

**Supporting Reform and Opportunity in  
The Broader Middle East and North Africa**

**Statement by Alan Larson  
Under Secretary of State for Economic, Business and  
Agricultural Affairs  
Before the**

**Senate Foreign Relations Committee**

**June 2, 2004**

Mr. Chairman, members of the Committee: thank you for the opportunity to speak with you today on our efforts to encourage and support economic, social and political reform in the G8 Broader Middle East and North Africa. Mr. Chairman, I particularly want to thank you and Senator Hagel for keeping support for reform in this region at the forefront of U.S. foreign policy.

The broader Middle East is a region with an important cultural heritage and a history of scientific contributions that inspires great pride. Today, however, the region faces significant challenges in tapping the vast potential of its people and offering them freedom, opportunity, and prosperity.

We recognize the importance of a lasting peaceful settlement of the Arab-Israeli conflict, and every day we are working toward this goal—as we are toward the goal of a peaceful, democratic, and sovereign Iraq. At the same time, regional voices are calling for reform; we must respond to this desire for change. Divisions, disputes, and even violence in the

region cannot be allowed to become an excuse for deferring reform; indeed, reform can help to bring them to solutions.

President Bush has laid out a vision of partnership in support of political, social and economic reform. From the beginning of our work on this issue we, and our G8 partners, have recognized that reform must be an internal process in each of the countries of the region. No one-size-fits-all formula can meet the varied needs of this region, nor can reform be imposed from the outside. President Bush and the Administration are committed to working with the countries of the region to help facilitate reforms that each nation and its people have identified as necessary for their own advancement.

Consensus for reform, and recognition of its benefits, is growing. In recent years, gradual reforms have led to increased political and economic opportunities and improved living conditions for both women and men across the region. For example, in the last three years, citizens of Bahrain, Jordan, Morocco, and Yemen have elected new parliaments. Last year, the people of Qatar approved a new constitution by referendum, and just a few months ago Morocco adopted a new family code that protects the rights of women. Recently, we concluded free trade agreement negotiations with Morocco and Bahrain. The United States already has free trade agreements with Jordan and Israel. Algeria, Egypt, Kuwait, Qatar, Saudi Arabia, Tunisia, the UAE, and Yemen have signed Trade and Investment Framework Agreements with the United States.

Reform has a positive multiplier effect in a society. Political, educational, economic, and social reforms connect on many levels to reinforce each other and to create hope and opportunity. Even small steps can give people more opportunity to shape their lives, their societies and their future. Each step leads to greater freedom, greater experience and strengthened confidence.

We recognize, of course, that this region is one of different societies and we know each has uniquely different circumstances. At the same time, we believe the aspiration for freedom and opportunity is universal. We believe that the basic pillars of democracy -- such as a representative legislature, an independent judiciary, a free press and market economy -- are suitable for all people and compatible with any society, though they may not look exactly the same or function in exactly the same way.

We are looking for ways to facilitate and support reform initiatives that are identified and proposed by those who will ultimately implement them and benefit most from them. The people of this region want reform that will address their needs, and we stand ready to help, for as long as it takes to achieve success.

The people of this region have clearly and convincingly analyzed the challenges they face. The authors of the Arab Human Development report, the prestigious Arab NGOs and individuals who met at the Alexandria Library in Egypt last March and the members of the Arab Business Council have described the dilemma faced by the region in clear terms.

More recently, Arab leaders answered this call at the Arab League Summit, May 22 -23 in Tunis. Leaders called on members to continue reform to foster democratic practice, broaden participation in political and public life, strengthen the role of civil society, and “expand women's participation in the political, economic, social, cultural and educational fields, [and] enhance their rights and status in society.”

More specifically, the region itself has identified several primary challenges, including:

- Broadening participation in public and political life, in particular, increasing the role of women in economic, social, and political spheres.
- Increasing commitment to free and transparent elections, improving functioning of parliaments, supporting an independent judiciary, and encouraging free media and active civil society.
- Intensifying efforts to develop and improve educational to improve curricula and teacher training systems and to combat illiteracy.
- Generating enough employment to accommodate the five million job seekers entering the market each year.

- Raising economic growth to about 6-7 percent annually over the coming decade
- Increasing the region's share in foreign capital flows, including direct and indirect foreign investments. The region attracts low levels of inward FDI; suffers from capital flight; and needs to allocate more productively the capital that stays behind.
- Expanding the region's share in booming international trade and extending exports beyond primary products to include high-value-added products.
- Increasing intra-regional trade and investment.
- Improving access to information by increasing capacity in translation, publishing and access to the internet.

Starting from the issues our partners in the region have identified, we are working together with the other G8 countries on a number of possible initiatives that will help regional reformers to achieve their goals. These proposals will offer a broad range of opportunities from which governments, civil society, and business can draw. This initiative is intended to enhance and support G8 countries' long-term engagement and dialogue with this region. We intend to proceed in the spirit of collaboration and mutual respect.

It is for that reason that Secretary Powell, Under Secretary Grossman, Assistant Secretary Burns and I -- as well as many others throughout our government -- have consulted extensively with the region's governments on this initiative. Secretary Powell, Assistant Secretary Burns, and I recently attended the World Economic Forum last month in Jordan, where we had excellent discussions with regional leaders on this topic. Secretary Snow hosted a meeting in April for Finance Ministers from the Broader Middle East and North Africa and G8 governments to discuss economic aspects of this initiative. These consultations have informed and guided our efforts to develop methods of supporting reform initiatives emerging from the region. Some of our partners from the region who have been involved in our preparations will attend the G8 Summit at Sea Island.

- The President has invited King Abdullah II of Jordan, whose strong economic reform program is putting Jordan on the path toward economic growth and rapid development.
- President Bouteflika of Algeria has also accepted the President's invitation and will add valuable experience based on his nation's experience working with the G8 in the New Partnership for Africa's Development (NEPAD) program.
- King Hamad of Bahrain will attend, bringing with him Bahrain's experience as a leader in opening up trade in the region.

- President Salih of Yemen will attend and discuss his country's experience in successfully running recent parliamentary elections.
- President Karzai of Afghanistan will attend and can discuss how democracy can revitalize a society even after decades of repression. Afghanistan is planning for national elections for the first time in decades and has made great strides in literacy and economic reform.
- In addition to these Middle Eastern countries, Turkey will attend the Sea Island summit. For centuries a bridge between eastern and western cultures, Turkey has a long record of strong democratic institutions, political and economic reform, and religious tolerance. As Turkey advances toward full membership in the European family, its unique history affords potential examples of successful reform for the nations of the Greater Middle East region. We are pleased that Prime Minister Erdogan has accepted the President's invitation to attend the Sea Island Summit.

There clearly are opportunities for the G8 to assist the reform effort; both through the collective action of all G8 countries and also through enhanced cooperation in areas of bilateral assistance already underway. For example, countries of the broader Middle East and North Africa would welcome opportunities through which they can exchange ideas, examine and share best practices, and build intra-regional cooperation and consensus on

reform. We are looking at ways to work together with the countries of the region to establish a forum for such discussions.

Reformers in the region have also noted the need for more micro credit programs and increased investment in small and medium-sized enterprises (SMEs). This will help cut unemployment, improve access to trade financing for small exporters and increase opportunities for women to pull themselves and their families out of poverty. We are seeking ways to improve access to microfinance and to help local governments improve the policy and regulatory atmosphere and exchange best practices.

Meeting basic educational needs is vital for development and economic growth. The region has made training and development of human resources -- particularly with regard to teacher training, as well as vocational and technical training -- a priority. We will look for opportunities to provide tools to work with the region to achieve these important goals.

Expanding trade needs to be a focus of our efforts as well. Regional economic integration and increased trade between the countries of the region and the rest of the world will provide more opportunity for business and investment. We are pursuing trade links with the region and encouraging regional governments to work toward membership in the World Trade Organization, where they have not already done so. We could consider regional trade hubs and support for local chambers of commerce.



We are acutely aware of the magnitude and complexity of the reform challenge in the broader Middle East. Reformers in the region have made it clear in Tunis, Alexandria and Sanaa they are committed to moving forward on **all** fronts, including governance, not just those reforms that are easiest. We should not shy away from the challenge, but support them in that great effort to transform this critical region.

I am pleased to say that our initial ideas and plans for the our initiative in the greater Middle East region met with considerable acceptance and, as you will see at Sea Island, are the basis for consensus action. I think this is because those plans reflect the view and the declarations of people in the region, to which we responded

In closing, Mr. Chairman, I want to emphasize once again that the impetus for reform must come from the region. We have no interest in forcing a set of proposals on the people of the broader Middle East, nor could we do so if we wished. We are leaving no stone unturned in pushing forward toward a successful political and economic reconstruction in Iraq and a solution to the Israeli-Palestinian conflict. Yet, as important as these tasks are, they should not dissuade us from giving equally urgent attention to the longer-term task of supporting economic, social and political reform in the broader Middle East. We are encouraged by the region's recent movements toward, and calls for, reform. We stand ready, with our G8 partners, to help the people of this region build a future that provides more hope, opportunity and freedom.

