

NATIONAL COUNCIL ON U.S.-ARAB RELATIONS

16TH ANNUAL ARAB-U.S. POLICYMAKERS CONFERENCE

“REVISITING ARAB-U.S. STRATEGIC RELATIONS: GEO-POLITICAL, ENERGY, DEFENSE COOPERATION, AND DEVELOPMENTAL DYNAMICS”

11:00 -12:30pm: “DEVELOPMENTAL DYNAMICS”

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DR. JOHN ANTHONY: Ladies and gentlemen, please take your seats so we can start this session. In focusing on this session before the luncheon meeting, we have distinguished specialists again, a diverse group. And the developmental dynamics focus, strategically and thematically is a little less concise and precise than the three previous sessions, and therefore the focus for the speakers is given greater latitude because development dynamics can be anything and everything under the kitchen sink, so to speak. But we have chosen these specialists because they will address various aspects of development dynamics that need to be addressed and that are given insufficient attention in what passes for the mainstream media, or established thought, or "considered opinion."

The chairperson for this session is Dr. Joseph Moynihan who has participated perhaps in more than half of these sixteen annual Arab-U.S. Policymaker's Conferences. He is a veteran of former service in the Department of Defense, served in Saudi Arabia throughout most of the 1980s, and was intimately associated with the AWACS [Airborne Warning and Control System] situation, which was a controversial defense cooperation and arms cooperation issue at that time.

[EDITOR: Soon after it came into office the Reagan administration proposed the sale of five E-3 Sentry AWACS aircraft and 8 KE-3 refueling aircraft to Saudi Arabia. Critics argued that this was a weapons-for-oil deal, and there was initially widespread Congressional opposition fueled by strong Israeli protests against the sale. Additional concerns were expressed about the sale of arms to any Middle Eastern government in the wake of the 1979 Iranian Revolution and the American hostage crisis. The sale was eventually approved after intense lobbying efforts by the Reagan administration, and the planes were delivered in 1986-1987.]

Dr. Moynihan was the Deputy Director of the first major indigenous and extensive strategic research institute in the Gulf, which still exists, the Emirates Center for Strategic Studies and Research (ECSSR) in Abu Dhabi. The UAE ambassador is also intimately familiar with that. He is the Senior Vice-President from Northrop Grumman and has lived in Abu Dhabi for much of the last decade and a half. Dr. Moynihan.

DR. JOSEPH MOYNIHAN: Dr. John, thank you. I'll be a navigator here and make sure we're working.

Well, for those of you who are expecting to see Marjorie Adams here, let me offer my condolences and disappointments. Certainly I think I was selected by John to replace Marjorie, as other duties called her away, because we looked so much alike. (Laughter.) And I think it's largely an issue of physical resemblance.

But at any rate, I think we have really a very important, very critical topic before us when we have discussed the issues of development, and some would argue development in the Arab world, the success, the programs, the efforts, the consultants, the initiatives, the great deal of capital devoted to development is something that should attract our interests and should attract our critical review.

Whether that development is the extension of the existing oil and gas markets, their other markets, whether it involves alternative export economies – and there is a good deal of that that the defense industries and others are quite familiar with in terms of the offset programs – whether it involves the human dimension of development, a great deal of effort and maybe less than a great deal of results associated with any number of human development programs and educational programs, both within the region and outside the region in terms of student and faculty participation by the Arab world, or whether indeed we're talking about political and social or economic development in the larger sense.

We're fortunate today to have at least three experts on – I think we also have an empty chair for Dr. Abdelrahim. If he is not here this morning I would be disappointed because he is a representative of al Jazeera. That always adds a bit of spice to any discussion, and I think we're the poorer if he does not in fact have time to join us today.

But at any rate, we are joined by Ambassador Shaun Donnelly, by Jeremy Jones, and by Dr. Odeh. And their resumes are available to you in the program. We will attempt to limit the speakers' times to ensure that we all have some chance to discuss that, discuss these very important issues following their presentations. Ambassador Donnelly.

AMBASSADOR SHAUN DONNELLY: Do you want me to speak from here?

DR. MOYNIHAN: As you choose, sir.

AMB. DONNELLY: Okay, great. Thank you, Dr. Moynihan, and Dr. Anthony. It's a privilege for me to be back at this annual conference. In various jobs that I have had through my career, I have had the opportunity to come, and I have always found them to be useful sessions, and I'm pleased to be here today.

I'm an economist. I think, with all respect of all of the security and defense and political issues, and peacemaking issues that have occupied most of the rest of the conference, that all of that, and progress in many of those issues is not going to be sustainable or achievable, certainly sustainable over the long run, if the economic, the development side of the region doesn't come along. I know you can look at statistics and see all of the – for many countries in the region, particularly in the last few years, some impressive numbers in terms of economic growth. That is great.

I still believe that to a great extent, the region, the Middle East region is performing economically well below its potential. It is under-integrated into the global

economy. It is under-globalized rather than too globalized, would be my view. It is certainly – it is under-integrated within the region in terms of the partnerships across borders, among neighbors, and I think it is – if I can say undercompetitive in terms of creating within each country the – enough competition so that the benefits for participants in that economy begin to appear.

A lot of progress has been made, but I think there is still a lot of work to be done. And ultimately of course, as anywhere in the world, success in economic development is going to be determined by the nations themselves and their own efforts, but I think that outside partners, including the United States, including international organizations, like the World Bank, the IMF, can do a part.

We think that we from the U.S. side can and should be doing a lot of things to support economic development, economic liberalization, economic integration in the region. I think I'm the only person from the administration on this panel so I'll just make note that it isn't just something that the U.S. Trade Representative's Office is doing. A lot other parts of the U.S. government the – our embassies in the region, the Foreign Commercial Service, trying to promote trade and investment, Overseas Private Investment Corporation (OPIC), trade and development agencies, and lots of other people, the Treasury Department, are working on various pieces of that. And I think if any of them were here sitting in this chair, they would probably focus their talk in some of the programs that they are working on.

I come from USTR, the U.S. Trade Representative's Office, which is a small office. It's a cabinet-rank office. My boss, Ambassador Susan Schwab, is a member of the president's cabinet, like Bob Zoellick, Rob Portman, and other predecessors, but it's – I think we're about 250 people, so we don't compete with the Commerce Department or the State Department or the Defense Department in terms of size.

What we're trying to do is promote economic development, liberalization by focusing on the issues of trade and investment. And it's probably fair to say that 20 years ago, USTR really was not active at all in the Middle East region. In fact, we had an office of Europe that just was supposed to be looking after the Middle East. And then about, oh, 15 years ago, we changed it to office of Europe and the Mediterranean, also supposed to be looking after the Middle East, but it was clearly an afterthought.

And I think it's really, with Ambassador Zoellick's arrival in 2001, he brought a lot of creative ideas to USTR, and one of them was that this Middle East region was much more important in the trade-and-development side, and USTR ought to be playing a role there.

Let me just talk a little bit about what we have done. I mean, I think at the – at the biggest level, I think the best thing that the U.S. and the countries of the region that are members of the World Trade Organization can do to help promote, to give a further impetus to economic development from the trade side is to conclude the so-called Doha Round in the World Trade Organization.

[EDITOR: The World Trade Organization conducts its negotiations, designed to encourage freer trade between countries of varying prosperity, through what are called rounds. The Doha Round of WTO negotiations began in November 2001 in Doha, Qatar and was originally scheduled to conclude in 2006. Because of continuing inability to reach the necessary agreements that deadline has been repeatedly pushed back. Goals of this round included discussion of agricultural and manufacturing market, services, and intellectual property rights, but there have been significant differences between developed and developing countries on questions of agricultural subsidies in rich nations, market access, and the domestic “policy space” of individual states. This round has seen the emergence of a new bloc of developing and industrializing states known as the G20 and led by the G4 – the People’s Republic of China, Brazil, India, and South Africa. To date ministerial rounds of negotiation have taken place in Doha (2001), Cancun (2003), Geneva (2004), Paris (2005), Hong Kong (2005), Geneva (2006), and Potsdam (2007).]

It [the Doha Round] was launched in 2001 and, frankly, it hasn’t gone as rapidly as some of us had hoped, but we are committed; the President is committed; Ambassador Schwab is committed. She works quite intimately with a bunch of ministers. The Arab group is led, in the WTO, by Minister Rashid, the Egyptian Minister of Trade, who is going to be coming next month. They have regular communications. And, you know, we are going to do everything from the U.S. side that we can do to help get a good Doha deal – a Doha development agenda deal, that will be good for us, clearly, from a developing world, from a Middle East region, and I think that has to be a very high priority.

When President Bush in 2003 launched what was called the Middle East Free Trade Area proposal, the MEFTA, the U.S. Middle East Free Trade Area proposal, we already had two free-trade agreements in the Middle East region with Israel from the early – from the mid-’80s, and with Jordan from 2001. But under the – and the MEFTA that the president laid out was a 10-year vision of trying to engage with each of the countries in the region on trade and investment issues at the level they were. We weren’t going to try to bring together all of the countries. We tried that, frankly, in the Western Hemisphere, a big group grope, the free-trade area of the Americas, and that process sort of did not achieve its objective, let’s say.

So when Ambassador Zoellick was laying out the approach to the Middle East region, he said, well, let’s – and the President endorsed this – let’s deal with countries at the level they are. Some of them are ready to negotiate with us on comprehensive gold-card standard free-trade agreements. And we have gone on and concluded those in negotiations with Morocco, with Bahrain and with Oman. We hope to have – the Morocco and Bahrain agreements are fully in force. We are in the final stages of the ninth inning with Oman, just getting a couple of final regulations issued in Oman, and we hope to have that agreement fully in force by January 1st. That is certainly a shared objective.

But there were other countries that were not quite ready to do an FTA but who were on the path toward joining the World Trade Organization. Saudi Arabia is one very

good example. We signed an agreement; we called it a TIFA agreement, a Trade and Investment Framework Agreement with the Saudis in 2003. We focused that dialogue on helping Saudi Arabia get into the WTO, and it was a great event for many of us to see Saudi Arabia accede in 2005.

We're still engaged with other countries in the WTO accession process: Lebanon, Algeria, Yemen, Libya, and so on. And they are at different stages. The ball is fundamentally in the court of the applicant country, but the U.S. is doing everything that we can to support them – technical assistance in some cases, because it is a huge development to join the WTO. With other countries, we are using our TIFA process, Trade and Investment Framework Agreement process.

With the UAE, we have what we call a TIFA plus because they are a very important partner, and we try to get together with the UAE team, led by Sheikh Lubna al Qassimi and Minister Khirbash, the Finance Minister, about twice a year to talk about how we could move forward. We would like to get to a free-trade agreement – some challenges, but I'm optimistic that we're going to get here. We're engaged obviously with Egypt. With Saudi Arabia – I hope to go to Saudi Arabia with an interagency team before the end of the year, although it may slip to January and engage in a TIFA meeting out there with Minister Yamani, the Minister of Commerce.

We are – I mean, I would be glad to answer questions about where we are with individual countries in the region. The fundamental point I want to make is when we talk about our U.S. Middle East Free Trade Agreement, strategy, the MEFTA strategy, what we're not trying to develop is just a hub and spoke with the U.S. here and each country trading with the U.S. That is frankly where we are starting out, but the objective is to build a mass of countries that have committed to high standard trade and investment regimes with us, and then, as we can begin to integrate them into a network. So we're also promoting trade within the region.

And I think that obviously economic benefits, but it also has political and cultural and societal and employment and all of those other kinds of benefits. So we don't in any way think it's going to be easy but it's a high priority for the administration. We continue to work hard at it. We are also very actively interested – and this is the program that the U.S. Trade Representative's Office and the Department of State share of a lead in the U.S. government in trying to negotiate either new or upgraded bilateral investment treaties (BITs) that of course would cover investment in both directions. And obviously we have seen more and more investment coming from the Middle East region into the United States, and we see more and more U.S. investment going into the region.

And we're talking with several countries. We have BITs (bilateral investment treaties) with several key partners in the region, but some of them we don't yet, or some of them we have old-style bilateral investment treaties that date from the 1980s, and there is a question of whether it would be in the interests of both sides to try to – to try to upgrade to a higher, more cutting-edge level of investment protection, and I think that is

something that I hope a year from now we'll be able to report to you that we have had some success.

So it's not going to be easy. We're in a supportive role from the U.S. side. I think each of the countries in the region has got its own development strategy, its own economic reform strategy. We're not the only players. The European Union is also actively out there. They had a Mediterranean program with the countries of the Mediterranean. The European Union has been negotiating for 15 or 18 years trying to do a group free-trade agreement with the Gulf Cooperation Council, and maybe some day that will come to fruition. That would be a good development.

We are certainly happy to go compete our free-trade agreements with anybody else's. But we think anything that promotes more openness, more competition, more transparency, more rule of law, more integration of the region into the global economy is going to be in the interest of the region and certainly in the interest of the people of the region, the consumers, the investors, the workers out there, and we have to make that work not just for the economic reasons but for the political reasons that we all understand. So why don't I stop there, and when we come back, I would be glad to take any questions or comments.

DR. MOYNIHAN: Thank you, Mr. Ambassador. May I make a point now that there should be index cards available at all chairs; if not, the staff would happy to give you others. We will have hopefully some – a good period of time for questions and answers later, and we would like your input on that.

I think Ambassador Donnelly has given us an excellent viewpoint of the administration's activities and its aims and hopes in terms of trade alliances. To shift now from the domestic to the larger-world efforts, we start with Jeremy Jones, who is an expert in many of these things, particularly in infrastructure and health.

JEREMY JONES: Good morning, ladies and gentlemen. I hope you forgive me for standing. It's – I think better on my feet I think. (Laughter.)

If I could momentarily go off topic, I would just like to let you know, those of us in England involved in Middle East studies are great admirers of John Duke Anthony's work. He has fought a really extraordinary policy battle over a number of years, and we have great admiration and respect for his efforts.

(Applause.)

So a movement that is socially conservative, believes passionately in strong family values, committed to building strong, cohesive communities, and pro-business. I could be describing the Christian right in the United States; I think they fit that – (laughter) – but of course I am actually talking about the Muslim Brotherhood. And I don't want to revisit the issue of engage or don't engage with the Islamists because I

think that was discussed yesterday and I think probably we all agree engagement is the only way to go.

What I'd want to seek to do is to take that a little further by demonstrating that there is scope for engagement in creative ways and in new spaces. And it's my view that there is plenty of evidence that the economic ethos of the Islamist movements is distinctly pro-capital, and this is an opportunity that perhaps so far we have missed. Thinking about this talk, I remembered that vanished slogan: "property is theft." Isn't it amazing how intellectual tradition, fashion changes? I haven't heard "property" is theft for many, many years.

[EDITOR: "Property is theft," is an anarchist slogan that originates with French anarchist Pierre-Joseph Proudhon in his book *What is Property? Or, an Inquiry into the Principle of right and Government* (1840). Proudhon was not opposed to all forms of property but subscribed to the labor theory of value whereby workers "owned" or controlled the fruits of their labor. His objection is to the accumulation of property and to the exploitation of workers. Proudhon advocated a program he termed "mutualism" whereby by workers would barter their products in a market exchange mechanism.]

The point I want to make is it's not a slogan that was ever heard much in the Middle East. To my recall, there has only ever been one regime that in any sense you could call Marxist, and that would be the People's Democratic Republic of Yemen. The other so-called socialist parties in the Middle East in my view are a form of national socialism that has much more in common with the Right as we think of it rather than with the left.

The obvious best case here is of course Turkey where the AK Party [Adalet ve Kalkınma Partisi = Justice and Development Party] government is an Islamist party and is – it's presided over the greatest economic boom in Turkish history and is very strongly supported by Turkish business. [EDITOR: AKP is a conservative, pro-Western party that places strong emphasis on moral values, advocates a liberal market economy, and supports Turkish membership in the European Union. Critics accuse the party of cloaking an Islamist agenda because of its roots in the Muslim religious community, but AKP insists that it has no "religious axis." AKP won the largest number of parliamentary seats in Turkey's July 2007 elections and holds a comfortable majority. Its leader, Recep Erdogan, is currently Prime minister of Turkey.] Now, one might say that Turkey's an exception and so this isn't – this isn't a fair example. And to some extent, that may be true.

If you go looking for a coherent economic policy of the [Islamic] Brotherhood or the [Islamist] PJD [Party of Justice and Development] in Morocco or Hamas [The Islamic Resistance Party in Palestine currently holding a parliamentary majority and controlling Gaza but condemned as extremist or terrorist by the United States, Israel, and the European Union], it's quite hard to find. However, it does seem to me that to some extent, free-market economic policies can arise from an agenda that is basically anti-big-state. The opposition movement in Egypt – part of what it's opposing – is opposing the

big-state status character of the government there. So there is – I would argue – scope to find the creative way to engage here.

The two principles of 20th century Islamic economics seem to be – to me to be concerned with outcomes and with process. So far as outcomes are concerned, it's about equality and it's dealt with by *zakat*, the religious tax. So far as process is concerned, it's a concern for fairness, basically an anticorruption ticket.

So the word, *riba*, in Arabic, means usury; it does not mean interest. I've checked this out just this morning with a couple of experts. Now, this is of course not everybody's view by any means, but it is I think probably the most – the most prevalent view. The point about *riba* is it's when interest is excessive that *riba* arises. In other words, it's, if you like, sub-prime-market-type loans with exorbitant interest rates that are *haram* [forbidden or prohibited by the faith]. Loans at a fair price are fine.

And I would just like briefly to quote the Holy Koran: "Oh, you who believe when you deal with each other in transactions involving future obligations in a fixed period of time, reduce them to writing. Let him who incurs the liability dictate, but let him fear his lord God and not diminish aught of what he owes." [Surah 2.282] Now, of course, this statement, "let him who incurs the liability to dictate" will be familiar to anybody who's worked on getting debt settled in the Middle East. This is part of the culture.

There has been some very interesting work done by Joe Beyene (sp), an academic, who says that by 1980, of the 18 large family business houses that dominate Egypt's private sector, eight were affiliated with the Muslim Brothers. And he says that economic enterprises linked to the society, many concentrated in real estate and currency speculation, may constitute as much as 40 percent of the private sector.

The leadership of the Brotherhood in the '70s and '80s was associated with land ownership and old money. And I think it can reasonably be said that those currently in the leadership of the Brotherhood are of the Islamic *infitah* [literally, "open door"]; this was the economic opening out that happened under President Sadat. [EDITOR: This refers to Egyptian President Anwar Sadat's decision to "open the door" to foreign and domestic private investment in Egypt following his country's defeat in the 1973 October War with Israel.] These are the people who became influential in the Brotherhood, having benefited greatly under the *infitah* policy because, especially those linked to old money and power, invested in banking and financial services. And, of course, these were sectors that benefited greatly when the *infitah* took place.

In Western views of science and economics in the Middle East, we are guilty of an extraordinary degree of prejudice. And I just picked up one example last week. Last Friday, London's Financial Times, which I view as about as a respectable newspaper as you can get published an article on Islamic innovation – and incredibly, called in evidence a 2002 survey which identified only three areas in which the region excelled in

scientific research. And the three areas identified were falconry, desalination technology, and the reproductive systems of camels. Really, it's true. This is in the FT.

I find such prejudice very, very difficult to understand and just disquieting. I believe that there's an opportunity for much more research to be done in this area about the social and economic background supporters of Islamist movements. How are they related to, linked in to social power and economic wealth? And in particular, what my work, what I think I see emerging is the realization that there is a kind of fake egalitarianism which equates poverty with virtue. And that is superficial.

I think there's a deep politics that underlies this where a merchant class works with movements like the Brothers against military-style, authoritarian regimes. And my controversial suggestion is that it's the Islamists in their view of economic policy, in their support for free markets, in their support for business – these are people that we can deal with. I believe Mr. Erdogan in Turkey may be the first of many leaders of his character. And if we could engage in a new way with these groups, I think good politics can come out of this to great benefit.

Crucially, Islamists, very largely, buy into pluralism and of course, if you buy into pluralism, you've made an important step towards a free market. The other side of the coin is the rule of law that Ambassador Donnelly mentioned. And I enjoyed his remarks very much because it's refreshing to hear about some administration policies with which I agree entirely. (Laughter.) It's an unusual experience. Thank you.

DR. MOYNIHAN: Jeremy, thank you for your many insights on political economy within traditional Arab states. We've really had so far the administration's position, its initiatives, its hopes, its policy. And then, subsequently, from Jeremy, a sense of capital flows and entrepreneurial activity within not only Arab states, but within Arab societies and Arab villages. Perhaps Dr. Odeh Aburdene, my colleague from the Fletcher School, can give us a better view of international capital flows and the implications of those, whether it's direct foreign investment from the outer world to the Arab world or indeed the various numbers one hears associated with Arab investment into that larger world economy. Dr. Odeh, thank you for being here.

DR. ODEH ABURDENE: Thank you. John called me four, five days ago. And I was supposed to be in New York. And he says he wants me to talk about the dynamics of development, which is a broad topic. So I'm going to talk about the dynamics of development and Arab capital flows.

But first, I'd like to make the following points. To have development, to create jobs, to have prosperity, you need peace and stability in the region. You can't really achieve the economic growth that the Japanese or the Europeans in the '40s without stability in the region. If you look at the cost of violence and war since 1948 in the Arab region, I estimate the cost has been over \$1 trillion. Imagine if that \$1 trillion have gone into human capital, which I define as investments and skills.

Thirdly, to have economic growth, to have innovation, you need to have a philosophy of free markets. Now, I want to go back, a little back, to the '70s. If you look at the Arab region in the '70s, and here I want to be more focused on the GCC countries, the oil revenues of the GCC countries in 1970 were under \$5 billion. The banking system in these countries was very small and the educational system, too, was very weak.

Today, when you look at what's happening in the region, I am very optimistic. Why? First, I look at the human capital. I look at the educational system. A great deal of progress has been made. But a lot more has to happen. And you see today in the field of education, where first-class American universities are going to the region. You find them in Dubai; you find them in Abu Dhabi; you find them in Qatar, in Bahrain. That, in the final analysis, is the key to growth, to prosperity, and to stability. If we look at the banking system, if you look at the top banks in Kuwait or Saudi Arabia or Abu Dhabi or Bahrain, you find that first-class banks, they have a very liquid balance sheet, they are well-managed, and they have an international presence.

In the '70s, most of these banks did not exist. Gulf International Bank wasn't there. Abu Dhabi Bank wasn't there. You had the National Commercial Bank in Saudi Arabia. So you have a vibrant banking system. And when you look at the financial situation of these banks and you compare them with some of the top international banks, and you see the write-downs that these banks have taken today in the sub-prime areas, in the mortgage areas, you find that these banks are managed more conservatively and their liquidity is much higher. So that is something that people don't talk about.

Lastly, I want to talk about the foreign accumulation of assets by these countries. We hear a lot in this country about the Chinese accumulation of foreign assets. We hear about the Japanese; we hear about the Europeans. But today, the largest creditors to the U.S. are the Arab oil-producing countries. If you look at the assets of these countries, I estimate, they probably exceed \$1.3 trillion. They are managed in a very conservative manner; they are well-diversified; and they becoming more and more transparent.

So as you look at the region, we find the following – the human capital is improving, the financial capital is increasing at a very high rate, and the world continues to be dependent for energy on that region. Whether we like Arabs or not, we have to take the fact that for the coming 50 years, we need to be dependent on that region. And that means we need to have better Arab-American relations.

I have a few other remarks to make about development. And I want to go back to education because, if we look at the American experience, the secret of American prosperity and innovation was in education. According to the former president of Harvard University, Lawrence Sommers, he said, "Harvard's greatness has always come from its ability to evolve as the world and its demands change, to educate and draw forth the energy of each successive generation in new and creative ways."

It should be noted that the acquisition of knowledge begins with knowing how to acquire it. Post-war America saw the emergence of an ethnically diverse middle class, a

group that had attained its status not through blood ties, but through unparalleled access to good schools and lucrative employment. So education is, in my view, the major dynamic in the economic development and growth of any society.

Therefore, Arab higher education must produce and maintain research scientists of the highest caliber. Wealth and economic growth will depend nowadays upon technological and scientific advancements and entrepreneurial zeal. Therefore, scientific infrastructure in the Arab world is required. You cannot attract high-technology investments if you lack a highly educated and technologically skilled population. You need an education that provides or established business schools that will offer rigorous MBA education.

Professor Carl Kester of the Harvard Business School believes that the MBA program is about entrepreneurship, building organizations, and preparing for a lifetime of principled leadership in all kinds of operations, not just on Wall Street, but also in Dubai and Riyad and Abu Dhabi.

In 1843, the British magazine the Economist stressed the case for liberty and especially economic freedom. Economic freedom, much like political freedom, puts great weight on checks and balances, on limits to power and hands to abuses of power. In economics, the most potent checking force bar none is competition, that a world can achieve higher economic growth through more competition and entrepreneurship.

Entrepreneurs are a breed of men and women who are not afraid of failing by assuming risk. This can only come about if you create a culture that has an appetite for innovation, risk taking, and bets on people of talent and ideas. This is how Microsoft, Google, and Intel came about.

I want to dwell for a little bit on the concept of risk capital and venture capital. The Arab world has first-class merchants. The Arab world has established some of the top trading companies. But very little has taken place in the field of venture capital and risk taking. Recently, King Abdullah University in Saudi Arabia has begun a program of innovation, risk taking, of encouraging entrepreneurship. But if you look at the Arab banking system, despite its great liquidity, very little capital has gone to venture capital.

There are many Arab scientists; there are many Arab engineers; there are many Arab entrepreneurs who have great ideas, who have proposals for scientific advancements. And yet, the Arab banking system is so conservative that it's not willing to bet on people of ideas, on people who are willing to take risks. And I want to use the example of Taiwan.

Taiwan, the little tiny island, has achieved tremendous scientific advancement and they did that by reaching out to Chinese émigrés in this country who have scientific knowledge, who have scientific ideas, who have come up with innovation and attracted them back to Taiwan and supported them with capital, supported them with facilities. And this is an area where I feel the Arab world has to do more.

You have a great Arab-American community in Silicon Valley, in the medical fields. An effort must be made to persuade these people to come back to the Arab region, to use their talent, to use their ideas. That's the area where I think Arab emphasis should be. How to be technically inventive, how to promote people in the area of science, and how to bring them back, along with doing joint ventures with American companies, European companies, in the area of technology; that's where the future is and that's where the Arab world should move in in order to accelerate employment and increase per capita income. Thank you very much. (Applause.)

DR. MOYNIHAN: Dr. Odeh, thank you very much for your insights. Our last speaker hails from al Jazeera and is an investigative journalist of some note, no doubt can provide his unique perspective on the issue of development. Maybe he'll tell us something of the stories of Qatar, which may in fact be among the models that Dr. Odeh would find attractive to other parts of the Arab world. But at least he can offer the biting perspective that al Jazeera is known for with respect to Arab governments and Arab practices in international monetary flow. Thank you, Dr. Abdelrahim.

DR. ABDELRAHIM FOUKARA: Thank you. When Dr. John Duke Anthony extended the invitation to me a couple of weeks ago to come and speak, he said that he wanted me to talk about Arab-American relations "as much from the heart as much from the mind." And who can say no to that man. So that's what I am going to try and do now. And I would like to warmly thank the National Council on U.S.-Arab Relations for having kindly extended the invitation to me to share with this wonderful gathering here my thoughts and feelings about the state of Arab-American relations.

I wish I could start this talk with a high note of satisfaction with the current state of those relations. Regrettably, I have to agree with those who say that it has become almost impossible to talk about them without feeling or expressing a sense of lament. I'm sure a minority of Arabs and Muslims resent America no matter what it does or does not do.

I am equally sure that a larger percentage of Arabs and Americans – of Arabs and Muslims are disappointed or even angered by American foreign policy in the Middle East and think of most Americans as being unable to even place the Arab world on the map. But when all is said and done, I think that at the drop of the hat, an even larger percentage still of Arabs and Muslims would chose to come to America over going to many other parts of the world, despite everything we hear and read about anti-American sentiment in the region.

Why? Because despite what is said about the failings of American Middle Eastern foreign policy, and despite all of the bad press Arabs and Muslims have sometimes got in this country since 9/11, America remains associated with a high value commodity called hope.

So what should Arabs living in America tell their fellow Arabs living elsewhere about their American life? I am sure some Americans hate Arabs no matter what they say or do and think of them as an inherently violent species. But America, like the Arab world, is a place of great diversity of opinion and perspective. I am also confident that, given half the chance to visit the Arab world and experience the warmth and generosity of its peoples and cultures, some of those Americans would be less eager to judge or midjudge.

And that's because America, like the Arab world, is a generous human and cultural mosaic which is at its best and most natural when it embraces everyone. As you know, when America veers off of that track, the whole world cringes. And I mean that literally as well as figuratively. If I had to find a simile that best describes relations between Arabs and Americans at the present time, I would probably say that they are like the forlorn children of parents who have been through a violent divorce, but who continue to find solace and wonder in recalling the magic of the old days, the magic of an age of innocence when Americans populated their fantasies about the Arab world with glorious characters and scenes from the "1,001 Nights," and an age when little Arab children learned to populate their fantasies about America with the Ingalls of "Little House on the Prairie," which by the way, I watched a lot when I was growing up.

I was born in Morocco, a country whose culture is based on its unique geographical position between the Arab Middle East, black Africa, and Mediterranean Europe. This geographical locale has, over thousands of years, translated into a mosaic of cultural and ethnic expressions which have, in time, blended into that most generic and inclusive concept known as Arabness, a concept so often ill-understood because ill-explained.

Contrary to wide perception, being Arab is not necessarily a statement of race or ethnicity. Being Arab is much more complex than that. Being Arab, to millions of people who call themselves that, is a way of life, a way of being in the world, in all its manifestations of joy and sorrow, shame and pride, pettiness and grandeur, intolerance and open-mindedness, reason and madness. Being Arab, rather like being American, explicitly and implicitly denotes a wide variety of attributes and contradictions.

But when all is said and done, being Arab is nothing more and nothing less than another way mankind has invented to express its humanity with everything that is sublime and fallible about it. When contemporary Arabs look around their present universe, they see a reality riddled with dilemma, a long night of poverty, tyranny, occupation, and a sense of shame, the kind that springs from having lost the compass that once helped their ancestors navigate the seas and skies of human achievement.

So acute are their shame and despair that they sometimes find virtually untranslatable comfort in the words of Nabighah al-Dhubyani, an ancient Arab poet, overwhelmed by the endless night of waiting for his loved one, Omena (ph) – (in Arabic) – he said – (in Arabic) – "to my well-entranced sorrow, let me suffer the long night of slow-moving planets. It has dragged on for so long. It feels without end. So long the

star's shepherd I feel will never return." Nothing captures either the sorrow or the magnificence and complexity of the human soul better than literature.

And should Arabs, God forbid, leave this planet one day, they would be most-remembered for their poetry, though there were also other stars that once lit and hugged the higher heights of Arab achievement in architecture, philosophy, mathematics, astronomy, medicine, and various other sublime expressions of the human spirit. That is something which Americans would be better served to understand about Arabs. That is the best and most secure bridge to Arab hearts.

So what do Arabs need to fathom about America and Americans? America and its culture may not have the historical depth of the Arab world, but that's not necessarily a bad thing. Perhaps because of their young and short history, Americans are natural-born precursors to lead the way into the future. That's where it seems to me their natural sensibility takes them.

In many ways, the present of many other nations is already the future in America. Many of those nations, including the Arabs, may take issue with American foreign policy in Iraq or Palestine or elsewhere. But when they look at America's enterprising spirit, how it has put man on the moon and invented cures for diseases once thought incurable, they say, not in shock and awe, but in words of wonder and amazement, ah, that is where I'd like to be in 50 or 100 years if I'm lucky.

So let's look at the magic roundabout that is the past of the Arabs and the future of the Americans, for a minute. It is the kind of magic that can take us back to the future, to the things that bind us together, beyond the seas that separate us. In 1492, the Iberian Peninsula's last Muslim kingdom fell to the Catholic kings of Castile. In 1492 also, America was discovered by Christopher Columbus, a voyage sponsored by those same kings, a voyage that dramatically changed the course of human history, a voyage made possible by the scientific legacy of a desert people who, with time, became seafaring nations, the Arabs. That's how magical man's roundabout can be.

"What a piece of work is man," said Hamlet. "How noble in reason? How infinite in faculties? In form and moving, how express and admirable? In action, how like an angel? In apprehension, how like a god? The beauty of the world, the paragon of animals and yet, to me," Hamlet asked, "what is this quintessence of dust?" [Shakespeare, *Hamlet* Act 2, Scene 2, 303-312] So allow me, for a minute, to turn to the quintessence of dust in Arab-American relations and the tragedies that have driven them in recent years.

Six years after 9/11, I continue to puzzle over the extent to which Arabs and perhaps non-Arabs as well, living outside the United States, have failed to fathom what the 9/11 attacks have done to America's collective psyche. I have heard from many Americans that the attacks not only violated their sovereignty and sense of security, but they also shook the very foundation upon which their American-ness was erected. The threat, they say, was existential.

Whether the Arabs can relate to that or not, it certainly deserves to be food for thought. But I also continue to puzzle over the extent to which Americans have failed to grasp what the invasion of Iraq signified to millions of Arabs, particularly those who had never been directly exposed to the authority of the Iraqi state at that time. Iraq, in the Arab psyche, has a resonance all its own. Its history may be punctuated with discord and even bloodshed; its geography may have been randomly patched and fabricated by past empires, but in the eyes of the Arabs, Iraq has always represented the jewel in the crown, the land that has for so long spurred the magnificent horse of Arab imagination, stimulated by legends such as Haroon Al Rashid who, the fable goes, had golden birds chirping in his garden's golden trees.

Dig deep in the archeology of modern Arab psychology and popular memory and you will sooner or later hit that find: Iraq. Americans may or may not be willing or able to relate to that perception, but no attempt to understand the contemporary Arab psyche would be complete without listening to the ring of Iraq in that psyche.

But that's not the only thing lost in translation between the Arabs and the Americans in recent years. One of them is that human history is littered with evidence that military power cannot always buy you love or victory, as Iraq has yet again shown us. Another thing lost in translation is that there's no safety in numbers. Just look how hundreds of millions of Arabs and Muslims completely failed to prevent the invasion of Iraq or to offer the Iraqis a way out of their current quandary, not one minute to the other.

A third element that must be restored to the translation of Arab-America dialogue is that pithy and totally wonderful phrase thought to be the foundation of American democracy, that all men are born equal. I'm delighted that yet again, a poet has beaten me to the punch, this time, America's own Walt Whitman. "Neither a servant nor a master am I," he says in *Leaves of Grass*, "I take sooner a large price than a small price. I will have my own, whoever enjoys me. I will be even with you and you shall be even with me." [94 – "Carol of Occupation," lines 19-21, *Leaves of Grass*]

If Nabighah al-Dhubyani and Walt Whitman were here with us today, I would certainly have asked them to compose a poem to Arab-American relations. For while the current state of those relations is far from poetic, I don't see armies of Arab poets marching to America to show the bright side of Arabness, nor do I see armies of American poets marching to the Arab world to show the bright side of American-ness. But if this magnificent gathering here today is a beginning, I'll take it. Thank you. (Sustained applause.)

DR. MOYNIHAN: I would mention in the last plenary panel of this conference, which we're enjoying at the moment, our subject today is development. And, of course, development is defined by individuals; it's defined by history; it's defined by leaders and governments who will always mean different things to different people. Some note the discussions of appropriate development and perhaps the mistakes of Brazil in choosing

technology over something that allowed greater development and more employment for their people.

So I would ask our distinguished panel to respond to your questions, those that I have and those that will come, within this framework. And the first series of questions really are structural in nature. They are addressed to the GCC, but we could expand that beyond the GCC to talk about the structural enablers and impediments to development, maybe the issues of a common currency, the issues of the long-shot issues, I might mention, of common customs policy. The other issues that would, in some way, promote economic development, or at least reduce some of the structural impediments to economic development, and I think I'd like all of our panelists to comment in general on the structural issues first. And I would start with the same sequence with which they've presented.

AMB. DONNELLY: Thanks, Dr. Moynihan. What I would say, I come at this from the trade policy perspective. And I was not at the trade representative's office back when Ambassador Zoellick was structuring our MEFTA initiative, but I was at the State Department and was working on the same issue from that side. We look very carefully at the GCC as an entity, as a potential group partner. We had seen that the European Union was trying to negotiate a group trade agreement. We obviously had noted that over time, the GCC has developed as an institution and was more integrated.

It was our judgment, four or five years ago, that we saw more opportunity and we had individual GCC member states that were coming to us, wanting to engage on a bilateral basis; it was not an anti-GCC policy. It seemed to us, however, that there was more opportunity to conclude these high-standard free trade agreements with individual parties. But we certainly, it's our vision that we would like to have similar free trade agreements with all six of the GCC countries and many other countries in the region. And then, we knit them together into a comprehensive agreement, as I was saying, that not just promotes trade and investment between individual countries in the United States, but also among the countries of the region.

So we certainly acknowledge the importance of a GCC as a group. I think I would say in the trade world, it's still seen as an evolving process. The individual countries still participate in the World Trade Organization as individual member states, not along the model of the European Union, which is a fully integrated customs union where the commission in Brussels speaks on behalf of the 27 member states. I leave it to the GCC to define if that is their ultimate goal and how they will get there and whatever decision the GCC makes in terms of the pace and extent of integration. Currency is not something that we work on; it's more of a Treasury Department function.

But I think you'll find the U.S. government willing to engage. We'll take our lead from the GCC members as they sort out the speed and the pace and the where they're going to integrate first, and we will adapt with it. We are, ultimately, pragmatic and want to make progress. We see the GCC as one tool, but I guess we're not going to wait and

say we can't engage with individual member states or other groupings in the region and so on, like that. So that's sort of what I would say about it.

MR. JONES: Well, I'd refer back to the previous panel and Dr. Cordesman's comment about cooperation. I think lying behind the structuralist use that you mention, there is a fundamental problem in terms of cooperation between the member states of the GCC that I think arises from a lack of trust and from what I might describe as local rivalries. And this really is a major barrier.

The second issue is, of course, education. The quality of higher education, particularly, in the region is still relatively modest. I'd also refer to the dependence on immigrant labor, which I think serves to slow down the development of indigenous human resource. And finally, in relation to the single currency, I think that's some way off, certainly well further off than the 2010 target date.

DR. ODEH: One thing that I think will enhance growth and development is the topic of rule of law. To attract foreign investments and to generate internal growth, you need the security of profit, property, of the judiciary and ability to enforce contracts on necessary.

The Arab world has to establish, in my view, commercial and a legal environment that both is predictable and secure. A precondition for economic growth and gains in income is the establishment or the introduction of bankruptcy laws. Bankruptcy laws provide for orderly distribution to business creditors through reorganization and liquidation of troubled business entities.

This is a concept that is well-known in America. And what's interesting about bankruptcy law is there is no shame in failing. Such a system needs to be introduced. You can start a business. Economic conditions may turn against you. But the rights of the lenders are protected. The senior lenders come first, subordinate lenders come second. This is an area where I think a great deal of effort should be made deducing bankruptcy laws for individuals, for corporations, and also for attracting foreign investors.

DR. MOYNIHAN: Staying for a moment with the issue of structural enablers, the subject of the WTO has come up for our audience, both states that continue to pursue WTO membership and those that have already achieved it, wondering what the benefits of that long and expensive effort might have been to those states. And it seems, Dr. Odeh, that some of the things that you're discussing, in terms of transparency and bankruptcy laws and all of that, some of that is required. I believe WTO applications and membership, at least higher levels, and particularly in association with intellectual property which, to my mind, is probably a key enabler for greater direct foreign investment.

Just a quick comment on the WTO process – the states that have completed it, I know the Emirates and the Kingdom and others have; some have not. What is that doing? Is that something that will promote the sort of development that we all seek? Sir.

AMB. DONNELLY: Well, I certainly think so. And the U.S. government thinks so. We don't in any way portray this as being easy or painless. And obviously each applicant country has to decide the pace at which they're prepared to take on the commitments of WTO membership. But there are huge benefits.

I mean, obviously, in the most direct trade and investment side, primarily trade, but there are a few investment protections with WTO. Once you join, then your nationals, your companies, your citizens, get the rights into the markets of other countries, to the U.S., to Europe, and so on, like that and the protections, so-called most favored nation treatment. So I think that is substantial.

But ultimately, I think that for many countries, particularly developing countries, joining the WTO is really about making changes that increase competition, transparency, rule of law within your own country. Will it be painful for a certain sector that perhaps has existed and prospered only behind the wall of protection? Yes. But think of the increased competition for all of the other consumers and if you have a subsidized, protected steel industry that loses some of its special benefits and has to compete with steel, they may have to adjust to being in the WTO. But all of those other industries that depend on steel – the equipment manufacturers, automobile manufacturers – they get the benefits of it.

So if you want to grow and prosper in the global economy, there are two fundamental options. One is to stay outside of the system, protectionism. And the other is to jump in and join. And I think the WTO is a big way you do it.

And then, finally, just to say that it also functions with the business community as a Good Housekeeping seal of approval that once, when you join the WTO, that says something to investors, to trading partners, that if they've got a dispute, you've got an access to a WTO dispute-settlement procedure; you've taken commitments on how you're going to write standards and so on. And I think it does, in most countries, help generate a better package to attract not just foreign investment, but domestic investment.

It doesn't solve all of the problems that we think that you can go beyond WTO standards to higher standards in a free-trade agreement, which we think are maybe a two-star seal of approval. But I think it's a really important step and, as far as what we see, most of the countries in the region are seriously interested in joining, those that aren't yet there. It's not easy; it's going to take a long time, longer than they might like, but I think the benefits are there for the country, for the consumers, and for the naturally competitive parts of an economy.

MR. JONES: Most regional leaders have attached great importance to WTO membership and their right to do so, simple as that.

DR. ODEH: This era of globalization, to me, globalization is really being able to compete, being efficient and lastly, is about creating a society of merit. That's what it's all about.

DR. MOYNIHAN: Let us turn to education, the subject that many of you felt was important, and which this panel might offer some thoughts. First, some initial thoughts on U.S. education, and I'm mindful of some of the thoughts that Dr. Abdelrahim stirred in his discussion. There is indeed additional effort within the United States academic community to gain additional skills associated with successful interrelationship in the Arab world; not only language skills, but also social and cultural skills that would accompany that. There also is a record application and attendance at our schools that teach energy, that teach energy dynamics in engineering policies, many of the subjects of yesterday. So, however, imperfectly, I think we could say that the U.S. academic community is attempting to respond to what many have described as a new phase in American history.

But what about the new phase in Arab world history? How does education relate to Arab culture, to indeed Arab aspirations? Is the Qatari response to that, do you a number of U.S. universities on an Arab world campus? The best answer, certainly we don't find as many Arab graduate students as we used to have in U.S. universities here. Some thoughts on this topic? And may I ask Abdelrahim to begin?

DR. ABDELRAHIM: Yeah, I mean, two things, if I may talk about two slightly different things. And I just want to revert back to the issue of globalization and capital. Since I work in the field of the media, I'd like to say one thing.

The capital generation that we see here in the field of the media, which is opening, and which opens every day huge prospects and economic avenues in the American economy, it is not yet happening in the Arab world on any significant degree. We have a proliferation of satellite channels. I think the estimate is that there are now some 320 different satellite channels, and some of these depend on private capital and do generate capital.

But most of these channels, including Al Jazeera are still either subsidized by governments or completely funded by some of those governments. And that is particularly the case of Al Jazeera. Jazeera, when it was set up about 10 years ago, the hope was that by this time, it would be self-sustaining financially. But because of a shortage of revenue from advertising, it's nowhere near that goal.

On the issue of education, the problem that a lot of – as a lot of people from the Arab world present here today would know – one of the fundamental problems the Arab world has in the field of education is that the universities are not tuned to the needs of the market. And you have Arab universities throughout the region churning out graduates by the tens of thousands. But the market cannot absorb them. And you end up with a high rate of unemployment. And obviously, the issue of unemployment has ramifications for

other sectors of the economy. I know that in several countries, there are serious attempts to reform the educational system and make it more adjusted to the needs of the marketplace. But many of the countries in the region, the economy continues to be either dominated 100 percent by the public sector or by a budding private sector, which is still feeling its way around the national economies.

DR. ODEH: Two areas where I think education can make further advances, one in the petroleum engineering, and you have a very fine university in Saudi Arabia, College of Petroleum and Minerals. Now, as a businessperson, when I look at the region being in the center of energy, I say to myself, why can't the Arab world have an Arab Houston in the region where the oil services industry can locate, can service the region, and service Asia? That's one area where I think more attention should be paid. And in the UAE, you have the College of High Technology.

The other area where I would like to put some emphasis is on business schools. We need to create an Arab Harvard and an Arab Chicago. And you need to create what I call an economic culture, which Arabs have, but needs to be emphasized more. And when I talk about economic culture, I talk about attitudes and aptitudes of people or nations – self-discipline, endurance, industriousness, thriftiness, and innovation.

So the field of business and the field of science and technology and petroleum engineering, these are areas where the Arab world can benefit tremendously. And we do have the energy; we do have the capital; and we have, increasingly, a first-rate manpower in Iraq.

MR. JONES: Most schools in the Arab world are still into old-fashioned rote learning. And new technology sometimes doesn't actually help. For example, when I visited the schools in the region where PowerPoint is used, and the teacher simply stands there and recites the content of the slide. And this is PowerPoint rote learning, in a new version, and it's not a way to have a successful education system.

AMB. DONNELLY: I would just say, as an economist, the Middle East faces the same challenge as everyone. The extent of the development of your education system, and particularly the point about how linked it is to what the demands of the market are, is just a fundamental point of competitiveness. And if we determine how countries have a major role in determining how countries fare in this global economy.

So I mean, I think – I'm not an educational specialist; I think there may be some areas where Middle Eastern universities have further or education has further to come. But also, some of the financial resources gives them a tool that other – particularly developing – countries don't have. But it's a challenge that the countries in the region, the scholars of the region, have to come to grips with. But it needs to be done not just in an ivory tower, but with a link to the real demands in the marketplace.

DR. MOYNIHAN: It is my own impression as a businessman working in the Gulf for a long time that in the investment regimes, we have had a fundamental change in

activity. Before 2001, I believe the great majority of available Arab capital was invested abroad, whether it was in Europe or the United States or the Far East or in other economies. And by comparison, Western investments within the Arab world, so-called direct foreign investment, approximated zero. And as a businessman, I can tell you my own company was not excited by the idea of an additional investment into the Arab world for some of the reasons, some of the structural reasons that have been discussed earlier.

My own impression is that that has changed. And I know you agree with it because some of the questions that you've brought up tell us about the German model and what relationship that may have to Arab economic development. Earlier, we heard about Taiwan. We often hear from our Arab friends the Singaporean example as the route to economic prosperity and other growth and the investment model of preference.

I would like, if our panelists are so inclined to discuss this issue of appropriate investment, of investment and the results expected from it, of investment and the results, expectations of businessmen who are looking for ultimately double-digit margins. Is this a good place to do that? Dr. Odeh?

MR. ODEH: One area that is booming is in the service sector, hotel and tourism. You go to Dubai today and you can't get a room. You pay over \$500 per room. And the same thing in Abu Dhabi or the Kingdom. So the tourist services business is an area that I think is lucrative. And you will be able to find the man, womanpower available. And you have also stability and a sense of personal freedom.

AMB. DONNELLY: I think your assessment is right in terms of the past. But I think we, from a U.S. side, we think that things like our free-trade agreements, bilateral investment treaties, what the European Union is trying to do in their efforts to negotiate an FTA with the GCC, are helping to open investment opportunities there. We're certainly seeing countries of the Middle East region investing more in the United States.

If you look at the U.S. economic relationship with Europe, it's really – although the trade numbers are huge – it's really driven by investment. And the more countries or regions get integrated, the more you go beyond trading and into real investment, whether it's in productive sectors, in services, and I hope that's what's going to happen, because it isn't just bringing capital, which in many countries of this region is not the scarce commodity. It's bringing the technology, the management expertise. And those kind of partnerships are tremendously beneficial.

I don't know what the relevant model for the region is. The one point I would make about Singapore, one of the examples is, Singapore has no resources. It has two things. It has location. But even more importantly than that, it has a clear culture of rule of law, you know, and there is transparency. This is how the regulations and the taxation and everything will be done. It will be done in a predictable way. And I think that's a good model to build that into any country or region that is trying to be competitive in the investment environment. I don't mean to take the Singapore and drop it into Abu Dhabi,

but I think it is. That element has got to be part of any region or country that wants to be competitive for investment in today's economy.

DR. ODEH: One thing about Singapore, it's very secure.

AMB. DONNELLY: Right, exactly. That too.

DR. MOYNIHAN: It's true. And they have a wonderful, if – some would think – over-structured educational system as well. But let's take a small recess from there and offer our mentor, our leader, our chair to add his thoughts on development, and perhaps to pulse the panel a little bit.

DR. ANTHONY: Mine is a question to Abdelrahim and also to Jeremy, because they come from – in terms of their origins – in the case of Jeremy, presently – on the other side of the Atlantic there. And so the question is to compare the state challenges and opportunities of U.S.-Arab relations, which you, Abdelrahim, so eloquently addressed, with that of U.S.-European relations, because this is a competitor for markets, access, influence, role, and position in international affairs.

There are the following points that would be in favor of Europe in terms of making it easier, more efficient to enhance their relations with Arab countries, and vice-versa, that don't apply to the United States. And there's some exceptions here.

But one is time zones. Roughly three hours difference in European time and Arab time in terms of being able to work together and reach each other and communicate. Here, there are really just two days in the work week out of a seven-day work week where we can be at each other's real time, at each other's offices and work. But you have to wake up sometimes earlier or stay up until after midnight to be in contact with each other.

Secondly, there is the geographic proximity, where a flight from some parts of Southern Europe are less than an hour, and you're in an Arab-speaking – the quickest aspect from the United States would be to the center of the Arab world – Arabian Peninsula and the Gulf – something like 12 hours, if not longer, even on a direct flight there. And so, the ease of communication and transportation with each other is massively enhanced if you're in Europe versus being in Washington or New York, let alone California where it's even a greater consideration.

Thirdly, there is the greater historical and cultural knowledge – deep, massive, pervasive, per-capita throughout Europe in comparison or contrast to the United States, born, to be sure, of an imperial component to that history with regard to France and with regard to Great Britain that swamps the depth and breadth of American knowledge of Arab and Islamic culture as such.

And fourthly, there is the question of need. There is more of a notion of existentialism, economic need with regard to European's perception of the Middle East,

as opposed to American perceptions of the Middle East. And there is, as a result of this need, less of an acrimony in domestic political debates and talk shows and political punditry of looking at Arabs and Middle Easterners and Muslims as them, those with whom we have an existential reason to be on good relations with versus here in the United States where going from two years ago where the focus was on the energy security supplies, increasingly the debate is a divorce from these particular energy supplies; not that Americans want to stop driving. They just want to stop driving – more and more Americans want to stop driving on Arab and Islamic oil and gas as such.

And then, there's the aspect of the relative absence of domestic politics influencing European foreign policy on matters that have political dignity and honor and shame and that particular components there. And this, of course, raised its head a year and a half ago in the United States with the Dubai Ports World controversy, where people thought that this was in the rear view mirror, but my goodness, here we found it in the front windshield there, our jingoism or nationalism - dragging Arabs through the mud of American nationalism, bordering on racism. And you don't have quite that in Europe on economic issues. On social, cultural, and polemic issues, it's something else, as we saw in France and as we know is a concern of Spain and France and Italy and elsewhere.

[EDITOR: The Dubai Ports World confrontation (2006) involved the acquisition of a British-owned firm, Peninsular and Oriental Steam Navigation Company (P&O) by DP World, a state-owned company in the United Arab Emirates. As part of the purchase DPW would assume the leases of P&O to manage major U.S. port facilities on the East Coast and the Gulf of Mexico. The deal was approved by the Committee on Foreign Investments in the U.S., under the supervision of the Treasury Department, and supported by the Bush administration. The proposed deal encountered unexpectedly strong opposition in the Congress, the media, and in public opinion, however, when it was portrayed as putting U.S. port security in the hands of a Middle Eastern government. Debate became highly emotional on both sides as charges of selling out U.S. security to an Arab state or insulting the Arab people and a strong ally in the war on terror were bandied back and forth. When the House Appropriations Committee voted 62-2 to block the deal and Senate maneuvering resulted in the submission of amendments to accomplish the same end, both DPW and its Washington supporters backed away from any vote. Subsequently, DPW chose to sell-off P&O's American operations when it acquired the company.]

And then, there's the absence of legislative impedimenta in Europe in terms of these issues of trade and investment and technology cooperation and the establishment of joint ventures. We have three laws on our books passed by our Congress in the middle of the 1970s, focusing on the policy components of this, that no other country has, that were passed with laudable sentiments in terms of America's national interest. And those who defended them said, well, others will follow us; we need to be leaders.

It's been 35 years and no one has followed us on any of these in terms of the anti-Arab boycott legislation, in terms of the tax amendment, to the reform of the tax amendment of 1978, et cetera, which makes it more difficult for Americans to compete in

the markets of these countries. So I'm asking Jeremy and Abdulrahim, why is the European advantage a difference, and what are the implications of that for the challenges and opportunities in front of us? Both of you have lived in the European aspect at length and both, here you're familiar. So can you educate us on the competition, so to speak?

MR. JONES: I'm happy to address at least one layer of that and that is the layer that you alluded to, and that is geographical and historical proximity between Europe and the Arab world. I think that traditionally, the Europeans had the edge because of their historical and geographical position, proximity, to the Arab world. If you take a large chunk of the Arab world, North Africa, the former French colonies there, there is an enormous amount of trade that is still going on between France and those countries. And the Spanish have, over the last 10, 15 years, jumped in on the bandwagon of investment in particularly in countries like Morocco and Algeria.

But I think in the global village, there have been several mutations. One of them is that even those countries in the Arab world that were traditionally tied to Europe and to the European economy are now looking elsewhere. They are trying to diversify their links and there is a lot of interest in the former French colonies in the United States and in Canada. You see a lot of exports going in both directions, certainly more so now than five, 10 years ago.

And in terms of education, since we talked about education, if traditionally you were from North Africa, that's basically what you did. You went to Europe because of the absence of the linguistic barrier. But now you have an increasing number of young students who actually speak English and looking for greener pastures elsewhere, they come to the United States, Canada. Some of them, if they're from either northern Morocco or northern Algeria, because of close proximity to Spain, they speak Spanish so they want to come to Latin America and so on and so forth.

So I think it would be safe to say that the cards have been reshuffled. And with the increasing interest of the United States in that particular part of the Arab world – I mean, the United States was traditionally interested more in the Middle East and the Gulf – but now the United States seems to be competing more and more with the Europeans over markets and over cultural ties with that part of the Arab world.

I think the key point for Europe is simply the population we have here in the EU now, somewhere between 12 and 14 million Muslims. And this means, at the grassroots level, everybody in Europe knows a lot about Muslims and is familiar and comfortable with that. [The European Union Centre on Racism and Xenophobia “conservatively” estimates the Muslim population of the EU countries at 13,000,000 but there are other estimates that range from 15-25,000,000. By contrast, estimates of the Muslim population in North America range between 3 – 6,000,000.]

Of course, there are exceptions, problems in France, particularly in parts of Paris and Marseilles. So it's not completely clear-cut, but I think the demographic has a big impact. At the popular level, in Europe, there's still a lot of anxiety about the prospect of

Turkish membership of the EU. But among the opinion-formers in government and business, probably with the exception of France, I would say all of the other leadership of all the other EU countries is strongly for Turkish membership of the EU. And that is obviously going to have a huge further impact. Turkey being in some sense the hinge between East and West, it will massively strengthen Europe's relationship with the East.

So I think those are the two most important points. Otherwise, I'd simply add that 9/11 certainly has had a gigantic and very negative effect in terms of the U.S.-Arab relationship and Europe has benefited as a consequence. I don't fully buy into John's point about European electorates not being so bothered with foreign policy. Bear in mind that before the Iraq war started, there was a demonstration in London attended by over a million people which was a quite phenomenal event of that scale.

And indeed, you'll recall that as a result of the Madrid bombings, the Spanish government was changed. I mean, the right in Spain would have won that election without the bombings and so, clearly, foreign policy can be a big issue in Europe, too.

DR. ANTHONY: Well put, Jeremy. My frame of reference was not so much Iraq since 2003 or before the war. It's sort of since 1950 with regard to the eastern Mediterranean and the domestic politics' influence here versus the situation in Europe vis-à-vis that. But I take your point. You are absolutely right in terms of Iraq. You could also be exactly right in terms of Iran.

But the word "visa" has not mentioned, nor has the word "travel advisory." And I'm not aware of anything remotely comparable on the European side in terms of the British or any other European government having travel advisories or the visa difficulties and how that impacts on education –

MR. JONES: We do have travel advisories, actually, in Britain.

DR. MOYNIHAN: But not remotely to the number and extent, in effect, that I think that ours have. Odeh, you would appreciate this. We've lost hundreds if not thousands of people who otherwise would have their education here who are now studying in Canada, New Zealand, Australia, Ireland, Great Britain, and in many cases, increasingly Japan and China, too.

DR. ODEH: Yeah, but we have more and more Arab students coming back, especially from Saudi Arabia. Also, John, the Arab experience in America vis-à-vis Europe or Eastern Europe, over the years, Arab students have gone into Russia and Germany and England and have come to America. But the American experience was more positive. Arabs felt welcomed here in American homes. The education system was more open. So despite September 11th, most Arabs would still want to come to America.

Lastly, there are, despite the politics, and I hope we can fix the politics through the –

DR. ANTHONY: Odeh's quite right. There are more American-trained Ph.D.s in Saudi Arabia's cabinet than there are Ph.D.s of any kind in the American cabinet, the Senate, the Supreme Court, and the House of Representatives combined.

DR. ODEH: But John, also, on the business side, there are five areas where we have a comparative advantage, from a business perspective. I said, we in the states have five areas where I think we have a comparative advantage from a business perspective. One is the important information-technology sector; secondly, the petroleum industry; thirdly, the medical technology and services; fourthly, financial services; and finally, weaponry. (Laughter.)

DR. MOYNIHAN: Well, the Northrop Grumman guy that laughed was important, too. As we approach the end of this panel's time and indeed, this is the last panel of the conference, let us, through our bringing our hands together, thank our insightful panelists today for their contribution to the development to date. (Applause.)

DR. ANTHONY: We'll proceed to our lunch on time and the area behind the curtain. So it's curtains for you. (Laughter.)

(END)