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# Economic Integration in the Middle East: Problems and Prospects

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In the period of globalization and simultaneous regionalization of the international economic relations system, researchers and practitioners are discussing the efficiency of the world's different parts economic integration. The Middle East<sup>1</sup> is no exception in this respect. Moreover, it seems at first sight that every prerequisite for this is in place: a common ethnicity (for the Arab countries), a common religion (for all countries, except Israel, despite differences between denominations of Islam), and a largely common recent past (the majority of the region's states are relatively new political entities that emerged after the collapse of the European empires and their colonial systems). However, at the turn of the third decade of the 21<sup>st</sup> century, the use of the region's integration potential remains fairly weak.

In this paper, we will review the integration potentialities of states in the Middle East. The inclusion of three major non-Arab regional players (Iran, Turkey, and Israel), as some scholars are trying to do,<sup>2</sup> complicates the picture to such an extent that any discourse becomes purely theoretical and divorced from reality. That said, in terms of economy, these countries' potential could certainly make the regional integration group more stable and important.

It is common knowledge that during the past few decades Arab countries have made several attempts to achieve political and economic integration. Both domestic and foreign experts have written many analytical papers dedicated to these processes.<sup>3</sup> In this context, there is no need to analyse the functioning of the Greater Arab/Pan-Arab Free Trade Area (GAFTA/PAFTA), the Gulf Cooperation Council (GCC), and the Arab Maghreb Union (AMU). Notably, as Egyptian expert Ahmed Ghoneim<sup>4</sup> suggests, these specialists may be divided into two groups: those that proceed from gravity models (models of mathematical analysis of international

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<sup>1</sup> In this paper the term 'Middle East' implies Arab countries of the Middle East and North Africa.

<sup>2</sup> See: Fardoust, S, 2016, 'Economic Integration in the Middle East', Middle East Institute Policy Paper, Washington. Interestingly, at the very beginning of this study (p. 1) the author writes about the need for cooperation between Egypt, Turkey, Iran, and Saudi Arabia with a view to promoting the region's development. At the moment, this looks so unrealistic that the author could have well added Israel to this list.

<sup>3</sup> See: Fedorchenko, A, 2010, 'Economic Integration in the Middle East: Achievements or Lost Opportunities?', *Vestnik MGIMO Universiteta [MGIMO Review of International Relations]*, no. 5, pp. 266–275; Fedorchenko, A, 2016, 'Regionalnaya Ekonomicheskaya Integratsia v Stranah Magriba: Sostoyanie i Perspektivy' [Regional Economic Integration in Maghreb Countries: Present State and Prospects], *International Analysis*, no. 3, pp. 58–67; Grow, J, 2019, 'Economic (In)security and Economic Integration in the Middle East', *Regional Security in the Middle East. Sectors, Variables and Issues, E-International Relations Publishing*, pp. 61–79; etc.

<sup>4</sup> Ghoneim, A, 2017, 'Revisiting Economic and Trade Integration in the Arab Region: New Prospects for Reaping Untapped Potential', *Arab Development*, June 21. Available from: <http://www.arabdevelopmentportal.com/blog/revisiting-economic-and-trade-integration-arab-region-new-prospects-reaping-untapped-potential>

trade) and believe that the potential of intraregional trade in the Middle East has reached its peak;<sup>5</sup> and those that use cross-industry estimates and argue that, despite certain achievements, the existing integration potential is far from fully used. In principle, most domestic and foreign experts tend to be in the second group.

This study is structured in the following way: the first part is a review of the region's socioeconomic challenges that could be circumvented in the best way by reaching a higher level of pan-Arab integration. Then, in the second part, the author mentions the main obstacles in the way of enhancing the region's integration. The third part contains suggestions of potential approaches to promoting integration in the Middle East. The main conclusions are presented at the end.

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## Key Socioeconomic Challenges<sup>6</sup>

Each stage of socioeconomic development poses challenges to countries and regions of the world. Essentially, many of them are not new and are the same old problems in a different context with new goals calling for new approaches to resolving them. For the purposes of this work, three groups of problems have been identified, the solution to which may benefit from regional integration. They include the depletion of energy supplies, water and food shortages, and transformation of the labour market. We will review each group individually.

### Depletion of Energy Sources

Even though the current level of geological exploration and drilling make it possible to look for (and find) hydrocarbons in places that were inaccessible just 20 years ago, analysts say that in approximately 50 years the region will almost completely run out of this strategically critical commodity. Currently, there are four main trends in the region's oil and gas industry.

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<sup>5</sup> Harb, G & Abou Shady, N, 2016, 'Arab Trade Dynamics after the Implementation of the Pan Arab Free Trade Area (1998–2012)', *Review of Middle East Economics and Finance*, January. Available from: [https://www.researchgate.net/publication/301740410\\_Arab\\_Trade\\_Dynamics\\_after\\_the\\_Implementation\\_of\\_the\\_Pan\\_Arab\\_Free\\_Trade\\_Area\\_1998-2012](https://www.researchgate.net/publication/301740410_Arab_Trade_Dynamics_after_the_Implementation_of_the_Pan_Arab_Free_Trade_Area_1998-2012)

<sup>6</sup> Unless otherwise indicated, the materials from Dmitry Maryasis' article were used in this section, see: Maryasis, D, 2018, 'Nekotorye Tendentsii Ekonomicheskogo Razvitiya Stran Blizhnego Vostoka' [Some Trends in Economic Development of the Middle East], *Asia and Africa Today*, no. 10, pp. 20–24.

- Increasing competition between countries for the market share. It is likely that this trend will only intensify in the near future.
- Lower energy prices and higher production costs. In a number of countries, the most accessible and, therefore, uncostly fields, from the point of view of production, are almost depleted or are nearing depletion. Accordingly, the fields where oil and gas production is more expensive are coming on stream. Moreover, energy prices have declined significantly in recent years. Thus, the profit margins are lower. However, at the moment, it is hardly possible to talk about any major negative impact of the current developments on the oil and gas producing countries of the region. But in the future, if no measures are taken to reform the industry and diversify the economy in general, the negative impact of these processes on the Middle Eastern economies can increase.
- Some countries in the region are already taking certain steps to reform their fuel and energy sector. In particular, experts have noted localization of production chains in this sphere, as well as privatization of various links in these chains (up-, mid-, and downstream operations).
- Greater use of renewable sources, especially solar energy. The region where the sun shines almost throughout the year has used this energy source very little since the economy of most countries in the 20th century was geared to using hydrocarbons to generate electricity. One of the world's richest regions in this regard believed it was all the more natural for it to follow the same path. However, in the 21st century, Western countries began to focus more on alternative and preferably renewable energy sources. Middle Eastern countries have just embarked on this path. But given the financial capabilities of the Gulf countries, the current state of technology in this area, as well as the large number of sunny days in a year, the prospects for the region look promising.

It appears that forming a strategic plan for energy development of the region in its entirety, rather than of each individual country, will contribute to a more efficient use of existing natural and financial resources. It will help to transform the structure of the fuel and energy sector in Middle Eastern countries so as to prevent certain processes from overlapping and to avoid creating excess capacities in the wake of setting up similar entities at the national level of different countries, as well as to streamline interaction in this sphere with other countries and regions of the world.

## Water and Food Shortages

According to experts, 80% of fresh water consumed by the Gulf countries today comes from desalinated seawater. 50 years from now, water shortages will be severe. Agriculture, already not too well developed, will be unable to perform as expected. A vast majority of food will be imported into the region. Already now, Middle Eastern countries are major net food importers.<sup>7</sup> Fresh water shortages are a huge problem across almost the entire region. Even Egypt, which has been using water from the Nile for centuries, is beginning to feel the pinch. Meanwhile, the water resources management in the region is outdated, which, along with climate change, transborder conflicts, and population growth, further complicates the problem of shortages associated with this essential resource.<sup>8</sup>

Desalination alone will not resolve this problem. It is imperative to review the entire water use system, including the use of water for agricultural and industrial needs. It appears that only coordinated efforts, in particular redistribution of fresh water from countries with a more favourable situation in this area (Iraq, Syria, Morocco, and Lebanon), will improve the situation dramatically.

Experts from the Organization for Economic Cooperation and Development (OECD) believe that proper financial instruments can play an important role in overcoming these challenges. The issue is not only about investing in innovative fresh water technology, but also raising funds for such technology, in particular, for agricultural purposes, which will improve the efficiency of water use.<sup>9</sup> Today, for example, Middle Eastern countries are subsidising water (which is more expensive than oil) and investing in growing crops that require significant amounts of fresh water, which only worsens the situation.<sup>10</sup> Perhaps, one should think, at the regional level, about using the financial potential of the GCC countries to improve agricultural efficiency in other Arab countries, such as Maghreb region, which have better conditions for agriculture.

Clearly, the problem should be addressed aggressively already now. Otherwise, many Middle Eastern countries will run into major difficulties in the near future.

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<sup>7</sup> Fardoust, S, 2016, 'Economic Integration in the Middle East', *Middle East Institute Policy Paper*, Washington, p. 13.

<sup>8</sup> Grow, J, 2019, 'Economic (In)security and Economic Integration in the Middle East', *Regional Security in the Middle East. Sectors, Variables and Issues*, E-International Relations Publishing, pp. 61–79, p. 64.

<sup>9</sup> 'Better Policies for Inclusive Growth and Economic Integration in the MENA Region', *Ministerial Conference, 3–4 October 2016, Tunis, Tunisia, OECD Better Policies Series*, pp. 25–27. Available from: [https://www.oecd.org/mena/ministerial/MEA-Ministerial-Logistics-Note-2016\\_EN.pdf](https://www.oecd.org/mena/ministerial/MEA-Ministerial-Logistics-Note-2016_EN.pdf)

<sup>10</sup> Grow, J, 2019, 'Economic (In)security and Economic Integration in the Middle East', *Regional Security in the Middle East. Sectors, Variables and Issues*, E-International Relations Publishing, pp. 61–79, p. 65.

## Labour Market Transformation

Although this section focuses on the analysis of the regional labour market prospects, a brief highlight of some aspects of these countries' demographics is needed. The population growth rates are still quite high here, although some countries have shown a certain slowdown. The population is mostly young and is likely to remain so for the foreseeable future. The sociopolitical unrest in recent years has had a significant negative impact on the population of several countries in the Middle East. This is especially true of Syria, Yemen, and Libya. There have been a lot of deaths and a lot of emigration, which involved many people with a high level of education. However, there is a likelihood of at least some of them returning after a relative order is restored in these territories.

According to international experts, the Middle East as a region shows three main trends in the labour market development:

- low but increasing involvement of women in the workforce;
- high unemployment and part-time employment, especially among young people with high education;
- high but gradually decreasing share of people employed in the public sector.

Admittedly, there is a natural difference between countries in the region in the share of high-, medium- and low-skilled labour, as well as in the level of informal labour relations and the degree of dependence on foreign workers.

A number of countries in the Middle East have succeeded in improving the situation in the education sphere. By 2030, the region is expected to expand its pool of specialists with university degrees by 50%. Meanwhile, youth unemployment in the region is approximately 31%, including about 30% among young people with high education. This is a serious problem that generates social tension. Educated young people without jobs were most actively involved in initiating the social unrest described as the Arab Spring. On average, 21% of people employed in the Middle East are engaged in highly skilled labour, and 66% – in middle skilled labour. Among the leading countries that offer highly qualified jobs are the United Arab Emirates, Egypt, Jordan, and Saudi Arabia. The most common occupations in this group in Middle Eastern countries include bankers, corporate finance specialists, school teachers, researchers, IT specialists, and engineers.

Like many other regions of the world, the Middle East is automating industrial processes, which leads to the disappearance of certain professions or to a significant reduction in demand for them. Furthermore, the professions that remain are also going through transformations. A different set of skills is now required to qualify for the work. Higher level of regional economic integration is likely to intensify economic growth in the countries involved in the process.

This, in turn, will lead to an increase in demand for employees with various skill levels. This way, these countries will be able to, firstly, use the educated young population more effectively, and secondly, avoid the rise of social tension caused by the high level of youth unemployment.

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## Middle East Economic Integration Problems

Experts note<sup>11</sup> that the Middle East is the least integrated region of the world. For instance, the costs of trade among the Maghreb countries are higher than between these countries and Europe.<sup>12</sup> The reasons for this situation, if simplified, may be divided into two main groups: the specificities of national economies of the region's countries and common regional problems. These two groups of factors deserve a more detailed look into them.

### Specific Features of National Economies in the Middle East

This group of problems includes insufficient development of private business, inadequate development of state and public institutions, high corruption levels.

According to OECD, in 2014 the private sector in Arab countries amounted on average to 40% of GDP, whereas the relevant figure for the OECD member states was 59%<sup>13</sup> for the same period. Moreover, despite insufficient statistics, people in Arab countries believe in general that it is more prestigious to work in the public sector than in the less developed private sector.<sup>14</sup> Hence, very few private companies are being established in the region. The companies in the region are on average 10 years older than in East Asia or Eastern Europe.<sup>15</sup> This means, among other things, a fairly low level of competition,

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<sup>11</sup> Fardoust, S, 2016, 'Economic Integration in the Middle East', *Middle East Institute Policy Paper*, Washington, p. 8; Grow, J, 2019, 'Economic (In)security and Economic Integration in the Middle East', *Regional Security in the Middle East. Sectors, Variables and Issues*, E-International Relations Publishing, pp. 61–79, p. 66.

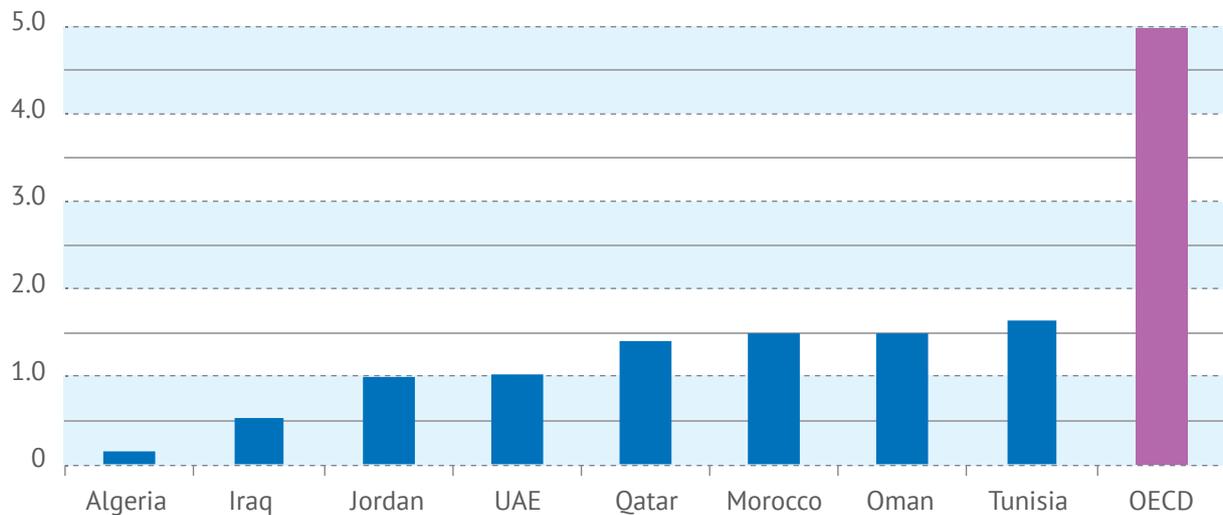
<sup>12</sup> Chauffour, JP & Hoekman, B, 2013, 'Harnessing Existing Trade and Investment Opportunities', in 'The Arab Spring: Implications for Economic Integration', *Centre for Economic Policy Research and Forum Euroméditerranéen des Instituts de Sciences Économiques*, pp. 103–104.

<sup>13</sup> *Better Policies for Inclusive Growth and Economic Integration in the MENA Region*, Ministerial Conference, 3–4 October 2016, Tunis, Tunisia, *OECD Better Policies Series*, p. 2. Available from: [https://www.oecd.org/mena/ministerial/MEA-Ministerial-Logistics-Note-2016\\_EN.pdf](https://www.oecd.org/mena/ministerial/MEA-Ministerial-Logistics-Note-2016_EN.pdf)

<sup>14</sup> *Ibid.*

<sup>15</sup> Chauffour, JP & Hoekman, B, 2013, 'Harnessing Existing Trade and Investment Opportunities', in 'The Arab Spring: Implications for Economic Integration', *Centre for Economic Policy Research and Forum Euroméditerranéen des Instituts de Sciences Économiques*, p. 108.

## NEW BUSINESSES, PER 1 000 WORKING-AGE PEOPLE, 2014



Source: Better policies for inclusive growth and economic integration in the MENA region. OECD Better Policies Series. October 2016. P. 15

which could have an impact on the quality of goods and services and, therefore, on the readiness of similar companies from other states in this integration group to compete.

Despite the reforms carried out in Arab countries, their national systems remain so clumsy, overregulated, and non-transparent that any serious change in the mechanism of their functioning takes a long time and requires considerable resources. These systems also obstruct the flow of foreign investment to Arab countries. The situation is fraught with serious problems amid the accelerating pace of global transformation. Moreover, these problems often make it impossible to implement even the agreements reached within the regional integration groups. They also impede formal integration processes. For instance, a substantial reduction in tariffs leaves intact numerous non-tariff barriers. In most cases, tariffs are reduced only on trade in industrial products (with the exception of the GCC).

## Common Regional Problems

Unlike the previous group of problems, which is fairly homogeneous, this group is a mixture of geopolitical and strictly economic issues. A general description will not be enough in this context.

Today, the region's worst geopolitical problem is disintegration of a number of states in the Middle East, e.g. Libya, Syria, Yemen (with the civil war unabated) and, to a certain extent, Iraq. Thus, it transpires there is at least one problem

territory in each subregion of the Middle East. Such instability does not facilitate adoption of long-term economic strategies in these states, and integration plans certainly fall in this category. Moreover, these hotbeds of instability are a burden on financial, temporal, and political resources in other Arab countries, which keeps them from focusing more on economic integration issues.

Experts point out another geopolitical problem,<sup>16</sup> which is the concern of the region's small countries over the attempts of bigger states to use economic integration only for their own economic and political goals. In other words, there is a low level of trust between the political elites of Arab states. As Andrei Fedorchenko writes, 'due to the uniformity of economic structures (...) and the inertia of the long-term orientation towards economic ties with Western Europe and the US, the vector of integration is shifting to Europe and North America'.<sup>17</sup>

The existence of a large number of bilateral preferential trade agreements, both between the Arab countries as well as between them and other states and regions, is also a stumbling block. Overlapping each other, these trade agreements create a fairly complicated system of relations. To increase efficiency in developing pan-Arab economic integration, it is necessary to subject these agreements to a serious revision, which would enable the creation of a streamlined system of intraregional and international trade in goods and services.

The authors of all the studies cited in this article agree that poor development of the region's infrastructure is another serious obstacle to developing pan-Arab economic integration. A good illustration of the dire situation regarding infrastructure is that cargoes can remain for a week in the ports of Morocco or Tunisia whereas the relevant figure for the OECD is three days and for Asian states – four days.<sup>18</sup> The situation is slightly better in the GCC countries, but the entire region is suffering because of the absence of appropriate cross border transport corridors. It is necessary to invest substantial funds in development of logistics, transport, and telecommunication facilities and to ensure coherence of national infrastructure and transport systems so as to form a more or less integrated macrosystem at the regional level. This will not only reduce costs of the movement of goods inside the region but also enhance participation of Arab states in international trade.

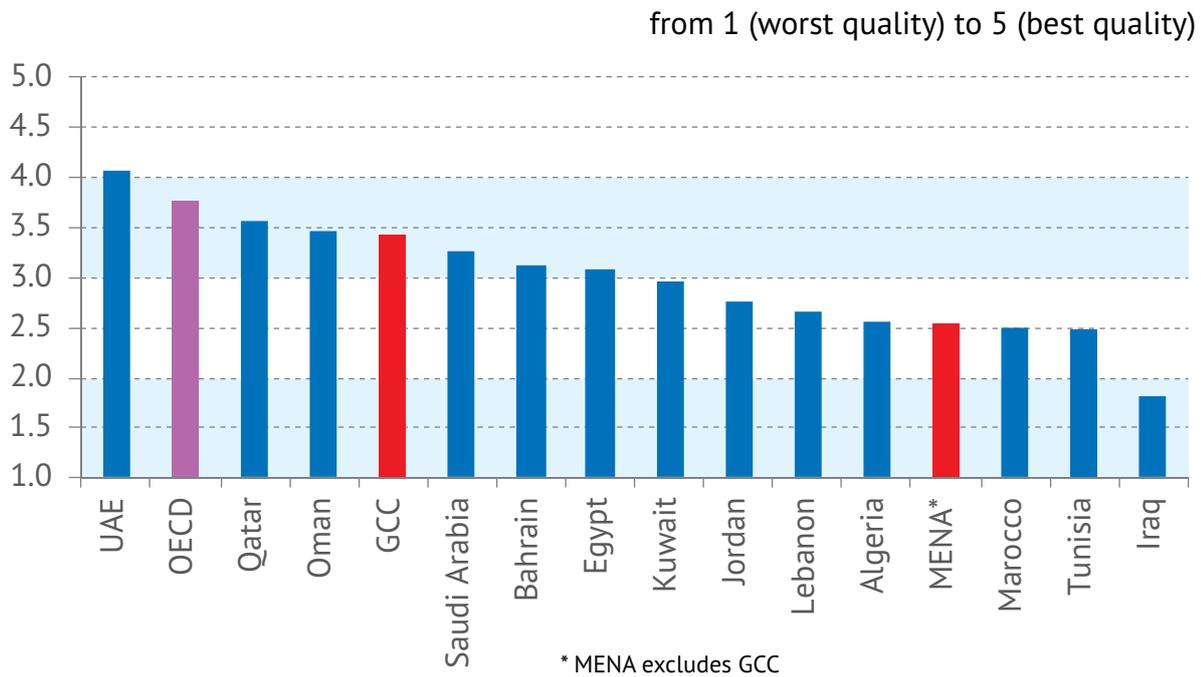
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<sup>16</sup> Grow, J, 2019, 'Economic (In)security and Economic Integration in the Middle East', *Regional Security in the Middle East. Sectors, Variables and Issues*, E-International Relations Publishing, p. 66.

<sup>17</sup> Fedorchenko, A, 2016, 'Regionalnaya Ekonomicheskaya Integratsia v Stranah Magriba: Sostoyanie i Perspektivy' [Regional Economic Integration in Maghreb Countries: Present State and Prospects], *International Analysis*, no. 3 (17), pp. 58–67, p. 60.

<sup>18</sup> Chauffour, JP & Hoekman, B, 2013, 'Harnessing Existing Trade and Investment Opportunities', in 'The Arab Spring: Implications for Economic Integration', *Centre for Economic Policy Research and Forum Euroméditerranéen des Instituts de Sciences Économiques*, p. 104.

## INFRASTRUCTURE QUALITY INDICATOR, 2016



Source: Better Policies for Inclusive Growth and Economic Integration in the MENA Region. OECD Better Policies Series, October 2016. P. 22.

## Options for Integration

Obviously, to intensify the processes of economic integration in the region, it is necessary to overcome (or at least reduce) the problems mentioned in the previous section. A number of studies quoted in this paper contain recommendations on implementing the required changes. Therefore, to avoid unnecessary repetition, it would be appropriate to focus on two potential approaches to regional integration – institutional and technological. They do not contradict each other and can develop simultaneously. Both approaches proceed from the premise that real economic integration is possible not at a superficial, strictly economic level (improvement of trade terms, reduction of tariffs, and removal of non-tariff restrictions that amount to shallow integration), but at a deep level that involves changes in political and public institutions and is termed deep integration.<sup>19</sup> This study is too short for a detailed review of the aforementioned approaches. Further on, they will be presented as concepts.

<sup>19</sup> Romagnoli, A & Mengoni, L, 2009, 'The Challenge of Economic Integration in the MENA Region: From GAFTA and EU-MFTA to Small Scale Arab Unions', *Economic Change and Restructuring*, no. 42 (1), February, pp. 9–10. Available from: [https://www.researchgate.net/publication/23961416\\_The\\_challenge\\_of\\_economic\\_integration\\_inthe\\_MENA\\_region\\_from\\_GAFTA\\_and\\_EU-MFTA\\_to\\_small\\_scale\\_Arab\\_Unions](https://www.researchgate.net/publication/23961416_The_challenge_of_economic_integration_inthe_MENA_region_from_GAFTA_and_EU-MFTA_to_small_scale_Arab_Unions)

## Institutional Integration

Institutional integration has been going on in the Middle East with varying degrees of success for several decades. In this particular case, a model for reconceptualizing this process is suggested. The point of departure in our discussion is the basic idea that integration should take place in parallel at both regional and subregional levels. There are at least two reasons to apply the two-level approach to the economic integration of Arab countries. First, it is obvious that geographically this region is divided into three parts: Maghreb, Mashriq and the Persian Gulf. Second, as it was already noted in this article and as Alessandro Romagnoli and Luisa Mengoni show using data, regional players are originally drawn to bilateral and subregional integration agreements.<sup>20</sup> Importantly, subregional integration must be carried out while taking into account a common regional strategy. Conceptually, economic integration in countries of the Middle East should take place in the following way.

Stage One. Establishment of a pan-Arab institute of strategic development where experts from all countries of the region will be represented. Based on a thorough analysis of the economic potential of the three subregions, the institute will formulate a strategy for the region's effective and long-term participation in the system of global economic ties.

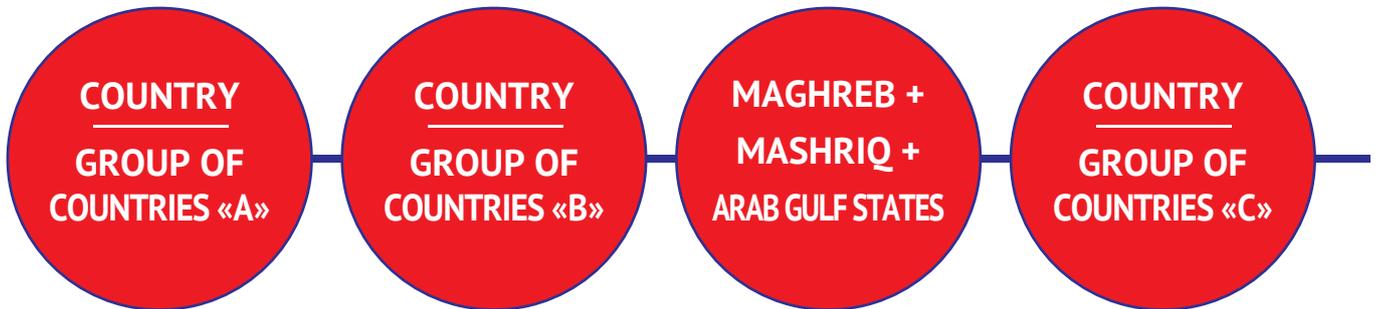
Stage Two. This includes two parallel processes:

- Based on the analysis, three subregional integration groups will be established: Maghreb, Mashriq and the Arab states of the Persian Gulf. In this case, deep integration is implied. Apart from improving the movement of goods, services, and means of production within the said territories, its main task is to upgrade national economic branches that are important for the whole region.
- Establishment of a pan-Arab economic council. It should include representatives not from of all states but those from the coordinating structures of the three subregional integration groups. The council must become the main body for harmonizing integration processes in the Middle East. At this stage, the council should monitor and coordinate the development of subregional economic integration. Formation of a single pan-Arab bloc may complete this stage. Importantly, a relevant agreement should be signed by the three subregional groups rather than each individual country.

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<sup>20</sup> *Ibid*, pp. 13–16.

## ARAB PARTICIPATION IN INTERNATIONAL VALUE CHAINS



Compiled by the author.

Stage Three. On behalf of the entire bloc, the council will reorganize the system of Arab involvement in international economic relations so as to not only improve the level of Arab integration into the modern system of global economic ties but also to maximize the use of the region's economic potential in added value chains. The idea is to make the region a single link in these chains.

## Technological Integration

As was noted earlier, state and social institutions in a number of Arab countries are not adequately adapted to the modern requirements of economic growth and are not fully prepared for actual integration process. The situation is further complicated by serious conflicts in the region which could lead (or have already led) to actual disintegration of some countries. However, today's technologies make it possible, despite political difficulties, to carry out actual regional socioeconomic integration. For unification purposes, in this part of the paper, we will use the term 'territory' both in relation to the actually existing states and the countries whose future as unified political entities is in question.

Today, any territory that identifies as a single entity, be it a state, a quasi-state, a military or a tribal entity, etc., is being governed accordingly. Collecting mandatory individual payments and managing other administrative matters nowadays can be performed using corresponding

online platforms or e-payment systems. All that is needed are funds to create or adapt such platforms to local needs and to ensure universal access to the Internet. The pan-Arab economic council can act as a customer and an operator of such a system. It can cover the entire region. Apart from that, country and subregional clusters administered at the corresponding levels can be built into it.

The financial system of these territories can rely on cryptocurrency. As is known, even the GCC countries have so far been unable to introduce a standard-format single currency. However, cryptocurrencies are more likely to build a single regional financial system. Certain steps are already made in this direction. Notably, the region's first cryptocurrency exchange opened in Bahrain in 2019. Modern technology also makes it possible to use crowdfunding to attract interested people and organizations from all over the world to finance the development of a particular territory.

Education today can be provided through thousands of various online courses, lectures, or workshops both at schools and universities. One can even earn a decent university diploma that way. As a result, a single regional educational environment can be put together where existing traditional educational institutions will be part of a sort of hybrid educational space.

The solution to healthcare challenges can be found in combining the already existing system in a particular territory with the capabilities provided by telemedicine. This system can cover the entire region with a single telemedicine network and transform the entire system of medical training and employment. This will help to form new single regional standards for providing these services to patients and new principles of interaction with pharmaceutical companies, which will be able to transform their sales chains based on a new single regional approach.

Finally, social security issues may be addressed through social media and self-organizing communities with the assistance of international charitable organizations and social entrepreneurship platforms. Organizations in this sphere operating at the national level with the help of existing technologies will offer the opportunity to not only coordinate their efforts, but also to form associations and partnerships and to consider current problems in a wider pan-Arab context.

It is clear that the concepts presented in this section are, first, 'ideal' in some sense, and it is hardly possible to put them into practice in full since there is a large number of conditions that must be met before they can be implemented; and second, in any case, these concepts need to be thoroughly studied before anyone can think about implementing them even in a minimally acceptable format. When writing this paper, the author wanted to point out possible ways of the region's economic integration and to draw the experts' attention to the need for innovative solutions.

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## Conclusion

Arab countries are facing major socioeconomic development challenges. It appears that these challenges can be properly dealt with only if resolved at least at the subregional, or better yet, at the regional, pan-Arab level, rather than the national level, as is mostly happening now. Meanwhile, socioeconomic integration in the Middle East is held back by a variety of factors at the national and regional levels. Overcoming them in most cases requires significant transformation of state and public institutions in Arab countries.

Integration processes in the region are underway to a certain extent. However, their pace and effectiveness are heavily criticised by local and foreign experts. These processes need to be conceptualized in order to comply with modern requirements and today's tools. The combination of unconventional institutional and technological approaches, listed, in particular, in this paper, can promote speedy implementation of integration plans, which, in turn, will help more effectively realize the economic potential of Arab countries and increase their integration into modern global economic processes, reducing the chances of negative scenarios of economic development outlined by Russian oriental economist Alexander Akimov.<sup>21</sup>

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<sup>21</sup> Akimov, A, 2012, 'Scenarii Razvitiia Stran Vostoka na Dolgosrochnuyu Pespektivu' [Long-Term Options for Development of Orient Countries], in 'Vostochnaia Analitika. Tendentsii, Perspektivy, Prognozy Razvitiia Stran Vostoka [Orient Analysis. Trends, Prospects, and Forecasts for Orient Countries Development], Yearbook 2012, Vostochnaia Analitika, Moscow, Institute of Oriental Studies of the Russian Academy of Sciences, 218 p., pp. 10–11.



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