BrookingsFP, and we'll address as many of the questions as we can in the Q&A.

Jihad, turning to you first, let's talk about the numbers. How bad is the economic crisis across the Middle East? Which economies are likely to fair best and worst? And what should governments be doing? So, Jihad, over to you; unmute.

MR. AZOUR: Okay. Good morning, Hady. Good morning everyone, or good afternoon for those who are following us from overseas.

In fact, you ask a very complex question. I would start by saying this is a crisis that
people were not expecting, but it’s a crisis like no other, because of its depth, because of its breadth, and also because of the uncertainty that is still surrounding it.

This is the first time that the region is facing a shock of this magnitude, in terms of economic activities, in terms of trade and trade-related issues, due to the coronavirus shock itself, and the need to respond by gradually locking in the economy. But I think what made it more complex is the huge impact that it had on the oil and oil market. This is the first time that we saw such a drop in oil prices in the last 20 years to reach level that we didn't see since early 2000, and in real terms since 1973.

This affects, of course, oil-exporting countries, but also the oil-importing one getting the strengths of the relationship in terms of remittances, investment and capital flows that the oil-importing countries and oil-exporting countries have together.

The last issue is that most of those countries started or entered this crisis with, I would say, weak or weaker position compared to previous crises. Oil-exporting, we're adjusting to the 2015 drop in oil price, oil-importing countries were struggling for low level of growth that they had to live with over the last decade, in addition to some of the issues related to inclusion, especially for the youth in the world.

Therefore, this is a big shock that has affected the economies of the region. This is a shock that now I would say countries were able to deal with it compared to what people were expecting fairly well, in terms of the measures introduced to protect lives and to protect livelihoods.

The challenge today is as we are moving from the phase one, I would say, where countries had to deal with the shock, to phase two which is the aftermaths of the shock, and preparing for the recovery now we need to have new set of policies, we need to address the weaknesses that surfaced with the shock itself, and also we need to get ready through adjusting policies and reforms, in order to strengthen the immunity of those economies.

MR. AMR: Sorry about that. So, Jihad, just to follow up with you before I turn to Rola. What opportunities does the crisis offer, and how can countries leverage those opportunities? What sort of structural reforms that used to be difficult will now be feasible to push forward?

MR. AZOUR: Well, a very good question. There are a few silver linings, one is we saw
technology playing an important role, and I think for a region that has more than 60 percent of the population below 30, it's an opportunity to expand, deepen the investment in technology and allow technology to address both the growth dimension, as well as also the improvement of the service that are provided.

Not only in terms of public services, but also in terms of reaching out to those who are on the vulnerable side like, for example, those who are in informality, those who are in the rural areas. Therefore, technology is one area where additional investment is needed, and greater potential is available. This also would require greater collaboration among countries.

Another opportunity is, we are now faced with certain number of uncertainties that will last for some time, and therefore countries need to sharpen their policies and their planning, make sure that they have, through their policies, the ability to address the weaknesses that we saw in the last wave.

I give few examples: The high level of informality led to, I would say, limited impact on inclusion, and this is something that needs to be addressed, and there are also ways to do so. Second, we saw that certain sectors are affected, where we have a lot of jobs, unskilled jobs like, for example, in tourism and other type of sectors. Those require some special attention. Improving business environment, unlocking some of the potentials that those countries have, those are the opportunities that need to be captured.

Last, but not the least, stability matter, and especially for countries where the vulnerabilities are high, and therefore, now it's the time when we are, I would say, preparing for the recovery is to make sure that the vulnerabilities that had led, for example, like the high level of debt, are addressed.

MR. AMR: Thank you, Jihad. I want to turn to Dr. Rola Dashti in Beirut. Rola, you're a former Minister of Planning in Kuwait but the organization that you head right now is based in Lebanon, covering the region. I'd love to hear from you in terms of the social impacts of the coronavirus on the region.

And Rola, I see that your image is frozen, but hopefully we can hear you, and you'll need to unmute. Okay, there we go. We can see you better now, Rola, but you need to unmute your mic.
There you go.

MS. DASHTI: Sorry. Because I got cut off. So I was just hearing.

MR. AMR: So Rola, I'll ask the question again. You know, I was just saying, you know, we heard from Jihad about the regional economic challenges and opportunities, you're a former Minister of Planning in Kuwait, you're based in Beirut right now covering the region. I would love to hear from you about the social impacts of the coronavirus, and maybe also some of the things that you think countries around the region should be working on to emerge from this crisis?

MS. DASHTI: Thank you. Thank you, Hady, for having me part of the panel. And let me build on what Jihad has just mentioned, and give some -- to the our audiences -- some of our estimates on how the impact of COVID, socially and economically, impacting the region, and how much it highlighted, as Jihad just mentioned, and magnified, the long challenges, and addressed -- and revealed the weak spots the region is encountering,

First, let's talk about the conflict, we have now 55 million people who need humanitarian aids, and 26 million are forcibly displaced, and with the coronavirus this puts a big crusher on the region, especially that the pandemic is global and impacting donor countries that might have impact on the humanitarian support to these vulnerable groups, in terms of providing humanitarian support.

In addition, the big issue is the unemployment in our region and especially the young adults' unemployment which is one of the highest globally. Now, with COVID we're talking about an additional estimate of six million jobs, additionally, so it's compounding the impact of the unemployment in the region, which puts additional 14 million more people into poverty. So the region is expected now the number of poors will be added another additional 14 million, and to it reaching around 53 percent of the region's population becomes into the pool.

You just mentioned it, as well as Jihad, of the deep inequalities that is in the region, and this has been highlighted further where we are having around 10 percent, top 10 percentiles of the region owns 76 percent of the region's household wealth, and that 50 poorest others or only 2 percentile of the household wealth. This deep inequality, this (inaudible) was also a big impact on the region.

In addition to this, Jihad, is we are also worried about the people, the poor, the vulnerable
groups that we are talking about, especially when we're looking into the food, possible food insecurity, where we have around 50 million people are undernourished in the Arab region, 50 percent of the calorie, daily calorie intakes in our region is coming from food imports, and when we're talking about any disruption in supply chains in the food and production from food-producing countries, that will impact also our region food insecurity, and this will impact also the vulnerable groups that we are talking about, and the poor.

Especially, the region has a very high import in most of its stable food, 65 percent of its food stability. Now, when I look at the COVID, and how much is the impact of this COVID. In addition to what Jihad has mentioned on the impact on the fiscal space, and the drops in revenues, tourism, remittances and trade, we have estimated that the impact of COVID-19 in the region, and to mitigate that impact, it will cost us around -- the region needs around $300 billion to mitigate the impact of COVID.

When you hear about the announcements of the region's stimulus packages it reached only around 130 billion, making the region is in a deficit of additional $170 billion to mitigate the COVID-19.

What does that mean? That means that recovering fast and better is also questionable in the region, and this will impact further, and compound the problems, the challenges that the region is having, an additional thing. So from this perspective the region is very much at risk, and now I'll talk about also the conflicts that is in the region, and this conflict that sheds light its compounding it, because this will intensify the conflicts in the region further. And as much as the region might not be able to mitigate the impact of COVID socially and economically, this will put the region at a more -- higher intensified risk of tension and social unrest in the region.

So there's a lot of challenges that the region will be encountering, and needs to be addressed, but can the region pull itself by itself? For sure, no. In terms of peace and security, it cannot pull itself by itself, it needs the international community involvement, multilateralism is extremely important to address the conflicts, and bring solutions and peace to areas in conflict so that people and the countries which are in conflicts to start picking up itself.

The second thing is that when we're talking about the impact where it is, and I do believe
that this is not only a health crisis, it’s a human crisis, and which requires us to invest in survival. Now, the notion of investment and survival, it’s people survival and also business survival, and the region needs to focus on these two elements of their investment in survival. And this is very important to the small and medium businesses that we need to target (audio skip) --

MR. AMR: I think we may have lost Rola. Let’s give her a second. Yeah, it looks like we may have lost Rola. So while we’re waiting for her to, hopefully, reconnect maybe I’ll address this question to Samantha, and then we’ll see how to surf it depending on how quickly Rola can reconnect.

So, turning to my colleague, Samantha Gross, at Brookings who’s a leading expert in energy studies: Samantha, talk to us for a second about what’s happened in oil markets in the Middle East? You know, they look like they’re recovering a bit from the very low prices we saw a little while back. But they’re nowhere near, I think, where the Gulf economies need to be to recover. So just talk a little bit about, you know, what happened, and where are we, and where do you think we’re going?

MS. GROSS: Sure. The most important thing to talk about in terms of oil markets is this incredible amount of demand disruption that we’ve seen in response to the virus. The way that the world is dealing with the virus, the only tool that we have to deal with the virus is social distancing, cutting down on people being together. And so that has cut back on travel, on trade, we have literally billions of people around the world staying home and not moving around in the way that we’re used to. And so we lost an incredible amount of oil demand in response to this.

Demand is sort of day-to-day down as much as 25 to maybe even 30 percent, and so we’ve seen, as we would expect, very precipitous price drops in response to this drop in demand. The original of the price war that started at the very beginning of this, between the Saudis and the Russians, wasn’t exactly helpful, but frankly we were going to see this price drop happen anyway, they may have just speeded up what was bound to happen anyway.

What we’re seeing right now is that oil prices are coming up a little bit off the very low levels they were at right now. I checked and Brent crude is about $38 this morning. I also saw some articles over the weekend saying that May 2020 was one of the best months ever for oil, which I got a solid laugh out of that. Only because it started at the absolute bottom, and still came up by a good
amount on percentage terms.

But what this is, is it's nowhere near the price levels that the Gulf countries need in order to break even fiscally. Their production actually takes place at quite low price levels, and so those businesses are breaking even, but they need much higher prices to cover their fiscal kind of deficits.

I'll talk the most about Saudi, because it's really a bellwether for the region, and plus it's the country that I know the best. So I believe that Saudi Arabia needs about $85 a barrel in order to meet all of its fiscal costs, and it's been a while since we've seen oil at $85 a barrel, even before we saw this, the COVID crisis come in. The increase in production here in the United States, the Saudis have more competition than they're used to, and the oil world looks quite different than it used to.

In addition, we have changes that are taking place because of concerns about climate, and wondering when the world will find a plateau of oil demand, and we won't see growing demand anymore. So they were already facing challenges, already trying to decide how to reform their economy away from its incredible dependence on oil, and then this happens.

So, the responses that we've seen out of Saudi Arabia are quite painful for the country. A couple of weeks ago we saw them triple the newly-implemented VAT tax, from 5 percent to 15 percent, and they've also cut subsidies and put in place some austerity measures, and the real shame here is that these measures hit middle- and lower-income Saudis the hardest. And unlike many of the other oil-producing Gulf States that we think about, Kuwait, the UAE, Qatar, there are middle- and lower-income Saudis who are very much being hurt by these policies.

And so it's a really difficult situation. They're nowhere near the kind of oil prices they need to fiscally break even, they're putting in place austerity measures that are particularly difficult and particularly regressive for many in their population, and they're really in a pickle. They're also cutting back more than their production costs might suggest that they need to, because they play the role, and have for decades, of the balancers of the oil market. So they're just really in a tough position right now, and that's on top of the actual effects of the virus itself.

MR. AMR: Thanks, Samantha. Rola, we went to Samantha for a bit while the technology got in the way. But you were well underway explaining to us a bunch of the region's challenges. And if
you'd like to finish that up that would be great. But I'd also like to ask you, Rola, what do you think we need to do to fix all this as well? So I don't know if you'd like to address some of that.

MS. DASHTI: Okay. I think it's about time that that development paradigm needs to be revisited, and the Arab States need to visit role of the state and the societal role on responsibilities and development. We're talking about solidarity and this notion of solidarity has to become the key issue in -- where we're addressing the development paradigms, and the challenges that the region addresses.

In terms, uplifting the poor: is it the sole responsibility of the state? Or is it a solidarity and joint responsibility between the top 10 percentile and the states? We're talking about role. Is it the state -- the role of the state is to be the provider of all economic activities, like in so many areas? Or is it a shared responsibility that the private sector has to play a role in provision of the economic activities?

So I think it's about time to start revisiting it in terms of governance, in terms of political participation, in terms of -- so the issue of the whole revisiting the paradigm, the development paradigm, the society rules and responsibilities are a key issue now for the region to recover better, and to recover fast. This is this is one of the issues.

The issue of the conflict in the region, we cannot escape the issue of the conflicts, and the increasing intensity, and tension in the region. And with the COVID paradigm and the cost that is COVID will incur in the region this will compile the conflict into it, even for countries which are a little bit semi-stable, but the social impact of the COVID, and the economic impact of COVID will drive more of a social structure that we need to address it further.

And this is where the solidarity comes. And then we're talking about the solidarity. We're seeing the solidarity, we visualize it is solidarity within the nation and the solidarity across countries. No country in the region will mitigate on its own the impact of COVID into it, and this is where we need to strengthen regional solidarity and the various issues in terms.

And this is where we talk about the food security issues. We're talking about the trade, we're talking about now the issues -- of migration issues into it, water resources, transboundary issues that need to be addressed collectively in fact, so that the region needs to be -- you can't have a country that will be prosperous where a region could be depressed. So the region in totality needs to be
prosperous, so to have a sustainable peace (inaudible).

And as I said, also we need to revisit our consumption and production patterns, make it more sustainable, and so this is an extremely important issue. Oil will never -- in the GCC, for example, oil revenues since 2015, oil revenues totally in the region, was not enough to cover the government expenditures, and there was a huge drain on the sovereign funds reserves, and this has come out.

And now when we are saying these low prices that we've seen on oil that makes it a huge increased burden on deficits, and it's estimated that the GCC by themselves, because of the reduction in oil revenues, and giving them government spendings and requirements, we're expecting that they need around $166 billion. And we're talking about almost 10 to 12 percent of their sovereign funds, and this is for COVID -- the impact of COVID and to mitigate for 2020 and '21, and if you don't get -- and this is we're talking about the high wealth -- oil countries in the region.

And so the fiscal space is an issue that crosses the whole region, irrespective if you are in high-income countries, middle-income countries, or least-developed countries, or countries in conflict.

So we need to revisit our thinking. We need to revisit our expenditure patterns, and make them more efficient, we need to revisit our governance, and accountability, and transparency, we need to revisit and to make it more efficient spending the behavior of attack. The spending needs to create opportunities we need to have -- to revisit our production levels. We are spending on economic activities that are poor-growing economic activities.

Well, we need to go into sectors that have a high-value addition economic activities, and Jihad has mentioned into the investments in the technology, the technology divide, the green technology issues, sustainability is very important. So there is a lot of challenges, there is a lot but at the same time there is a lot of opportunities that the region can take advantage of COVID.

MR. AMR: Thank you, Rola. That was excellent. Let me let me just finish up a little bit with Samantha, and I'm starting to see we have some questions coming in.

You know, Samantha, you were well under your under way, but can you tell us, you know, did the oil war between Russia and Saudi Arabia make any difference? Or did it really kind of leave things -- was it just kind of a blip and things return to the path that they were on already?
MS. GROSS: Well, there's two different ways of looking at. One is the difference that it made in oil markets, and the other is the difference that it made, and how people viewed both the Saudis and the Russians. Frankly, in terms of oil markets, I really do believe it was a blip, I think that prices may have fallen more quickly, than they would have otherwise. But because of the incredible disruption in demand I think the prices were growing already anyway, and they just got there a bit more quickly than they might otherwise have.

However, and this is my opinion, but one strongly-held, I really feel like the Saudis played their hand incredibly poorly on that, in terms of their relations with other nations, and in particular the United States. When they were angry at the Russians for not accepting cuts, they stood firm: we're just going to start an oil war.

Obviously that didn't last long, it was not the right move at the right time, because of the disruption of demand, but what it did was really raised the ire of others around the world, particularly here in the States, thinking that the Saudis had brought prices down to that level.

A really interesting thing happened, and several tankers of Saudi oil were sold at quite low prices to consumers here in the United States, and I got calls from reporters: what's going to happen to those tankers? Is President Trump going to do something about those tankers?

I said, well, the U.S. imports oil all the time, we import oil because it's a better fit for our refineries, even as we export oil to other countries. I'm like, look, U.S. producers bought that oil, we buy outside oil all the time with the symbolism that took place there, and this idea that the Saudis were sort of out to destroy the U.S. oil industry, and were destroying oil prices was terrible, even though oil prices were going there anyway,

So I think they played their hand poorly, politically in that, but I don't think it made a ton of a difference in the overall shape of oil prices over the longer term.

MR. AMR: Thank you, Samantha. Jihad, a question has come in that I think I might direct in your direction it relates to Iraq. So, you know, the question is, and I'll read it, "Can Iraq cope with the difficult and hot summer? Will the IMF push Iraq to ensure that gas and electricity production can continue? And just what are the expectations that the IMF has for -- at the top of moving forward at this
moment given the challenge it was facing before, and now the coronavirus crisis?"

MR. AZOUR: Well, in the oil-exporting group you have two categories. You have countries who were affected by the crisis but with sufficient amount of buffers to allow them to, I would say, reduce the pressure on their economy of the drop in oil price, and also have less buffers. And Iraq is among those who have less buffers, and therefore when the crisis affected them it added on their economic weaknesses.

And, therefore, I think it's important for Iraq, like other countries in the oil-exporting arena is (a) to use this crisis in order to address some of their structural weaknesses, in order for them to be able to cover for the loss in revenues, on the other hand address the social impact of that, and to maintain their macroeconomic stability.

And this is where it's very important to move on two tracks. One is to respond to the crisis itself, and in the case of Iraq we saw recently that the coronavirus itself, as a pandemic, it's still expanding, and this is a priority number one, priority number one is protect lives. Priority number two is to protect livelihood, especially for those who are on the low-income level and those who are in the informality.

Priority number two is to preserve the macroeconomic stability of the Iraq economy, and this requires a certain number of structural reforms that will allow a country like Iraq, who has a lot of potential, not only in oil but also in other type of commodities to, in fact, have a good use of those in order for the economy, especially for the non-oil sector to grow.

This is in fact, draw the attention now more and more about the policy and the response, because now we're moving from the phase one of the shock to, I would say, the phase two, whereby what is needed is (a) to protect the economy from other shocks in the future, and allow the system, the health care system to cope with that, but also on the other hand to make sure that the economic activities are restarting, and some of the weaknesses are being addressed.

We saw over the last few months, countries or governments putting in place certain number of fiscal measures, on average 2.5 percent of GDP in the region, and also some financial measures. Those are now to be revisited in order to see what is needed to be expanded, and what is
needed to be adapted.

And on the other hand, it's the right time to address some of the structural issues that will allow the economies to have, not only to address the short-term issues, but also to think medium term. This is where, in fact, the framework should be for most of the oil-exporting countries, of course each country has its own situation in terms of population, in terms of level of buffers, and therefore each country will define the right pace and the right speed going forward.

MR. AMR: Thank you, Jihad. That was excellent. Rola, can you hear?

MS. DASHTI: Yes.

MR. AMR: Very good. So a question for you from my colleague and our mutual friend, Dr. Tamara Wittes, you know, who mentions, sort of asks, you know, "How, or what can be done to ensure that the crisis can help, you know, make governments in the region more accountable and more responsive to citizens? What are the mechanisms we can use to kind of enable a positive change for transparency and accountability?"

MS. DASHTI: Thank you, Hady. I do think we need -- because of the pressure on the fiscal space, because of the pressure of increasing social impact on various groups and the increasing vulnerable groups, I think that's why where we're talking about using the solidarity concept in the issue of solving the solution, and then bringing another actor to be part of the solution. This will start engaging and putting the government as more transparent.

In a sense, when we're talking about the poor in the Arab region, and we take the middle-income class, we found out in a recent study, that will be coming out very shortly at ESCWA, that if you take the middle-income class which are highly indebted (phonetic), and you look into the level of poverty people, we found out that if you take the 10 percentile citizens in these countries and create a solidarity tax about less than 2 percent, you will be able to eradicate poverty, and you uplift these people to the poverty line -- uplift them from poverty in this middle-income class, for every single country, with less than 10 percent.

But what we're talking about is that this bringing the 10 -- top 10 percentile of the people in the society to become part of the development, and sustainable development by creating a solidarity
tax. But that tax doesn't go back to the fiscal as we see the fiscal space of the government, but that tax goes to a certain fund that is managed collaboratively between the people -- the 10 percentile and the state, and target it towards the vulnerable, the poor people, to uplift them, and creating opportunities. Then you become getting the amount, and the solidarity, and the funds going, targeted, and getting the improvement of it.

This will end up having people to make the state more responsible in terms, and because now it's not the state says, it's my only responsibility, now the responsibility is a shared responsibility. And when we're talking about shared responsibility, this is, for example, from a social dimension of poverty.

But when we talk about shared responsibility and economic activities, this becomes the governance of it, and where the state plays a role of becoming only the regulator, and supervisor, and the private sector is becoming the investor, and the creator of jobs, and for these economics and providing of the services to the people, then accountability, is not rested totally on the state. And it's a shared responsibility that becomes the less -- the more you take power from the state on their responsibility and distribute it to a wider spectrum, of group of people, then the governance part becomes embedded that it becomes shared.

So we're doing the governance part and accountability through sharing responsibility and transforming responsibility to other actors, stakeholders within society, so that the society thrives totally, and society becomes solidified much more. And so vis-à-vis the concept is that the total responsibility is on the government, and then we have to make the government accountable because we are giving them the money, for example, or they are controlling the voice of the state.

Now, we're saying, no, let's distribute it so lessening their power structure, then you're indirectly bringing different stakeholders to the scene in the development spectrum.

MR. AMR: Thank you, Rola. Samantha, there's a question that I think has come in for you, so we'll address this in your direction, and I'll just kind of read the question to you. It says, "How will GCC, OPEC, you know, relations with African OPEC states moving forward as, you know, Saudi Arabia in particular is taking market share in Asia at the expense of the OPEC countries?" So just sort of talking
about how the strain will impact the relations within OPEC itself?

MS. GROSS: I think this could be a real challenge going forward, and I think this happens against the backdrop of what is likely to be a prolonged slump in oil prices and in oil demand. A lot of this, as I keep saying every time I talk to anyone, it really depends on the course of the virus, how long we (inaudible) in this and whether we have recurrences of the virus around the world.

But my opinion is that we're likely to be in a low-priced time for a while, and I know that is incredibly hard on the producers in Africa, and if they do generally sort of shade down the kind of reductions that they ask for out of the African countries, but it's very difficult for, you know, the giants of OPEC, Saudi Arabia, the UAE, Kuwait, to maintain greater than called for cuts to keep prices up even a little bit when they have their own fiscal problems.

In times where prices are flat (phonetic), where there's more to go around, it's much easier for them to work with the African producers. But I think they're -- I think they're going to be in a world of hurt because the Gulf countries can't afford to be cutting them the kind of slack that they might otherwise do. The Gulf producers need those Asian markets, and are pushing very hard for them to keep their own fiscal situations in line, plus those African countries are likely to have their very own, quite serious, COVID outbreaks to deal with.

So I think this could be a real challenge for some of the smaller producers within OPEC, particularly within Africa, and could be a challenge in keeping OPEC together. However, OPEC has always been kind of a loose agglomeration where the big guys put the -- put the ideas forward, and many of the smaller guys frankly cheat. And so I expect you might continue to see that happen.

MR. AMR: Thank you, Samantha. Jihad, back to you; I guess a question that -- one of the questions that's come in is, you know, "How is the IMF really helping the various countries right now?" And then sort of in addition to that, "How strict is the IMF going to be in terms of pushing for a reform to move out of this crisis? And are we going to see certain countries as too big to fail, so in the end the country will get the assistance anyway, even if they're refusing the reforms?"

MR. AZOUR: Well, Hady, as you know, the Fund has responded very quickly, and moved along four dimensions, one is a financial dimension, and we have, in the last two months in the
region, extended more than $12 billion which, by the end of the year, will exceed our exposure by 70 percent. And we recognize the fact that this is an exogenous shock, and those countries need emergency support. And therefore, we provided for those countries emergency support facilities, that way it's not attached with any condition.

Also, we have provided a certain number of grants for countries who cannot borrow like, for example, in the case in Yemen. We have provided Yemen with grant which is exceptional situation, because of their exceptional conditions. And also we did for Somalia a debt relief operation that allows Somalia now to be back.

Therefore, the first response from the Fund was to provide support to countries financially because of the magnitude, and because of these issues, because of the fact that it's an exogenous shock. But also, we have provided other type of supports, in terms of policy and policy solutions. We have put in place a certain number of platforms that allow our countries to address some of the shocks, implications on their economy, how to deal with the fiscal especially for countries who have very limited fiscal space.

What are the type of measures one could introduce on the financial front in order to keep the liquidity functioning in the system, and provide access to finance especially for the small- and medium-sized companies in order to protect livelihoods? The Fund also moved in terms of technical support by scaling up the capacity of countries in terms of technical and policy reforms.

Last, but not the least, is the global coordination. We have provided more than 60 countries with immediate facilities in less than two months for more than $60 billion now. And we are also working on other type of facilities that address different type of issues. We are very much concerned about the financial health of the low-income countries in the world, and the emerging economies.

Those are countries who have been affected, not only by the COVID shock, but also by the fact that the financial markets turned negative on them, and we saw some of them being able to pay high level of spreads to access markets, or not being able to access markets.

In fact, this is where we are today at the Fund after, I would say, a massive emergency support that we provided, and in the region we were, I would say, among the first, and our amount of
financing is the largest among any international financial institution. Now we are moving in order to help countries address some of their country-specific, issues and this is here country-by-country.

Like, we are trying to help Egypt with a new program, or Jordan with a program where it's geared toward helping Jordan to grow. We are also working with several countries and several regional institutions in order to strengthen the regional cooperation, with the Arab Monetary Fund, the Arab fund called Economic and Social Development, the GCC Secretariat, and other entities.

We are trying to keep the policymakers thinking together in order to find out solutions that would address their problems, but also will take care of regional cooperation, and also how we can team up our resources in order to expand the support that is needed.

It's a global crisis. Countries of the region cannot afford dealing with it on their own, they need international assistance, and also they need to think forward about how to use this crisis as an opportunity, especially when we have risks of social unrest, and our indicator that we published on a regular basis is showing an increase in social tensions.

When we have -- although we saw a strong improvement in social protection, still, the region lags behind in terms of health care, in terms of education, and this needs to be brought up. And in terms of governance, and we are about to publish a study on that that shows there is a great deal of need to invest in improving fiscal institutions, improving procurement, financial institutions, transparency. And this is a way to strengthen the social contract between citizen and state.

Therefore, I think where we are today it's an important moment whereby all the stakeholders need to work together, government and policy makers, we as regional or international institutions, and I would say the other stakeholders, the society at large, whereby we need to bring the private sector and the CSOs as partners in short and in the future.

MR. AMR: Thank you, Jihad. Here, another question has come in, and maybe I will, you know, direct it your way, Rola. "You know, given the huge a crisis that the region is in, and the last two or three decades that -- or at least the last decade that that has built up, you know, how can the region really come together to solve these problems given the political divisions that exist in the region? Do you think that the coronavirus crisis will enable countries to transcend their differences, or will it actually
exacerbate, you know, tensions within the region?"

MS. DASHTI: Thank you, Hady. I wish the region conflict was regional, unfortunately it is international, various international actors are part of the region's conflict. So it's not enough to transcend the region differences, and political differences, and this is where multilateralism is extremely important regarding conflict and solving the conflict of the region, and establishing lasting peace into it.

So our actors are not regional actors. COVID also, dimension, and that what worries me is that it can intensify the conflict. In a true sense, one of them is worry and concern of reemergence of ISIS, especially with these conflicts it might -- the COVID conflicts might accelerate the withdrawal of the U.S. Troops from Syria and Iraq, and where ISIS will be regrouping and start increasing -- regrouping and start increasing their attacks. So there is an intensifying actor coming up to the scene and COVID is not solving any conflict, but it might cause an intensifying on the issue of emergence of ISIS.

The second part is, as I said, there is 55 million humanity (inaudible) individuals in the region, who are dependent on humanitarian aid, and COVID, the impact COVID globally on all -- on donor countries, and the worry is that these donor countries might start having humanitarian fatigue. And they are much more immersed in solving their national concerns, and their national mitigation measures to mitigate the COVID impact nationally. And so the eyes on the humanitarian side of the region, and the people in the region, it becomes a problem.

A third worry is that COVID not create an opportunity, but create another tension is the rise of racist nationalism, and migrant workers in the region. And this could be also -- could compound the problem that Jihad was talking about, the middle-income class, and supporting the middle-income class. But once you start seeing huge migrant workers from the GCC being -- going back to their home countries, whether it was Jordan, or Egypt, which they compound the social and economic impact, not only from issues of remittances, but also on additional burden to these countries.

And the racist nationalism within the GCC countries that is being picked up, you worry about, as a result of COVID, we worry about that intensify the divide also on the region.

And in spite of this, we feel that leaders in the region can also rise to the responsibility in terms of regional solidarity, and this is where we think there might be an opportunity. And this is where
we were calling for a regional solidarity fund that brings the people together so to address COVID impact to the vulnerable groups, and bring that mainstream individual within the region integrated further.

So that who has the support and who has not in a solidarity framework to ease a little bit of tension, it can create also -- COVID coverage can create that opportunity of furthering the regional -- I'm not going to say the politically-loaded "regional integration" phrase, but more of regional alliances in terms of a trade, in terms of issues and looking into the food security issue for the region, and in totality because of the worry of the supply chains, and becomes more an integrated part of the food security policies as a regional issue.

Third is very important, on the issue of water. Water is a key issue, part of the problem, the consumption of water has been increased, but we see there is also the issue of water that could rise, not only as COVID, but could rise in the future as a conflict tension that we need to address.

There is some opportunities, leaders within the -- within the region can rise up to ease the tension of COVID, but the worry, my more important worry is that will the region learn a lesson and seize the opportunity of COVID to recover better and fast.

And my concern and worry with the structural, and needed structural adjustments, and looking into structural mitigations and high court decisions, to that structural -- addressing long-standing structural weaknesses of the region, is that we end up coming back resorting to the old, more of the same decision-making mechanism and implementation processes that wastes resources, that hinders creation of opportunities, the deep-weakening the institutions and governance systems, instead of improving.

So this is my worry that we miss an opportunity to deepen more the challenges of the region and this is -- and when you tell me, well, do you see 50/50? No. I see more of 70/30, taking the opportunity is 30 percent, more of the same, decision-making processes, is the 70 percent. And just like we go from 2020, maybe 2021, and then you get back to the region.

The oil, the oil impact might be a first revisiting of the structural, by force, I mean if -- but if in 2022 we see back a rise in the oil prices, and the market starts to pick up, and stuff like that, the whole thinking of reforms, and the revisiting will just wash out, for sure it will just work wash out. Taking hard decisions is not something that region would like to address -- policymakers in the region would like to
address.

MR. AMR: Thank you, Rola. Samantha, a question I think that you can help us grapple with, which is a very interesting one, which is, you know, "Will, you know, the depressed oil prices impact the drive for sustainable energy in the region among oil producers? So, you know, Saudi Arabia had talked a lot in recent years about going to, you know, renewable resources, and whatnot, but now with the lower oil prices do you think those plans are going to be, you know, stalled, and thus having a really kind of a negative impact on the environment?"

MS. GROSS: My concern about the Gulf oil producers is similar to my concern about oil producers across the board, and then green investments, the situations are not that different. And that is in a low-price environment there's just less money available for these kinds of investments. And that's unfortunate.

This kind of builds a little on what Rola said in the last question. You need to see transitions, but it's difficult to transition during a time of crisis. But it's also difficult to transition during a time of plenty. There's never a good and easy time to make a transition. And so we're seeing these investments, a lot of them are being made, particularly in the Gulf region, with the idea that they'd like to see more power made from renewables to free up oil for export.

And so that entire idea looks a bit less attractive at times, of low oil prices, or if you're concerned about having low oil prices for quite some time, which I think we're going to have. I think it's going to take a while to work off the inventories that we have. So I am concerned about those green investments.

On the other hand, if you think of those green investments, not in terms of trying to increase oil imports, but of trying to diversify the economy, then that makes them look more attractive, and helps to keep them off of the chopping block. But there's such a tight revenue situation right now, that I think it may be really hard to keep those investments going. Just like it is in many of the Western oil companies.

MR. AMR: Thank you. Thank you, Samantha. And here's a question I think for both Jihad and Rola. Maybe, Jihad, I'll turn to you first, and then Rola, one of the questions that's come in, and
is something I mentioned in the introduction, which is, "The corruption in the region, and not just the actual impact of corruption, but also the deep frustration that citizens around the world feel about the monies that have been siphoned off from government, and the lack of opportunity that they have as ordinary citizens.

How can we -- you know, what do you expect the impact of the crisis to be in corruption? And how can international institutions work together to do its best to root out corruption which this view -- and also I personally believe -- is really a very deep part of the challenges that the region faces?"

MR. AZOUR: Well, Hady, I cannot agree with you more. This is something that we have been working on over the last few years here at the Fund in order to strengthen our framework to address this issue, because this is an issue that not only affect the public finance, but erodes the confidence between citizen and state, and create the situation especially when you have this level of exclusion in the society, a lot of frustration that leads into social unrest.

And this is something that we have tackled at two levels, at the country-by-country level in our consultation, but also at the regional level whereby we, in fact, studied where the key weaknesses are, and there are certain weaknesses that need to be addressed.

I give you examples: Institutions need to be improved in terms of the quality of their operation, fiscal institutions, revenue administration, and all kinds of fiscal operations, procurement and procurement laws regulations, and procurement framework, transparency and access to information. Those are important elements that we can start with that can uplift the capacity of countries to address some of those risks.

And last, but not the least, is strong judicial system and independent judicial power. Those are things that the region needs. It is a must if you want to have strong recovery because this is how you can attract additional investment, this is how you can make citizens being more compliant with their fiscal rules. And also this is how you can create a strong partnership between citizen and state in order to accept for citizens to pay more in order to broaden the solidarity framework, as Rola was mentioning.

And on that, I think let's use what has happened over the last two months, despite the
weaknesses in institutions and despite the weaknesses in investment in healthcare infrastructure. We saw that most of the countries in the region were able to address the shock of the coronavirus, were able to manage a certain number of public services, in a way that one can build on.

I think what we need to do that we are now at an important crossroad, whereby, if we keep business as usual -- and I totally agree with the other speakers -- we will be in a situation where, gradually, we will go down in a situation where the challenges are immense. Or we use this as a way to step up, stepping up by building a new solidarity framework in terms of addressing the fiscal distribution, improving social protection.

And this is something that we will demonstrate in a study that will become public in few weeks. How we can improve social and economic outcome by improving investment in health and education?

And also, last but not the least, there is a huge potential of growth that now the global value chains are changing. We are entering into a new phase of globalization, where we will see growth coming from shorter value chain. We will see growth coming from next door markets, and therefore this is an opportunity for countries who have failed over the last three decades to create an economic platform that allow goods and services to move from one country to another, that will allow information to circulate, and technology to be expanded. Therefore, this is a defining moment, and this moment is: the war is not lost here.

And last, but not the least, I think we need to underscore the importance of addressing the issue of refugees internally displaced, and those issues are international issues of course, but also regional issues, we need to help those groups and communities who are currently facing tremendous challenges. In order to help them, not only from, I would say public health perspective, but also from integrating them, and providing them with certain support, which will allow the region to tackle the issue of inclusion, for the youth, for the women, as well as also for the groups, who are currently outside the system.

MR. AMR: Thank you, Jihad. Rola, you spoke very eloquently before about poverty, but what about corruption, and what should we be doing on that, on the corruption issue, especially you being
in Beirut?

MS. DASHTI: (Laughter) I'll add to -- I do agree with what Jihad has mentioned on important pillars and dimensions he added. And I'll add a couple of additional things. One of them I think a multinational financial institutions should start putting conditionality, and targeting the support, just not the fiscal which goes to the state, but target this and monitor the spending.

Conditionality on where the spending should be, and targeting the spending in the targeted groups, where citizens and the people; is at the forefront of the support itself. The other good thing we have seen, and it showcased is that when states are transparent citizens restore faith in the government, and this is what we saw when the states in the whole Arab region starting addressing the health issues regarding COVID, and announcements, and how many cases there is, and then becoming transparent.

So transparency becomes a very key issue for rebuilding, and this is where we want to work and put rules, regulations, social media could help. And it's broadening the dimensions to enhance transparency within the system, because this shows that, by a state acting transparently, then confidence, citizens' confidence increases,

And the other thing, and I think is the adoption of technology. I think an adoption of technology, the generalization of the government services, also can be measures that curb a part of corruption. And then most importantly to curb corruptions you need to create opportunities, and creating opportunities, and fair opportunities to everybody.

Once you have people feel that the system is fair, and creating opportunities to it, I think corruption starts to be easy -- eased off a little bit, especially in -- for sure, as I said -- what Jihad had said -- the judicial system, and procurement processes, all of this I do I agree, but I think also the creation of opportunities, and a fair -- that corruption could subside a little bit. And especially when in the region now, because of lack of opportunity, because of the limited income, because of people are driven to more of poverty, is that petty corruption is becoming enlarged and expanded.

We're not talking about grand corruptions now, the petty. And this is what destroys the system, and the state, and the structure, and the fabric, the society itself, the expansion of petty
corruption, because it becomes part of the system, it's normal, it's acceptable, and this becomes hard to rebuild a strong resilient state when you institutionalized petty corruptions.

And this is what we need to avoid, is the rise in petty corruptions within the system because this is where you're you have calling for the death of society, in terms. And this is what I'm saying, you need to link it with creating the opportunities, and this is where the -- when I say they're supporting financial institutions the donor or communities is that they need to have the conditionalities targeted to create opportunities for a larger group of citizens within society.

MR. AMR: Thank you, Rola. We've had a question come in on Iran and, you know, I thought maybe Jihad and Samantha could just give a quick response, because we only have a few minutes left. "What do we expect for economic growth or stagnation in Iran in the next -- you know, in the next year or so? I mean is it looking rough? Is it looking rosy? What do you all see?"

MR. AZOUR: Well, Iran will face for the third year a negative growth where a situation where inflation went up to high level in the last couple of years, and it's still -- we expect inflation to exceed 20 percent this year. This definitely had a big social impact on the low-income, middle-income people, and this has been compounded by the coronavirus shock as Iran is one of the hotspots of the COVID-19.

And we all feel the pain of the population that has been, in addition to the suffering from the sanctions, has to endure the impact of the COVID-19 too. The decline in oil price also is, for the country, where oil is still one of the sectors, of course the Iranian economy has diversified outside oil, but still has a negative impact there.

Before the situation, like other oil exporting countries had been affected by the two shocks maybe more than others, and the sanctions added and compounded those challenges.

MR. AMR: Thank you, Jihad. Samantha, you know, Iran is, you know, an oil producer, although less than an oil exporter these days. How do you see Iran's future from your angle moving forward?

MS. GROSS: Well, something that we haven't brought up in today's conversation but, you know, with five minutes left, why not, is the U.S. political situation. We have certainly seen Iran as
just a real bugaboo (phonetic) to the Trump administration, and he worked very hard to go back in and undo everything that the prior President put in place, so what happens in November I think matters for the situation in Iran.

We have to remember that we can't go back to where we were previously, before Trump was elected, before he pulled out of the JCPOA, that place doesn't exist anymore. But with a new administration with a slightly different approach, we might be able to find ourselves in a better place, and get to the point where Iran can resume at least some oil exports, perhaps we -- perhaps we have an administration that allows some exceptions to the sanctions in certain instances.

Because Iran really has suffered due to the COVID outbreak, and you don't want -- you don't want to find them in a -- you don't want to put the United States in the situation where we're making it worse for the average Iranian citizen. I fear that we're there right now.

And so it'll be interesting to see what happens in November, and how that plays out. We can't go back to where we were, but perhaps we can find our place -- find our way to some place that's slightly better.

MR. AMR: Thank you, Samantha. As we close out in the next minute, in this really important conversation, of the impact of coronavirus on the region, and poverty, corruption and social protection in the region, Rola, any last remarks from you on how we can all really work together moving forward to ensure a more productive future?

MS. DASHTI: Sure. I think there's a lot -- there is a lot of opportunities in the region that we can support, and assist in terms of creating the Solidarity, in terms of involving various stakeholders to uplift the vulnerable groups. We spoke about the poor people, but there is an important dimension, also an important community, let me say, of the society is the middle-income class that we need to address and ensure their stability.

Because as we see that -- and this is where we need to support because we as we going along the middle-income class in the region has been shrinking, in the last 10 years it shrank by almost an average 10 percent in the region. And in some countries it went further to 20 percent, and even more.

And this is what worries me when we start giving assistance, and talking about
Restructuring reforms and addressing the structural changes. The people who take the burden of this is the middle-income class, and we need to revisit our policies. And this is where we can collaborate and rethink because we need to become creative in the policy propositions, that not to have more impacting policy to the middle-income class, that they are the ones who gets the majority of the burden on these reforms.

And this is what usually, traditionally, the policies of any restructuring adjustments are taking, and the reforms is that the group that gets targeted and hit badly to pay for the structural reform policies is the middle-income class, which I think now the middle-income class in that region cannot anymore afford any contribution, let me say, in that reform. And this is where we said by solidarity, and you have to bring the different stakeholders into the play, and where we're putting the solidarity tax fund proposition on the 10 percent tax into it.

Corruption is an extremely important thing, and it's a responsibility for all of us, and it should not be left to the state to reform itself to make it -- to become more transparent, but it has to be pushed by all stakeholders into it. I push hard because this is an important fit for our society especially in the concept of corruption.

As I said, it's very dangerous to generalize petty corruptions within, and this is where we can work so much importantly, how to bring different actors and push for transparency within the system, and avoid such a rise in petty corruptions, and creating opportunities.

Mr. Amr: Thank you, Rola. So just in closing, Jihad, in the remaining minute or two, any closing remarks and message for our audience about what to be thinking about moving forward, about what will happen in the region, and what we need to do working together moving forward?

Mr. Azour: The strategy of the Fund was, over the last few years, to work on inclusive growth strategy, because we think this is the highest priority. And I think after the coronavirus shock it is more important than ever.

What does it mean? It means that the region need to focus on what's going around, because the level of uncertainty is high, and we are, at the moment, where the global economy is shifting grounds. It's very important to be alert, it's very important to build on the strength.
The region has some strengths, resilience, young population, talented population, and also it is at the crossroad of important trade and service routes. And, therefore, I think it's very important for the region to use this as a defining moment in order to address the challenges, and the challenges we know them, we spoke about them.

The way to address them is to go in a constructive and cooperative way internally and create a new social contract between various stakeholders to address country-by-country issues. The way to deal with it is at the regional level to create a platform for better cooperation and collaboration that addresses the challenges that have been there for decades and allow, gradually, to move on to better years.

How to deal with, it is to create an international coalition to help this important part of the world to recover, and use this crisis as launching pad for new recovery. It is of importance to Europe, it's of importance to Asia, and also it's of importance to the global stability.

Therefore, I think we need to turn what we are seeing today as a challenge, which is a big one, as a way to look at it and to push for an opportunity here to address long-standing issues, but also to do it in a way that will allow people of, especially the 60 percent of the population below 30, to see a future, and to see a bright future.

I think this is where we are today, and this is what we should all aspire to, and this is where we, as an institution, as the International Monetary Fund, how we see our role.

MR. AMR: Thank you, Jihad. Thank you, Rola. Thank you, to my colleague Samantha gross. This has been an important conversation on the impact of coronavirus on the region, and particularly the roles of social protection poverty, and corruption.

I want to thank our speakers. I want to thank our audience. And I'd like to thank our viewers in Washington, the U.S., around the world, and our great team here at Brookings for putting this together.

I've learned a lot. It's been an honor to have such a distinguished panel, and we look forward to staying in touch with all of you, as the world hopefully turns the corner to a more productive future. Thank you very much to all of our speakers.
MS. DASHTI: Thank you for having us.

MR. AZOUR: Thanks, Hady.

MS. GROSS: Thank you, Hady.

MR. AMR: Thank you.

MS. DASHTI: Bye-bye.

MR. AMR: Bye.

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