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The Middle East: Challenges of Conflict and Rethinking Industrial Policy

(**Opening Essay for the First Issue by Director-in-Charge**)

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Abstract

This inaugural essay marks the launch of the Journal of Trade and Industrial Policies (JTIP), positioning it as a scholarly bridge between Iran's industrial experiences and the global academic community. Drawing on four and a half decades of research at the Institute for Trade Studies and Research, this journal seeks to foster dialogue on critical development challenges. The article addresses the urgent intersection of geopolitical conflict and the necessity for industrial policy reform in the Middle East. It examines the current crisis as a multi-layered supply shock, exacerbated by disruptions in the Strait of Hormuz, which has unevenly impacted regional economies based on their structural vulnerabilities and trade dependencies. The essay argues that amidst such turbulence, "industrial policy" must transcend state-led, rent-based models. Instead, it advocates for a "Resilient Economy" paradigm, centered on internalizing value chains, fostering knowledge-based capabilities, and diversifying production. The author contends that peace and geopolitical stability are prerequisites for successful industrial transformation. Ultimately, this journal aims to provide a platform for rigorous analysis of these dynamics, offering insights into how structural resilience can be achieved to navigate the complex economic architecture of the modern Middle East.

Keywords: Industrial Policy, Natural Resource, Knowledge Base Economy

چکیده

مجله «سیاست‌های تجاری و صنعتی (JTIP)» با اتکاء به چهار دهه و نیم پژوهش و تجربه علمی در «مؤسسه مطالعات و پژوهش‌های بازرگانی»، در پی آن است که بستری برای گفت‌وگویی علمی و مستند پیرامون چالش‌های بنیادین توسعه فراهم آورد. جستار افتتاحیه حاضر، ضمن معرفی آن به عنوان پلی علمی میان تجربه‌های صنعتی ایران و جامعه دانشگاهی بین‌المللی، نظر به شرایط موجود اقتصاد ایران بر تلاقی سرنوشت‌ساز منازعات ژئوپلیتیکی و ضرورت اصلاح سیاست‌های صنعتی در خاورمیانه تمرکز کرده و در این چارچوب، بحران موجود را به مثابه یک تکانه چندلایه در طرف عرضه تحلیل می‌کند؛ تکانه‌ای که اختلال‌های ایجاد شده در تنگه هرمز بر دامنه و شدت آن افزوده و آثار آن، متناسب با میزان آسیب‌پذیری ساختاری و وابستگی‌های تجاری، در اقتصادهای منطقه به‌گونه‌ای نامتوازن بروز یافته است. این بی‌ثباتی و تلاطم گسترده، به ناگزیر مفهوم «سیاست صنعتی» را از الگوهای دولت‌محور فراتر می‌برد و بر ضرورت گذار به پارادایم «اقتصاد تاب‌آور» تاکید می‌کند؛ پارادایمی که بر درونی‌سازی زنجیره‌های ارزش، توسعه و تقویت قابلیت‌های دانش‌بنیان و تنوع‌بخشی به ساختار تولید استوار است. از دیدگاه نویسنده، صلح و ثبات ژئوپلیتیکی، پیش‌شرط‌های اساسی تحول و دگرگونی موفق حکمرانی صنعتی به شمار می‌روند. این مجله خواهد کوشید تا بستری برای تحلیل دقیق، مستند و روشمند این پویایی‌ها فراهم آورد و از این رهگذر، بینش‌هایی درباره چگونگی ایجاد تاب‌آوری ساختاری بخش صنعت و تجارت در اختیار پژوهشگران و سیاست‌گذاران قرار دهد؛ آن تاب‌آوری که بتواند اقتصادهای منطقه را برای مواجهه با معماری پیچیده و در حال تحول اقتصادی خاورمیانه جدید آماده سازد.

1. Introduction: The Legacy of Knowledge and a New Vision in Trade and Industrial Policy Research

More than four and a half decades of research activity at the Institute for Trade Studies and Research have left a fruitful legacy of knowledge production, accumulation of experience, and structural interaction with the policy-making apparatus in the fields of industry, mining, and trade. This scientific institution stands today on the shoulders of 46 years of continuous effort and, as much as it chronicles the history of the country's trade and industrial policy, it also illuminates the future horizons of this field. The publication of reputable journals such as "Trade Research," "Trade Reviews," and "Trade Policy and Development Studies" has been a part of the intellectual history of this institution and a sign of its dynamism in expanding the frontiers of knowledge. Now, the launch of the English-language Journal of Trade and Industrial Policies (JTIP) is a new step formed based on this same intellectual legacy; a long-standing will that has come to fruition today to provide a global platform for academic dialogue.

This journal is not merely a new scientific output alongside other journals; rather, it is a purposeful attempt to establish deeper communication with the regional scientific environment and the international community, a bridge between public policy and academic forums, and also between the lived industrial and trade experience of Iran and the global intellectual space. On one hand, this journal reflects the strategies, frameworks, and macro policies of the industry, mining, and trade sector, and on the other hand, it will be a platform for continuous interaction with research institutes, think tanks, and academic centers at the regional and global levels.

The presence of more than 50 prominent faculty members and researchers at the Institute for Trade Studies and Research has created an unparalleled knowledge reservoir that can serve as a repository of wisdom and a source for generating developmental thought. Today, beyond a single research arm, the Institute acts as a knowledge assistant to the government in promoting a developmental outlook on the production and exchange sectors; a capacity that is now reflected in the form of this reputable international journal.

The Journal of Trade and Industrial Policies (JTIP) intends, by actively utilizing the capacity of reputable national and international conferences, to enhance the scientific quality and applied depth of articles and to open the path of knowledge flow from global actors to the country's scientific community and vice versa. Furthermore, given the growing role of knowledge-based companies in the technology ecosystem and their position in the idea-to-product value chain, this journal will be a platform for purposeful invitations to development organizations such as IDRO, IMIDRO, the Geological Survey and Mineral Explorations of Iran, specialized associations, production unions, and science and technology parks to expose their experiences, research analyses, and operational results to international judgment and scientific transfer.

The necessity of launching this journal becomes more prominent when we know that Iran, despite possessing massive industrial capacity, rich mineral reserves, and being located on the golden highway of regional trade and enjoying a distinguished geopolitical position, has so far made less use of the capacity of a specialized English-language journal to reflect the scientific and policy achievements of these fields globally. This journal is a direct response to this strategic gap, to be a connection point for explaining Iran's role in regional and global value chains and a framework for constructive dialogue with international knowledge. In a world where responding to complex development issues requires knowledge-based approaches, this initiative has opened a new window to scientific cooperation and welcomes the participation of all researchers in the fields of industry, trade, economics, management, technology, and energy. Accordingly, in its first policy and research step, this journal addresses one of the most vital and decisive regional issues in its inaugural article: the dangerous overlap of "geopolitical conflicts" and the "necessity of redesigning industrial policy" in the Middle East region.

2. Anatomy of the Crisis in the Middle East: Intersection of Supply Shocks and Structural Rigidities

The Middle East region is today at a historical turning point; a point where the economic destiny and human life of millions of people have been subjected to severe geopolitical shocks. What has occurred in recent developments is the unveiling of a composite and multi-layered shock whose destructive effects have cast a shadow through various channels on the body of regional economies, from hydrocarbon-dependent economies in the Persian Gulf to fragile and transitional economies. The central issue for the research community is to go beyond cross-sectional analyses and dissect the complex duality that exists between the necessity of emergency management of conflict-induced shocks and the requirement to achieve sustainable growth through smart industrial policy.

The fundamental distinction of the current conflict from previous crises is its manifestation in the form of a full-scale supply shock; a shock whose main focus is the serious disruption in the vital artery of the Strait of Hormuz. The dramatic jump in oil prices and the ascent of the geopolitical risk index to unprecedented levels in the last two decades are proof of the importance of the Strait of Hormuz and the trans-regional dimensions of this crisis. However, the contagion of this shock to regional economies has not been symmetrical, but is a direct function of the degree of economic exposure, that is, the degree of dependence on oil revenues, and the degree of geographical exposure.

Countries such as Iraq, Kuwait, and Qatar, whose main artery of oil and gas exports is tied to enclosed sea routes, have suffered the most severe economic contraction, so much so that the economic growth outlook of a country like Iraq has fallen from positive figures to heavy contraction. In contrast, countries like Saudi Arabia and the United Arab Emirates, thanks to utilizing land routes and parallel pipelines to alternative ports, as well as possessing a more diversified production structure, have shown relative resilience against the initial shock. This clear divergence proves that the Persian Gulf economy is no longer a unified structure, but constitutes a heterogeneous spectrum of varying degrees of vulnerability and resilience.

3. Channels of Crisis Contagion and the Recreation of Chain Insecurities

The channels of transmission of this crisis have extended beyond energy markets and have targeted the social pillars and production structure of the region. Population displacement in countries such as Lebanon has put additional pressure on public infrastructure, welfare services, and already weak labor markets. At the same time, one of the most dangerous channels of contagion is the threat to food security through the market for chemical fertilizers and agricultural inputs. The transit of a massive volume of global urea exports through the Strait of Hormuz and the increase in the price of natural gas feedstock have led to the formation of cost-push inflation in the agricultural sector. This has severely increased the cost price of food and placed the balance of payments and the national currency value of grain-importing countries under crushing pressure, a situation whose damage will be directly borne by lower-income deciles. Furthermore, the services sector, especially tourism, which has a determining share in the GDP of countries such as the UAE, Jordan, and Lebanon, has faced an obvious pause. Historical experiences show that reconstructing the security image and reviving the flow of tourism in the region will require a long, multi-year interval. In the financial dimension as well, the intensification of geopolitical risk has caused an increase in the yield spread of sovereign bonds and a rise in the credit default swap rate for countries such as Pakistan, Egypt, and Bahrain.

In such a volatile atmosphere, reviewing industrial policy is not merely a technical choice, but a fundamental necessity for laying the foundation of a "Resilient Economy." Unlike the common state-centered models based on rent in the region, which are often caught in the trap of capital-intensive and low-yield projects, Iran's approach is focused on "endogenization and exogenization." In this paradigm, industrial policy acts as a strategic tool for localizing value chains, enhancing technological capabilities, and reducing dependence on import bottlenecks for capital goods. This view does not mean isolation; rather, it is a redefinition of the country's position in the global chain through strengthening "acquired advantages" instead of relying solely on "natural advantages." In fact, sustainable resilience against external shocks is the product of the link between knowledge-based policy-making, targeted support for leading industries, and the creation of a flexible production structure that can preserve and multiply economic independence in geopolitical storms. Historical experiences show that reconstructing the security image and reviving the flow of economic prosperity in the region will require a long, multi-year interval.

Thus, industrial policy must confront serious challenges such as the risk of pushing the private sector to the margins, inefficient allocation of resources in high-cost, low-yield projects, and the inability to create sustainable and high-quality employment for native workforces. In contrast, middle-income countries, due to severe financial constraints, do not have the same power of state instrument-making and mostly resort to tariff-based support tools. Peace and sustainable stability are not an idealistic variable, but a rational and undeniable prerequisite for any economic and commercial development. In the absence of geopolitical stability, neither smart industrial policy will come to fruition, nor will private sector investment take shape, nor will supervisory institutions have the possibility to consolidate.

4. Conclusion: Resilient Economy and Structural Resilience in Iran

Ultimately, the current crisis, with all its crushing consequences, can be a point for a fundamental rethinking of the development paradigm of the region and Iran, and an opportunity for transition toward diverse, resilient, knowledge-based, and institution-oriented structures. Iran, backed by nearly half a century of lived experience in the arena of policy-making and facing complex economic shocks and the severest sanctions a country can face, knows well that passing through geopolitical crises is not dependent on passivity, but requires strengthening “structural resilience” through redesigning industrial policies. The “Resilient Economy” strategy in this approach does not act as an isolationist strategy, but as a driving model for enhancing internal capabilities and stabilizing Iran’s role-playing in regional value chains. Utilizing rich mineral reserves, extensive infrastructural capacities, and the unparalleled geopolitical position on trade highways are strategic advantages that, when linked with knowledge-based governance, pave the way for passing through this storm. Relying on these solid foundations, Iran will not only successfully pass through this historical transition but, by rearranging its industrial and commercial position, will play a vital role as a reliable anchor in the new economic architecture of the region.

The “Journal of Trade and Industrial Policies (JTIP)” will place scientific, analytical, and empirical achievements to international peer review in this same direction to create a firm link between academic research, policy decision-making, and the realities of the global industry and trade arena.