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President Bush's "Greater Middle East Partnership Initiative", U.S. Working Paper For G-8

G-8 Greater Middle East Partnership

The Greater Middle East^[i] (GME) region poses a unique challenge and opportunity for the international community. The three "deficits" identified by the Arab authors of the 2002 and 2003 United Nations Arab Human Development Reports (AHDR) - freedom, knowledge, and women's empowerment - have contributed to conditions that threaten the national interests of all G-8 members. So long as the region's pool of politically and economically disenfranchised individuals grows, we will witness an increase in extremism, terrorism, international crime, and illegal migration. The statistics describing the current situation in the GME are daunting:

- * The combined GDP of the 22 Arab League countries is less than that of Spain.
- * Approximately 40% of adult Arabs - 65 million people - are illiterate, two thirds of whom are women.
- * Over 50 million young people will enter the labor market by 2010, 100 million will enter by 2020 - a minimum of 6 million new jobs need to be created each year to absorb these new entrants.
- * If current unemployment rates persist, regional unemployment will reach 25 million by 2010.
- * One-third of the region lives on less than two dollars a day. To improve standards of living, economic growth in the region must more than double from below 3 percent currently to at least 6 percent.
- * Only 1.6 percent of the population has access to the Internet, a figure lower than that in any other region of the world, including sub-Saharan Africa.
- * Women occupy just 3.5 percent of parliamentary seats in Arab countries, compared with, for example, 8.4 percent in sub-Saharan Africa.
- * Fifty-one percent of older Arab youths expressed a desire to emigrate to other countries, according to the 2002 AHDR, with European countries the favorite destination.

These statistics reflect a region that stands at a crossroads. The GME could continue on the same path, adding every year to its population of underemployed, undereducated, and politically disenfranchised youths.

Doing so will pose a direct threat to the stability of the region, and to the common interests of the G-8 members.

The alternative is the route to reform. The two Arab Human Development Reports represent compelling and urgent calls for action in the GME. These calls have been echoed by activists, academics, and the private sector throughout the region. Some GME leaders have already heeded these calls and have taken steps toward political, social, and economic reform. The G-8 countries have, in turn, supported these efforts with their own Middle East reform initiatives. The Euro-Mediterranean Partnership, the U.S. Middle East Partnership Initiative, and the multilateral reconstruction efforts in Afghanistan and Iraq demonstrate the G-8's commitment to reform in the region.

The demographic changes described above, the liberation of Afghanistan and Iraq from oppressive regimes, and the emergence of democratic impulses across the region, together present the G-8 with a historic opportunity. At Sea Island, the G-8 should forge a long-term partnership with the Greater Middle East's reform leaders and launch a coordinated response to promote political, economic, and social reform in the region. The G-8 could agree on common reform priorities that would address the AHDR deficits by:

- Promoting Democracy and good governance;

- Building a knowledge society; and
- Expanding economic opportunities.

These reform priorities are the key to the region's development: democracy and good governance form the framework within which development takes, well-educated individuals are agents of development, and enterprise is the engine of development.

I. Promoting Democracy and Good Governance

"There is a substantial lag between Arab countries and regions in terms of participatory governance... This freedom deficit undermines human development and is one of the most painful manifestations of lagging political development."
Arab Human Development Report, 2002

Democracy and freedom are essential to the flourishing of individual initiative, but are sorely lacking throughout the GME. In Freedom House's 2003 report, Israel was the only GME country rated "free," and just four others were defined as "partly free." The AHDR noted that out of seven world regions, the Arab countries had the lowest freedom score in the late 1990s. Databases measuring "voice and accountability" rank the Arab region the lowest in the world. Further, the Arab world ranks above only sub-Saharan Africa in the empowerment of women. These discouraging indicators hardly square with the expressed wishes of the region's people: in the 2003 AHDR, for example, Arabs topped the worldwide list of those supporting the statement that "democracy is better than any other form of government," and expressed the highest level of rejection of authoritarian rule.

The G-8 could show its support for democratic reform in the region by committing to:

Free Elections Initiative

Between 2004 and 2006, numerous GME countries^[iii] have announced intentions to hold presidential, parliamentary, or municipal elections.

Working with those countries that demonstrate a serious willingness to hold free and fair elections, the G-8 could actively provide pre-election assistance by:

- Providing technical assistance, through exchanges or seminars, to establish or strengthen independent election commissions to monitor elections, respond to complaints and receive reports.
- Providing technical assistance for voter registration and civic education to requesting governments, with a particular emphasis on women voters.

Parliamentary Exchange and Training

In order to strengthen the role of parliaments in democratizing countries, the G-8 could sponsor exchanges of parliamentarians, with a focus on drafting legislation, implementing legislative and legal reform, and representing constituents.

Women's Leadership Academies

Women occupy just 3.5 percent of parliamentary seats in Arab countries. In order to increase women's participation in political and civic life, the G-8 could sponsor women's training academies to provide leadership training for women interested in running for elective office or establishing/operating an NGO. The academies could bring together female leaders from G-8 countries in the region.

Grassroots Legal Aid

While the U.S., the EU, the UN, and the World Bank have already undertaken numerous initiatives to promote legal and judicial reform, most are working at the national level in areas such as judicial training, judicial administration, and legal code reform. A G-8 initiative could complement these efforts by focusing at the grassroots community level, where the true perception of justice begins. The G-8 could establish and fund centers at which individuals can access legal advice on civil, criminal, or Sharia law, and contact defense attorneys (which are very uncommon in the region). These centers could also be affiliated with law schools in the region.

Independent Media Initiative

The AHDR notes that there are less than 53 newspapers per 1,000 Arab citizens, compared with 285 papers per 1,000 people in developed countries, and that the Arab newspapers that do circulate tend to be of poor quality. Most news television programs in the region are state-owned or controlled, and their quality is often poor, lacking analytical and investigative reporting. This deficit leads to a lack of public discourse and interest in print media, and limits the information available to the public. To counter this, the G-8 could:

- Sponsor exchanges for print and broadcast journalists.
- Sponsor training programs for independent journalists.
- Provide scholarships for students to attend journalism schools in the region or abroad; fund programs that would send journalists or journalism professors to hold training seminars on issues like election coverage or spend a semester teaching at schools in the region.

Transparency / Anti-Corruption Efforts

The World Bank has identified corruption as the single biggest obstacle to development, and in many GME countries it has become endemic. The G-8 could:

- Promote adoption of the G-8 transparency and Anti-Corruption Principles.
- Publicly support the OECD/UNDP Middle East-North Africa initiative, through which senior government leaders, donors, IFIs, and NGOs discuss national strategies to fight corruption and strengthen government accountability.
- Launch one or more G-8 transparency pilots in the region.

Civil Society

Since quite genuine reform in the GME must be driven internally, and since the best means to promote reform is through representative organizations, the G-8 should encourage the development of effective civil society organizations in the region. The G-8 could:

- Encourage the region's governments to allow civil society organizations, including human rights and media NGOs, to operate freely without harassment or restrictions.
- Increase direct funding to democracy, human rights, media, women's, and other NGOs in the region.
- Increase the technical capacity of NGOs in the region by increasing funding to domestic organizations (such as the UK's Westminster Foundation or the U.S. National Endowment for Democracy) to provide training for NGOs on how to define a platform, lobby government, and develop media and grassroots strategies to garner support. These programs could also include exchanges and the creation of regional networks.
- Fund an NGO that would bring together legal or media experts from the region to draft annual assessments of judicial reform efforts or media freedom in the region. (This could follow the AHDR model.)

II. Building a Knowledge Society

"Knowledge constitutes the road to development and liberation, especially in a world of intensive globalization." Arab Human Development Report, 2002

The Greater Middle East region, once the cradle of scientific discovery and learning, has largely failed to keep up with today's knowledge-oriented world. The region's growing knowledge gap and continuing brain drain challenge its development prospects. Arab countries' output of books represents just 1.1 percent of the world total (with religious books constituting over 15 percent of this.) roughly one-fourth of all university graduates emigrate, and technology is largely imported. Five times as many books are translated into Greek (spoken by just 11 million people) as Arabic.

Building on education reform efforts already underway in the region, the G-8 could provide assistance to address the region's education challenges and help students acquire the skills needed to succeed in today's global marketplace.

Basic Education Initiative

Basic education in the region suffers from inadequate (and declining) public funding, increasing demand due to populations pressures, and cultural factors that limit access for girls. The G-8 could commit to a new GME Basic Education Initiative with the following components:

* **Literacy** : In 2003, the United Nations launched the literacy Decade Program, under the theme "literacy as Freedom." The G-8 literacy initiative would complement the U.N. program through a focus on creating a literate generation in the Greater Middle East over the next decade, with the goal of cutting in half the region's illiteracy rate by 2010. As with the U.N. program, the G-8 initiative would target women and girls. Given that 65 million adults in the region are illiterate, the G-8 initiative could also focus on adult literacy and training with a variety of programs, from on-line curricula to teacher training.

* **Literacy Corps** : To improve literacy among girls, the G-8 could create or expand teacher-training institutes targeting women. At these institutes, female school teachers and educational specialists would train women to become teachers (in some countries men are not permitted to teach girls), who would then focus on reading and basic education for girls. The program could employ the guidelines established in the Education for all program coordinated by UNESCO, and the goal would be to train a "literacy corps" of 100,000 female teachers by 2008.

* **Textbooks** : The AHDR notes a marked shortage of translations of basic books on philosophy, literature, sociology and the natural sciences, and makes note of the "sorry state of libraries" in universities. To counter this deficit, each G-8 country could fund a program to translate its "classics" in the fields, and where appropriate, countries or publishers (in a public-private partnership) could reissue classic Arabic texts that are now out of print. These books would then be donated to school, university and local libraries.

* **Discovery Schools Initiative** : Jordan has begun implementing its "discovery schools" initiative, in which new technology and teaching methods are employed. The G-8 could support the expansion of this concept to other GME countries, providing funding and calling on support from private sector.

* **Education Reform** : Prior to the G-8 Summit (in March or April), the U.S. Middle East partnership Initiative will sponsor a Middle East Education Reform Summit. This event will bring together reform-minded public, private sector, civic, and community leaders from the region, along with their counterparts from the United States and EU in order to identify common areas of concern and discuss methods for bridging education deficits. This event could be hosted as a G-8 event, as a way to build support for the GME initiative in the run-up to the summit.

* **Digital Knowledge Initiative** : The region has the world's lowest level of Internet access. Given the ever-increasing stock of Knowledge available on the Internet, and the growing importance of the Internet to education and commerce, it is critical to bridge the "digital divide" between the GME and the rest of the world. The G-8 could launch public-private partnership to provide or expand computer access in schools throughout the GME, especially in remote areas. With the great diversity of wealth and infrastructure among countries in the region, and between rural and urban areas within the region's countries, in some areas it may be more appropriate to provide to provide computer access in post offices, as has been done successfully in Russian towns and villages. The project could initially focus on GME countries with the lowest Internet penetration (Iraq, Afghanistan, Pakistan, Yemen, Syria, Libya, Algeria, Egypt, Morocco), and would seek to wire as many schools/post offices as possible, funding permitting.

This initiative to wire schools in the region could be coupled with the "literacy Corps Initiative" described above: Institute teachers could train local teachers to develop curricula for on-line instruction, and the private sector could supply needed hardware. The computer could then be used by local teachers/students, particularly in rural or poor areas.

* **Business Education Initiative** : In order to boost business education throughout the region, the G-8 could establish partnerships between G-8-based business schools and educational institutions (universities or specialized institutes) in the region. G-8 countries could fund the placement of faculty and resources in these partnership institutes, which would host specific educational programs. These programs could run the gamut from formal year-long graduate training to short courses on specific issues, such as preparing a business plan or marketing strategy.

The Bahrain Institute of Banking and Finance, which has an American director and partnerships with several U.S. universities, could be a model for such institutes.

III. Expanding Economic Opportunities

Closing the Greater Middle East region's prosperity gap will require an economic transformation similar in magnitude to that undertaken by the formerly communist countries of the Central and Eastern Europe. Key to that transformation will be to unleash the region's private sector potential, especially small and medium enterprises, which are the primary engines of economic growth and job creation. The growth of an entrepreneurial class in the GME would also be an important element in helping democracy and freedom flourish. The G-8 could commit to the following actions:

Finance For Growth Initiative

Increasing the efficiency of the economic growth and job creation. The G-8 could commit to an integrated finance initiative consisting of the following components:

* **Microfinance** : While some microfinance institutions exist in the region, entrepreneurs continue to face a large financing gap: only 5 percent of the people seeking microfinance receive it, and only 0.7 percent of the total financing needed is actually provided. The G-8 could help fill this gap through microfinance, especially for-profit microfinance, focused primarily on women. For-profit microfinance institutions are self-sustaining and do not depend on external grants of funds for continued operation growth. We estimate that, assuming an average loan of \$400, \$500 million over 5 years could help 1.2 million entrepreneurs help themselves out of poverty, 750,000 of whom could be women.

* **Greater Middle East Finance Corporation** : The G-8 could agree to co-finance a corporation modeled on the International Finance Corporation to help incubate medium and larger-sized businesses, with an aim toward regional business integration. The corporation could be managed by a group of G-8 private sector leaders committed to applying their expertise in business development to the GME region.

* **Greater Middle East Development Bank (GMEDBank)** : The G-8, along with creditors in the GME region, could establish a new regional development institution modeled on the European Bank for Reconstruction and Development (EBRD) to help reforming countries finance basic development priorities. The new institution would pool the resources of wealthier GME nations and the G-8 to focus on improving access to education, health care, and basic infrastructure. The GMEDBank would also serve as a store of technical assistance and development knowledge for the GME. Lending (or grant-making) decisions would be governed by each borrower's ability to demonstrate measurable reform results.

Partnership for Financial Excellence

To advance reform of financial services in the region, and to better integrate the GME into the global financial system, the G-8 could offer a new partnership to reform leaders in the region. This partnership would aim to liberalize and expand financial services in the Greater Middle East, by providing a basket of financial sector technical assistance and expertise focused on:

- Implementing reform plans that reduce state dominance of financial services;
- Removing barriers to cross-border financial transactions;
- Modernizing banking services;
- Introducing, refining, and expanding market-oriented financial instruments; and
- Building regulatory structures that encourage the liberalization of financial services.

Trade Initiative

Intra-regional trade in the Middle East is extremely low, comprising just 6 percent of all Arab trade. Most GME countries trade with countries outside the region, and have built preferential trade agreements far away rather than next door. As a result, tariff and non-tariff barriers have become the norm, while cross-border trade remains rare. The G-8 could commit to establish a new initiative designed to promote trade in the Greater Middle East, comprised of these elements:

* **WTO Accession / Implementation and Trade Facilitation** : The G-8 could increase its emphasis on WTO accession and implementation for countries in the region^[iii]. Specific technical assistance programs would include providing in-country advisors on WTO accession and generating a G-8-wide commitment to encouraging the accession process, including a focus on identifying and removing non-tariff barriers to trade. Once WTO accession is complete,

the focus would move on to the signing of additional WTO commitments such as TRIPS and Government Procurement Agreement and linking continued technical assistance to implementing these WTO commitments. This technical assistance could also be linked to a G-8- sponsored region-wide program on customs facilitation and logistics to reduce administrative and physical barriers to intra-regional trade.

* **Trade Hubs** : the G-8 would establish hubs in the region focused on improving intra- regional trade and customs practices. The hubs would provide a variety of services to support private sector trade flows and business to business contacts, including "one stop shopping" for foreign investors, linkages to customs offices to reduce transportation processing times, and unified regulations to ease entry and exit of goods and services from the region.

* **Business Incubator Zones (BIZ)** : building on the success of export processing zones and special trade zones in other regions, the G-8 could help establish specially designated zones in the GME that would encourage regional cooperation in the design, manufacturing, and marketing of products, The G-8 could offer enhanced access to their markets for these products, and provide expertise in establishing the zones.

Greater Middle East Economic Opportunity Forums

To encourage enhanced regional cooperation, the G-8 could establish a Middle East Economic Opportunity Forum. Which would bring together top officials from The G-8 and GME (with possible side meetings of non-governmental officials and individuals from the business community) to discuss economic reform issues. The forum could be based loosely on the APEC model, and would cover regional economic issues, including finance, trade, and regulatory issues.

[i] The "Greater Middle East" refers to the countries of the Arab world, plus Pakistan, Afghanistan, Iran, Turkey, and Israel.

[ii] Afghanistan, Algeria, Bahrain, Iran, Lebanon, Morocco, Qatar, Saudi Arabia, Tunisia, Turkey, and Yemen have elections scheduled.

[iii] WTO Accession Applicants (WTO working party established): Algeria, Lebanon, Saudi Arabia, and Yemen. WTO Accession Applicants (application not yet reviewed): Afghanistan, Iran, Libya, and Syria. Observer Status Applicant: Iraq.