Letter from the Director

As the University of California-Los Angeles’ (UCLA) Center for Middle East Development (CMED) convened its fifth annual conference this year, we felt that the many pressures we confront in the region demanded institutional reassessment. We sought to address the consequences of the recent financial crisis, but also to generate creative solutions. With this in mind, we designed the conference around the theme: “Building an Enhanced World Order: Looking Forward, Solving Problems.”

I asked each of our panelists to move beyond the “yes we can” rhetoric President Obama made famous and to truly focus on “how we can” enhance economic development and potential solutions to specific problems we currently face in the region. And true to the theme of the conference, our panelists kept their focus on new solutions to the problems facing the region.

But of course we cannot be Pollyanna-ish and the recurring theme throughout the conference on the changing definition of security is emblematic of the broadened problems we face in the region. Today, when we think about security, in addition to worrying about traditional conflicts, we must address poverty, disease and natural catastrophe.

The opening sessions set the foundation for the conference by outlining the panelists’ visions for the future of the region. Speakers recommended the creation of new global institutions to address the complexities of the 21st century, and one dignitary suggested creating political and economic unions throughout the region based on the model of the GCC. Panelists also urged the international community to refocus development and foreign aid on investing in the infrastructure of the region’s economy, including education, science and technology, managerial training and sustainable investments.

Our next series of plenaries explored current economic recovery efforts underway and the need to address both local and global problems in tandem. The future of the Middle East’s economic relationship with China in particular was explored, as panelists pointed out that China fared better than most Western economies in the global financial crisis and enjoys a productive and peaceful relationship with the Middle East. One Chinese ambassador shared an optimistic view that periods of economic recovery can be an opportunity for governments to collaborate with one another in order to develop better, joint solutions.

Panelists argued that countries in the Middle East should focus on capturing China’s trade markets, particularly by offering low cost manufacturing. At the same time, higher end service jobs such as investment, banking and tourism, were identified as the best
candidates for job growth in the Middle East. Panelists were particularly optimistic about the future of the GCC, where they saw the potential for the region to serve as a hub between China and North Africa, and pointed out how oil revenue can be reinvested in growing the region further.

During the last section of the meeting, our panelists looked more specifically at practical options for a post-crisis economy, considering new ways to identify emerging real estate opportunities, encourage women’s leadership in business, respond to the tensions between climate change, energy and growth, and promote regional entrepreneurship.

On the topic of real estate, conference attendees ultimately agreed that this was a very locally-driven market, but that a lack of transparency in the real estate market was a recurring problem. One panelist made the provocative point that governments may face a conflict of interest in serving as both a regulator and a developer in a real estate market.

Turning to the role of women in business, we learned that Arab women are now benefiting from improved access to education, but that education is not translating into women joining the work force. Panelists called for new mentorship initiatives and leadership training programs to help bridge that gap, and one speaker pointed out that women with children will, most of all, need entrepreneurship skills as they will likely work from home and start their own small businesses.

On the critical issue of climate change, development and environmental issues are inextricably linked. One panelist pointed out the example of China’s development. While its economic growth stands at about 10% of GDP, activities fueling that growth have led to environmental damage causing illnesses with costs over 13% of GDP.

Panelists made clear that global cooperation was the only way forward on climate change. They also recommended altering behavior through education, starting with the very young. Panelists were asked how they would choose to allocate $10 billion on energy reform. One answered that she would invest in initiatives that have the most bang for the buck—clean coal technology, energy storage, and super conductivity. Another said he would allocate funds to politicians to relieve them from having to chase money for elections, and allowing them to focus on fact-driven environmental solutions. He was most critical of ethanol, arguing that elections had generated a futile road to environmental improvement. All participants insisted on the need for more R&D.

Finally, panelists urged regional governments to recognize that entrepreneurship is the engine of economic growth, vital for job creation. Panelists shared information on existing initiatives available to support entrepreneurs and called for new efforts to enhance entrepreneurs’ technical and managerial capabilities and new ways to apply entrepreneurship to existing social challenges in the region. They saw education as the key to creating a culture of entrepreneurialism that will help young people overcome some of the social costs to risk taking. A specific idea surfaced of creating a public/private fund to which young entrepreneurs could apply, analogous to the model of the U.S. Small Business Administration and a similar Saudi program. This fund would
have private judges selecting from applications and be accompanied by mentorship programs to help ensure that promising proposals succeed.

The meeting concluded with a widely accepted proposal that next year’s theme should be “Facing the Youth Tsunami,” with the focus on job creation through a new entrepreneurial culture—including social entrepreneurship—vocational training, an improved role for government in job creation, and renewable energy development as a future source of employment.

So, you see, we have our work cut out for us.

Steven L. Spiegel
Director, Center for Middle East Development (CMED), Professor of Political Science, UCLA

Panels and Key Takeaways

May 31, 2010

Opening Panel: Reflections on the Region and Visions for Tomorrow
Opening Remarks: Steven L. Spiegel
Moderator: Steven Clemons

Panelists:
- H.E. Mohammed Bin Abdullah Al Rumaihi
- Former President of Lebanon Amin Gemayel
- Former PM of the Netherlands Wim Kok
- Former US Senator Mel Martinez
- Amb. (Ret) Daniel Kurtzer
- Bisher H. Al Khasawneh
- Congressman Brian Baird

The panel was asked to address their recommendations for moving the economic future of the Middle East forward. Most of the panelists felt compelled to comment on the situation that took place today on the flotillas in the Gaza strip. But the overarching theme of the evening was that the peace process should not be derailed by the tragic events of any given day, including today. Steven Spiegel, citing Obama’s campaign slogan of “yes we can,” challenged conference participants to figure out “how we can” enrich the economic future of the Middle East. Spiegel suggested that the region needs concrete recommendations for moving forward economically, politically and developmentally, since it is now more than ever interdependent with the global community. The group mostly agreed that they want peace and they want it now, and that the world must work together to make this happen if the Middle East economy is to grow
to its fullest potential.

Steve Clemons asked all panelists to spend five minutes addressing the question of “how we can” posed by Spiegel. Senator Mel Martinez began by saying that as the world recovers from the economic crisis, he is optimistic about the Middle East. He said he was particularly encouraged by the efforts of Senator George Mitchell on the Israeli/Palestinian crisis, and reiterated that Mitchell’s bottom up (civil society, rule of law) and top down (political process) approach cannot be derailed. President Amin Gemayel said that it is very difficult to discuss development without addressing the injustices and violence of the day, because stability in the region must be based on equality and justice. Wim Kok said that the U.S and Europe have more in common with the Middle East than is sometimes thought, and that attention should be given to figuring out how the regions can work together on issues such as economic growth, governance, climate change, sustainability, regional, national and international security. Amb. Al-Khasawneh said that the question of “how we can” is inextricably linked to the need for sustainable peace and that without a two-state solution in Israel/Palestine, the region cannot successfully move forward in growing and diversifying. Congressman Baird emphasized the need to create opportunities for the young men and women in the Middle East, particularly in Gaza, via education and science exchange programs and indicated that there is a shift away from simply making money and towards public service, such as the desire to become educators. Amb. Kurtzer summarized four cluster areas of how we can build the Middle East’s economic future: 1. The need for peace: we are all frustrated by the lack of peace and we need to send strong messages to our leaders that we have had enough of the conflict and that peace must be established now; 2. Institution building: we need to build institutions that will help us solve the dilemmas of the 21st century in the same way we did after the second world war (the GCC and the Arab League are examples but they need to go further to address our global interdependence); 3. Rethinking aid and development assistance: instead of using old paradigms that presume an absence of capital, we now need to focus on building infrastructures (scientific and technology transfer, education, managerial training, sustainable investment) that will create jobs; and 4. Focus on Arab based recommendations: if the Arab world determines that the recommendations defined in the five Arab Human Development reports are worth doing, then the global community needs to start making those recommendations a reality. Finally, Mohammed Al Rumaihi claimed that there is too much government involved in Middle East business affairs and that the role of the governance should be reduced.

Gemayel underscored the importance for the Arab world to have a mechanism for moving forward economically. Kok suggested that while the G20 may have some imperfections, particularly that some of the countries are not yet anchored in global institutions, it is nonetheless the best we have and a significant step forward and we should use it to the best of our ability. Martinez, Baird and Kurtzer agreed that it is important for the U.S. to gain the world’s trust back regarding its financial reliability. Baird also claimed that the U.S. is going to need the help of the global community to grow its own economy. Nonetheless, as Kurtzer pointed out, the U.S. has two arenas where they can still be proud: social change and innovation (i.e., the ipad).
Key takeaways:

- Before conference participants are invited back, the conference hosts should ask them what they have done in their own societies to advance any part of this agenda.

- Another item on next year’s agenda could be the question of how to establish economic integration between countries such as Syria, Iraq, Libya and Palestine.

- The collective responsibility of the 21st century, particularly in reference to the Israeli/Palestinian crisis but also for the entire global community, is that all participants must work within the framework of international law.

- The U.S. is still the best hope for helping to establish peace in the Middle East. The U.S. has shown that it could do it before and with the right leadership and determination, it could do it again.

- There is no silver bullet for creating economic equilibrium during these fluid times. It is very important that we focus on building bridges with one another. Parts of the world are growing in different directions and that has to stop.

- The young men and women in the region need educational and science exchange opportunities.

- Need new global institutions to address the challenges of the 21st century

- Development and foreign aid should focus on ME infrastructures that will create jobs via education, science and technology transfer, managerial training and sustainable investments

June 1, 2010

Panel 1: Moving Past the Financial Crisis: Practical Answers for Overcoming Political and Economic Obstacles

Panelists representing the Middle East, Russia and India, shared their predictions and recommendations for economic recovery in the region and around the world. The panel identified several new realities that have and will continue to shape the post-crisis world, including the challenge for governments to stimulate economic growth; the shifting role of the United States overseas; and the critical need to respond to a population bomb in the Middle East. Though markedly pessimistic, the panel did set forth a series of recommendations.

“Moving Beyond the Financial Crisis” addressed how to overcome major global challenges resulting from the financial meltdown. Representing a variety of regions and...
sectors, the panel participants described several key realities shaping the post-crisis world order and set forth a series of predictions and recommendations.

Sergey Rogov opened the panel with a sobering view of the United States’s role in the Middle East. Because of the dangers associated with overextending America’s military presence overseas, Rogov explained that the United States is embracing a shift from a unipolar actor to a partner in the new multipolar world. In light of this development and level of uncertainty surrounding the future of Iraq, Afghanistan, Iran’s nuclear ambitions and peace process, the United States must work towards solutions through active engagement and cooperation.

Manish Tewari, member of Indian Parliament, provided suggestions for economic reform to accelerate recovery efforts, which included strengthening oversight, enhancing disclosure and improving transparency within local, global and regional financial institutions. Tewari warned that swift action is necessary to avoid the devolution of the financial crisis into a humanitarian crisis.

Khalid Al-Janahi agreed with Tewari’s call for greater oversight and regulation, but advised against the adoption of excessive regulatory policies that would stymie small business. Janahi also pressed the need to develop entrepreneurial skills in the region, explaining that the creative, out-of-the box thinking critical to starting new businesses is not fully realized in the region. With an imminent youth bulge and the need to create 100 million jobs over the next 6-7 years, creating an environment conducive towards entrepreneurship will be a critical element in addressing anticipated unemployment rates.

Panel moderator, Steve Clemons wrapped up the panel with the observation the perils of increased interconnectedness. While globalization has long been assumed to be a benevolent force in the world, leaders in business, politics and culture must be sensitive to how their decisions impact regions beyond their national borders.

Key takeaways:

• Establish a proactive peace process
• Foster and develop a middle class in the Middle East, where society is traditionally divided between extreme wealth and poverty
• Address the need to create 100 million new jobs in the region over the next 6-7 years by creating an environment that supports creative thinking and entrepreneurialism
• Devise and implement regulatory practices for national and international institutions that balance financial responsibility and business-friendly measures
Panel 1: Global Economic Recovery and the Middle East

Moderator: Ambassador (Ret.) Charles Reis – Rand Corporation

Panelists:

- Dr. Elena Panaritis – Former World Bank Economist and Member of the Hellenic Parliament
- John Sfakianakis – Banque Saudi Fransi and Chief Middle East Economist, Credit Agricole C.I.B.
- Dr. Farrukh Iqbal – Director, World Bank, Gulf Region
- Ambassador Jianmin Wu – Member of the Foreign Policy Advisory Group of the Chinese Foreign Ministry
- Mashhour Mourad – Managing Director, ICG Investment & Financial Consulting Group

Ambassador Reis led a panel of esteemed economists and diplomats in a broad-ranging discussion on the global financial crisis and current recovery efforts in “Global Economic Recovery and the Middle East.” The panel explored Greece’s current financial situation and the country’s future role in the European Union; the impact of the global economic crisis in the Middle East; institutional response to the crisis (World Bank and IMF); China’s perspective and its economic relations with MENA countries; and the impact of the crisis on private capital markets.

Reis briefly outlined the various characteristics of the financial crisis – currency imbalances, the real estate bubble, the credit default swap crisis, and a market driven crisis – with Greece’s financial crisis being viewed as the latest phase in the global economic downturn. Panaritis said Greece, like other EU countries, followed U.S. expansion policies (despite badly regulated markets), ultimately increasing the country’s public debt. Greece’s low level of industrial output (service-based economy) and a poorly managed public sector make Greece more vulnerable to collapse than other EU economies. Dubai also experienced a sharp downturn in relation to its Gulf neighbors, due to its heavy investment in real estate (property values there fell by 50%). According to Sfakianakis, the Dubai crisis hurt GCC states by causing oil prices to fall and creating a perception among foreign investors and financial institutions that the region was “too high risk.” Sfakianakis briefly noted the impact of the crisis on other MENA countries – Saudi Arabia has a lot of liquidity but the banks are risk-averse and the lack of lending is slowing growth; Egypt is mainly affected in the area of remittances; and Morocco and Tunisia have been hurt by declining tourism.

China, on the other hand, has fared quite well through the crisis. According to Wu, this is due to China’s underdeveloped financial markets and the country’s current process of...
industrialization and urbanization. China’s rapid development has increased its demand for oil and its trade volume with the GCC has tripled in the last five years. Wu feels quite optimistic about his country’s economic growth as well as a mutually beneficial long-term relationship with the Middle East.

Turning to another topic related to the financial crisis, Iqbal described how the World Bank and IMF responded to the crisis. Both organizations were able to raise a large amount of capital for loans in a short period of time, showing not only their commitment to helping the economic recovery process, but also that of their shareholders. Going forward, institutional players are targeting the poor, creating opportunities for growth (job development), promoting global collective action and preparing for future crises.

The panel presented very different perspectives on a number of topics, yet the central theme that emerged was global interdependence, both in times of crisis and recovery.

Panel 3: Who will be the Leaders of the New World Economic Order?
Moderator: Hani Findakly, Chairman of Potomac Capital

Panelists:
- Dr. Ben Simpendorfer, Chief Asia Economist, Royal Bank of Scotland, Hong Kong
- Brad Bourland, Chief Economist and Managing Director, JADWA
- Michael Sarris, Former Minister of Finance, Republic of Cyprus

The main focus of this session was how the world economic order will rebalance itself in response to the recent economic crisis. The group agreed that it is impossible to discuss ME economic restructuring without also focusing on China’s position as a leader of the new economic world order. It is China’s long term development prospects that will have the biggest impact on the ME. However, the US economy will remain extremely important to the world and to the ME region.

Findakly opened with a couple of questions that he asked the panel to address: 1. To what extent has the recent financial crisis impacted or accelerated the trend of the global economic shift (from west to east)? 2. Will Europe be able to handle its debt and currency challenges and will the current financial crisis lead to further economic integration of Europe or a disintegration of the EU? 3. Will the large fiscal deficits around the world lead to major inflation over the coming five to ten years, or will the challenges of over-investment, unemployment and excess capacity lead to deflation and lower growth? 4. How will the ME region deploy its considerable resources to build a sustainable
economic infrastructure that will provide jobs and become integrated with the rest of the world?

The first panelist, Ben Simpendorfer began by stating that we are witnessing a historical rebalancing of the global economy. The rise of the east will have much faster growth rates than the west. China has overtaken the US as the world’s largest exporter to the ME. As a result, goods have become more affordable for some, but at the same time, there are already factory closings and job losses in the ME region as the ME no longer produces these goods themselves. Putting local youth to work is going to be harder if the ME is importing a majority of its products from China. It’s not all bad, however. As China is rebalancing, its interior provinces will need more oil, and not just the coastal cities. China’s production costs are rising and they are looking to manufacture goods in the ME in countries that make it easy to do so. This depends on the possibility of free trade agreements between China and other nations (i.e., Egypt). As the ME region thinks about economic restructuring, they need to continually think about capturing the Chinese trade, particularly vis-à-vis low cost manufacturing (as manufacturers have done in Doha and Dubai), and can therefore become the intermediary trade partner in China’s rise to economic power.

The second panelist, Brad Bourland, noted that global GDP growth is occurring at vastly different rates for different countries. China will have high growth rates for the next couple of decades and its GDP may possibly catch up to the US in the next 100 years. The ME region as a whole is not currently a large global economy. What will keep the ME important is its role in hydrocarbons. Natural gas and petro chemicals will also be important, but hydrocarbons will be particularly so. Capital that flows into the ME region will increasingly flow towards China.

The third and final panelist, Michael Sarris, noted that before the economic crisis, the world was experiencing unprecedented prosperity. With the liberalization of international trade, the role of government regulation was not taken seriously and there were a number of imbalances. The most visible imbalance was that China was amassing huge surpluses and the corresponding deficit was mostly in the US. Markets then forced a correction to the imbalances and policymakers had to step in. Markets also began to distinguish between sovereign debts that were likely to be repaid and those that were not (i.e., Greece). The EU’s social model will need to be rethought. The US and China will need to find ways to work together. Countries will need to increase their competitiveness and need to reform their labor markets. Overall, the ME has handled its wealth quite well, but questions remain as to whether the region is making sustainable investments that will contribute to a global economic balance.

**Key takeaways:**

- China’s long term development prospects will have the biggest impact on ME
- ME countries should focus on capturing Chinese trade markets, particularly by
offering low cost manufacturing

- Hydrocarbons will continue to play a big role in the ME’s economy
- Capital that flows into ME region will increasingly flow towards China
- EU social policies need to be rethought; early retirement, welfare, long vacation periods are not sustainable
- China and the US need to find new ways of working together economically
- The ME will need at least 100 million new jobs over the next 10 years
- Higher end service jobs are better candidates for job growth in ME than oil production (i.e., banking, investment, tourism)
- China’s role in Africa will continue to grow

Panel 4: Global Risk Assessment: China Hard Landing, Impact on the Middle East Region
Moderator: Mike Yaffe, NESA Center for Strategic Studies

Panelists:
- Dr. Abdullah Toukan, CEO Strategic Analysis Risk Assessment Center
- Major General (Ret.) Khalid Abdullah Al Bu-Ainnain, Pres INEGMA and Chairman of Baynunah
- Dr. Daniel Hofmann – Chief Economist, Zurich Financial Services
- Professor Laurence Jacob – Chief Scientist, RAND

Dr. Mike Yaffe led this panel in addressing some of the challenges of computing accurate risk assessments and understanding complex risk. Panelists discussed the rise of China and the risks that China’s rise may pose to the global system, new ideas and methodologies for computing risk, and the dangers posed by inaccurate and oversimplified risk analyses. All panelists emphasized the importance of understanding the interaction between individual risks, as well as the centrality of risk assessment in developing strategy.

Dr. Daniel Hofmann, Chief Economist of Zurich Financial Services, discussed the importance of including as many risks as possible and accounting for their interconnectedness in computing a risk analysis. He noted that many analysts focus only on risks in the economic and/or geopolitical spheres, but neglecting other spheres can pose a risk in its own right. Because most risks are interconnected, the failure to see their interactions can lead to missing certain shocks. Hofmann described the risk assessment framework with which he works, which depicts risk in five different categories: economic, environmental, geopolitical, societal, and technological. His framework takes
a relational approach that portrays a number of fixed points in a risk universe, rather than in terms of absolute risk rankings.

Professor Laurence Jacob elaborated on the challenges of accounting for multiple, interacting risks, and the dangers of an oversimplified analysis. He noted that simple, linear linkage phenomena are easy to conceptualize, but are often incorrect. Jacob outlined the contours of a new risk modeling paradigm which corrects for many of the problems associated with oversimplifying risk. The model systematically and consistently defines and estimates components of risk; consistently accounts for the interactions between risks and between entities; portrays entities in a risk space, where analysis can be performed without unwarranted assumptions, on a multidimensional plane called the Minimal Distortion Map.

Dr. Abdullah Toukan summarized the new models that Drs. Hofmann and Jacobs presented, reiterating the importance of analyzing risk in a comprehensive framework that accounts for the many linkages between them. He warned that systemic risks can only be ignored at our own peril – as the financial crisis showed.

The discussion that followed highlighted the potential for these new risk analysis models to offer real-time assessments of specific challenges, such as of a nuclear Iran, or of the global governance gap to different countries of different sizes and level of involvement in international institutions. It was noted that these models offer the unique opportunity to quantify qualitative risk in a way that portrays the collective affects of many variables – more examples of which could be interesting to discuss in future panels.

Key takeaways:

- Risk assessment is becoming a central element in developing strategy worldwide.
- In assessing risk, it is critically important to understand and account for the interactions between different risks.
- Many traditional risk analysis models fail to account for complex risks and the interaction between individual risks and entities, which in it of itself can pose a systemic risk.
- Although many risk assessment frameworks focus on only economic and/or geopolitical risks, Dr. Hofmann offers a more accurate and realistic framework which depicts risk in five different categories: economic, environmental, geopolitical, societal, and technological.
- Dr. Jacob offered an alternative risk modeling paradigm which corrects for many of the problems associated with oversimplifying risk by systematically and consistently defining the components of risk and realistically portraying them on a multidimensional plane, the Minimal Distortion Map.
- The financial crisis exemplified the danger of oversimplifying risk assessment and
consequently missing the warning signals of a systemic risk.

- There is a need to develop a better means of understanding current challenges and the methodologies that help us to identify a solution – part of which is understanding complex risk and how to accurately define and assess it.
- Further dialogue on accurate risk assessment is crucial.
- A future panel could address real-time assessment of specific risks and scenarios, such as a nuclear Iran.

June 2, 2010

Panel 5 - Global Real Estate
Moderator - Tom O’Grady (DLA Piper)

Panelists:
- Stylianos Christofides (ICG Properties)
- C.S. Chanderaskaran (Dohaland)
- Fadi Mousalli (JLL)
- Bassem Khoury (Former Minister of Economy in Palestine)

Panel began with overview of the real estate market in MENA. Stylianos described the transformation of Qatar from a single road along the sea in the 1980’s to a mecca of development. He cautioned that because real estate tends to follow rather than lead the market as an indicator of overall economic health, Qatar remains a “vegas wonderland” with the idea that if you build it, people will come. Also, he pointed to the US Patriot Act enacted following 9/11 as a main reason for massive redevelopment of the Middle East whereby foreign direct investment into America became increasingly difficult and countries in the region decided to focus on redeveloping their towns and shifting to tourism to diversify from hydrocarbons. Sovereign Wealth Funds (SWFs) shift to domestic investment led to countercyclical investments aimed at buffering and stimulating the local economies.

Following that, Chanderaskaran described Dohaland’s downtown redevelopment project and the inevitable cycles in the real estate market. He concluded by mentioning that the Qatari real estate industry mushroomed over the last 6 years and faced a steep learning curve and price uncertainty.

Fadi Mousalli began his discussion by describing 2006-2009 as a period of rapid asset creation. He also made the point that everyday investors and speculators becoming developers, contributing to both oversupply and difficulty in assessing value of such
assets. Since then, and at least until 2012, he anticipates the market shifting to asset management with greater emphasis on operating profits rather than appreciation. This resulted in fluctuating real estate prices and the need for uniform professional real estate valuation and defining real “value” in a market with few transactions. The shift in SWF recent regional and local focus has led to an emphasis on markets with large domestic demand.

Bassem Khoury focused on the need for better established property deeds and property rights (transparency) in Palestine as well as eased building restrictions from the Israeli’s so that Palestinians can more fully experience the economic growth occurring in the region.

Key takeaways:

- Need for greater transparency in both development and property rights, a need to stimulate end-user demand, shifting from supply-led demand to market-led demand, and sustainable job creation.
- Concerns with the government acting as both a regulator and investor in the region
- There is no global or regional real estate but rather micro (local) economies depended on the unique characteristics of each market although the title/deed process and operational transparency continue to fragment/scare investors and do not allow the market to mature and normalize.
- Mr. Khoury’s mentioned that “[He] realized more and more that the problems [he] thought were unique to Palestine are prevalent in the region and require regional cooperation”.
- Focus a future conference on the diversity within the region (including various GCC states) and emphasize the need for new housing stock to accommodate a maturing youth population.

Panel 6: Women, Global Corporations, Corporate Responsibility

Moderator: Judith Barnett, President, The Barnett Group

Panelists:

- Pam Darwin, Vice President, Geoscience; Management sponsor for ExxonMobil’s Science Ambassador Program, and Member of Advisory Board for ExxonMobil Women’s Economic Opportunity Initiative
- Marjorie Margolies-Mezvinsky, Founder and Chair, Women’s Campaign International
- Nancy Owens, Vice President of Human Resources, General Motors International Operations
Soraya Salti, Senior Vice President of the MENA Junior Achievement, INJAZ Al Arab

The panel focused on the advancement that women have made both in the Middle East and worldwide and the role that corporations and the NGO sector have played to facilitate this progress. The gender gap in higher education in the ME region has been closed. However, the challenge is that educated Arab women are still not entering the workforce.

The first panelist, Pam Darwin, opened by stating that there is a strong business case for investing in women because they have a multiplier effect (they give back to their communities). Citing a McKinsey report, she claimed that a gender diverse workforce helps financial performance and that such workplaces have operating margins that are twice as high as those that are less diverse. Corporations can increase their number of professional level employees by offering flexible work plans (for pregnant women, mothers and fathers), professional women’s networks, and leadership and mentorship programs. She discussed the importance of encouraging girls to study math and science so that they can become leaders of Fortune 500 companies, which are often led by engineers. She mentioned the MENA Business Women’s Network, which is soon to become an independent regional NGO that is focused on advocacy campaigns to change public policy and raise awareness about women in the workplace.

The next panelist, Marjorie Margolies-Mezvinsky, began by stating the importance for women to be at the table in both business and politics, because when women are empowered, they empower their own communities. She described her NGO, Women’s Campaign International (WCI), which helps women all over the world by providing training for grassroots organizing, fundraising, entrepreneurship, and conflict resolution. However, she acknowledged the difficulty of establishing metrics for success in the short term, because the success stories for the women they support are more anecdotal than quantitative. Quantitative measures for success can be obtained in the longer term. WCI’s newest effort is to develop global programs for adolescent outreach.

Nancy Owens, the third panelist, discussed the ways that General Motors (GM) helps women around the world by providing programs that focus on: 1. Training and development; 2. Employment generation; 3. Environmental awareness; 4. Health and wellness; 5. Educational scholarships, and 6. Community development projects. She gave examples of successful programs in Egypt, Colombia and Brazil, and emphasized that GM feels a commitment to the countries where they have a corporate presence.

Soraya Salti, the final panelist, began by saying that the women’s revolution has at last hit the Arab World. Arab women are now more likely to be educated than Arab men. Female labor participation across the ME has gone up to 30%. Women and girls are demonstrating resilience and determination to be agents of change, even in places like Yemen where resources are very limited. She stated that one of the challenges is that
Arab women have typically relied on government jobs because there tends to be much more discrimination in the private sector, but the economic crisis has greatly reduced the number of government job opportunities.

**Key takeaways:**

- The existing antidiscrimination laws to protect women in the workplace need to be enforced.
- NGOs working on these issues in the ME need help connecting to financial resources outside of the region.
- ME women need support and training to become activists in their home countries.
- Ministries in the region should explore economic incentives for women owned businesses.
- Young women and girls in the ME need encouragement, via mentorship, to study math, science and entrepreneurship.
- Educating ME women is not enough; we need to find ways to bring them into the workforce in greater numbers.

**Panel 7: Climate Change, Energy and Economic Growth**

Moderator: Sean Cleary – Chairman, Strategic Concepts, Ltd.

Panelists:

Celina Realuyo – President, CBR Global Advisors
Cornelia Meyer – Independent Energy Expert and MRL Corporation
Admiral (ret.) William Fallon – Director and Distinguished Fellow of American Security Project; CEO, NeurallQ Government Services
Salah Tayeh – CEO of Sustainability and CSR Management Consultancy, Terra Vertis

In a comprehensive session, policy experts explored the nexus between climate change, energy security, and economic development in the aptly titled “Climate Change, Energy and Economic Growth.” Moderator Sean Cleary framed the discussion by highlighting global challenges through the lens of the Middle East region: unsustainable oil producing economies; susceptibility to climate change issues (natural disasters, water scarcity); and high youth unemployment (undermines economic growth). Panelists offered ideas on how to meet the world’s energy demands in a responsible way, and how to bring together academics, civic leaders and public and private sector actors to solve the global environmental crisis.
Meyer asserted that the environment (air, water) is a global public good; that energy security is a national imperative for consuming and producing nations; and that access to energy is an individual right pertaining to the dignity of humankind. The challenges that exist include: population and development drive up energy demand and intensify the negative effects of climate change; energy poverty – limited access to energy – will continue to grow; and it’s unlikely that we will ever be free of fossil fuels. The solutions to these problems include energy efficiency at the consumer level (appliances, lighting, buildings, etc.), and the development of alternative energy sources such as solar, wind, and nuclear energy.

Fallon said that water, in his opinion, was the single most important issue pertaining to climate, energy and economic growth, whether it’s scarcity (draught) or abundance (flooding caused by rising sea levels from global warming). Water scarcity, for example, creates a great deal of instability in the region. Improving the situation calls for changing behavior to reduce energy consumption, having leadership to incentivize behavioral changes and coordination of policies.

The panel concluded by answering the “10 billion dollar question” – if you had US$10B how would you use it to solve the global environmental crisis. Meyer answered that she would invest in clean coal technology, energy storage and super conductivity. Fallon said he would allocate the money to politicians so they could focus on policy making rather than fundraising.

**Key takeaways:**
- Energy mix: there is no one silver bullet to the energy crisis, must employ many solutions.
- Realism – overambitious targets may result in a backlash.
- International cooperation is essential.
- Research and development pivotal to make low carbon emitting technology commercially viable.
- In sum, the challenges cannot be solved alone; they have to be addressed multi-nationally.

**Panel 8 – Promoting Entrepreneurship in the Middle East**
Moderator: Cornelia Meyer

Panelists:
- Rania Frem-El Khoury, Director of Greogre N. Frem Foundation
- Arnie Messer, President and COO of Phoenix Pictures
- May Jarallah, Attorney at Law
The Panel on Promoting Entrepreneurship in the Middle East served as a follow-up to the Presidential Summit which took place on April 26-27, 2010, co-hosted by the White House and the US Department of State. The panel recognized how crucial entrepreneurs are to other aspects of social welfare, such as providing much needed jobs, serving as the engine of economic growth, and by acting as agents of change. The primary focus of the panel was how entrepreneurialism can be encouraged in the region. All speakers agreed that regional actors are eager to start small businesses, but there are structural and cultural obstacles to implementing their goals. Rania Frem El Khoury mentioned that there are US sponsored initiatives aimed at supporting entrepreneurs, such as partnerships with two Silicon Valley organizations that will collaborate with entrepreneurs in the Middle East and North Africa. USAID also has thirteen new partnerships to advance entrepreneurialism in the region, for example the MENA Investment Fund to help finance medium and small business in the region. Rania believes there is an important role that development agencies can play in fostering entrepreneurialism, specifically to direct resources to the private sector.

The region has a long history of generating innovative ideas, but structural impediments prevent new businesses from forming. Dr. Nabil Mohammad Shalaby noted that although the region has liquidity, especially in the Gulf, it is often too difficult to access the funds due to bureaucratic regulations like licensing. There are uneven levels of infrastructure development across the region, which complicates start-up processes in some countries. Some ways to alleviate these problems include education programs and established businesses helping young entrepreneurs. Arnie Messner highlighted the importance of mentorship to support new businesses. Experienced businesspeople should seek new ideas from young entrepreneurs while providing them with resources, information, and support, perhaps in exchange for shares in the new company.

But having resources and ideas is not sufficient for entrepreneurs to thrive. The panelists argued that it is also important to encourage a culture that favors entrepreneurialism. Jeff Reid noted that there are often not only financial but social costs to risk taking in the region. New entrepreneurs may be faced with social pressure to give up their entrepreneurial projects and join traditional or established businesses. The focus should be on educating young people so entrepreneurialism can become a permanent feature of the local culture. Global Entrepreneurship Week sponsored by the Kaufman Foundation is an example of an educational opportunity for young people. Another important obstacle to entrepreneurialism is political instability. May Jarrallah, discussing the Palestinian case, emphasized that the 1994 economic agreement between Israel and Palestine failed because there was too much of a development discrepancy between the two parties. The Palestinian economy is geographically divided and political instability
made development even more difficult.

Some of the other issues that came up included the importance of leadership to creating a business-friendly infrastructure, how to seek funding without ideas being stolen, and whether small businesses can protect themselves from being swallowed by large businesses.

**Key takeaways:**

- Education training should be broadly available, both in school curricula, and as resources for young entrepreneurs.
- There should be a one-stop shop for licensing and registration and the process should take less than a week.
- Governments should facilitated customs procedures and provide tax exemptions for new businesses, especially for knowledge based companies.
- Provide e-mentorship, advice, and guidance to new business owners.
- Create a culture of entrepreneurship. Support successful businesses by publicly highlighting their success, and help failing businesses diagnose their problems.
- Create a regional SBA (Small Business Association) to assist and protect new businesses.
- Create a database for regional entrepreneurs who need information about how to start new businesses and prevent entrepreneurs from repeating obvious mistakes.
- Improve access to capital, information, and networking.
- Provide new business grants and loan guarantees with subsidized interest.
- Create a local or regional fund drawing from public and private financing which would provide grants to new businesses. Young entrepreneurs can apply and a committee of non-governmental individuals will judge the applications.
- Established companies should collaborate with small businesses and support entrepreneurial efforts by outsourcing and asking for new ideas, perhaps offering advice, resources, and mentorship in exchange for shares in the new company.
- Localize the supply chain for new businesses to give incentives to entrepreneurs and make start-up easier.

**Final Plenary**

Moderator: Steven Spiegel

Panelists:
Four panelists summarized the content and achievements of the three day conference “Enriching the Middle East’s Economic Future Conference V.” The consensus was that the approach to the conference was well executed, namely having different topics such as entrepreneurship and women’s issues viewed through the framework of the Middle East region.

Common threads emerged from the eight sessions: personal, political, and resource security is vitally important to development in the region and the globe; the development of human capital, namely through education, is imperative for growth; there is no single model for economic progress (globalization is not the “Western” way of the world); technology, innovation and entrepreneurship must be supported/funded (these are the underpinnings of economic progress); and the world’s interconnectedness cannot be overstated.

In most of the sessions, the panel concluded, security and stability in the region were fundamental to any discussion, whether it be economic recovery, energy policy, entrepreneurship or women’s issues. Twentieth century security threats (one state dominating another) will likely decrease in the 21st century. Today’s security issues are disruption (financial and health crises, for example) and mass destruction, whether it be through weapons, disease or environmental degradation. Without security and a guarantee of stability, younger generations are not free to take risks and development efforts will stall.

Proposed ideas for dealing with the opportunities and threats discussed by the eight panels include delivering socially and environmentally sustainable economic growth (planet, people and profit); reducing poverty; creating stability; defining universal human rights while respecting cultural diversity; and adapting our systems of leadership and governments to come to terms with these particular challenges.

Key takeaways:

- Solving the Israeli-Palestinian conflict will not solve all of the regional security problems.
- Security and stability are extremely important; the MENA region cannot continue to spend its resources –human or capital – on wars.
- Economics – the region is rich with human wealth (demographic asset); part of the
region’s growth; the region sees it as a demographic burden; inability to create jobs is a big problem, not only for the region but also for the globe (could lead to terrorism).

- Legitimacy of rulers is very important. The younger generation is educated, they ask questions, they have access to information and they have expectations.
- Advancement in education means more women are educated, yet societies in the MENA region haven’t settled the role of women. There is still an ideological fight going on that women’s role is in the private sphere only (modernity vs. tradition).
- Entrepreneurship – the task at hand is to develop a regulatory agency for small business development; private sector is not just big business/contractors, it means small businesses, which is also very important for strengthening the middle class.
- Any positive outcome in the region benefits the globe just as a negative outcome impacts the whole world.
- Interconnectedness and cooperation have been critical in the economic recovery process.
- The goal is to empower people to improve their lives, which will ultimately lead to solutions to tackle bigger problems such as climate change.
- Focus on youth – job creation, security, entrepreneurship.
- How global affairs are affecting the region (e.g. aging in the US and EU workforces); also explore best practices in ME region and how they might apply to other countries.
- Two women on every panel every year and design a way to communicate and update the participants throughout the year.