REVISITING MARSHALL

Private Sector Development in the Middle East

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with Kevin Wheeler

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Revisiting Marshall: Private Sector Development in the Middle East
Preface

The Stimson Center and the George C. Marshall Foundation have collaborated since early 2011 to explore the repercussions of the Arab Spring. Both our institutions saw the period of upheaval as having great potential to transform state-society relations in key Arab states, and thereby affect the stability of the region. We wanted to examine whether an analogy could be made to the transformation of Europe after World War II, and in particular to the role of the Marshall Plan in facilitating dramatic change in that region. We wanted to see if some of the big ideas of the Marshall Plan might be resonating among policymakers and thinkers in the Arab world, and if more attention to those ideas would be a useful input to debates in the region.

Through research, informal networking, a regional conference in 2013 and a final “listening tour” to the region in 2014, the project has explored the relevance of the Marshall Plan during a period of turbulence and uncertainty. From initial optimism that the Arab Spring would usher in an era of transformation for at least some Arab states to dramatic political setbacks and explosive violence, this conversation has been difficult to sustain. New political leaders and thoughtful observers in the region are focused on immediate and acute challenges, and realize that the failure to embrace some more strategic big ideas for the region will set some limits to the changes that began in 2011. In general, the project aimed to highlight ideas being debated and advocated in the region, although we hope the analysis will have utility for policymakers in donor or partner countries as well as in the region itself.

We wish to share the analysis developed at Stimson in the past few years by identifying the major economic challenges and opportunities presented by the political transitions, and by highlighting some of the dynamic developments that still give hope for more empowered citizens in the region. We offer some thoughts about how these economic issues will shape the long-term prospects for politics at home in key Arab states, and for a more stable regional order. On economic themes, we provide our summary of the pragmatic ideas and initiatives that experts in the region see as desirable and achievable.

We wish to thank Mona Yacoubian, who very ably led the project from its inception until her August 2014 return to government service, and Que’Nique Mykte’ Newbill, who was a Scoville Fellow at Stimson in 2012 and 2013 and provided outstanding research support. We are also grateful to our advisory board, comprised mainly of trustees from Stimson and the Marshall Foundation, who have supported this endeavor and provided useful advice in the early stages of the project: Vice Admiral Kevin Cosgriff, Brad Gary, Rita Hauser, Ambassador Thomas Pickering, Brent Scowcroft, and Olin Wethington.

Sincerely,

Rob Havers
President
George C. Marshall Foundation

Ellen Laipson
President and CEO
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Introduction

When the Arab Spring began in late 2010 in Tunisia, and then quickly spread to Egypt, Yemen, Libya and Syria, it was hailed as a historic moment of transformation for the Middle East region. The transition from authoritarianism to new more representative government that had occurred in Europe, Latin America and parts of Asia since the 1980s was finally coming to the Middle East. Around the world, people were moved by scenes of once-cowed citizens seeking a greater role in public life. Debates about the causes for this largely unanticipated uprising centered around economic factors, such as food prices or joblessness; more intangible issues of dignity and identity; and, more fundamentally, failures of governance and leadership.

The rapid fall of dictators in Tunisia, Egypt, Libya and Yemen created enormous challenges and governance gaps. It was not easy to determine or build societal consensus to rebuild political legitimacy and set up processes for political transitions. The international community focused largely on supporting those political processes that would provide peaceful transfers of power. Later, the central role of economics emerged, not necessarily as a causal factor for the revolt, but as an essential part of new governments’ responses to the demands for change.

The larger purpose of this project is to examine how the Arab transitions are affecting prospects for regional peace and stability. It poses the question of what factors would create conditions for genuine and lasting transformation of the region into more stable and open states and societies. It explores whether the Marshall Plan that was so instrumental in Europe’s recovery after World War II provides a useful set of ideas for US and other international engagement in this period of change in the Middle East. The study uses the Marshall Plan literally—how it worked to stimulate economic recovery and promote regional economic integration—but also figuratively. Many Arab policy analysts pay lip service to the Marshall Plan idea, less for its specific operational components and more for the concept of transformation of state-society relations through economic reforms that empower citizens and promote prosperity. Many commentators assume that such change would occur mainly through a dramatic infusion of financial capital from outside the affected states; an interesting twist is that Arab discourse assumes the financing would come from wealthy Arab states rather than western donors. Such a shift away from western aid dependence would be a real sign of regional transformation, with both positive and negative implications.

As this project evolved, many of the early judgments about the Arab Spring were superseded by dramatic setbacks and erupting violence in the region. The number of states still embarked on peaceful paths to change is now fewer than was the case in 2011. Nonetheless, this report provides analysis on the evolving environment for lasting change in the political culture of the region, and pays close attention to economic policymaking and action as essential tools for the transitions. It also provides some reflections on how the changes to date—albeit uneven and susceptible to reversals—are contributing to regional security.
The Arab Spring: a distant memory or still an agenda for change?

As of late 2014, the optimism of the early Arab Spring is hard to recall. The rollback of democratization in Egypt, the chaos of Libya, the sporadic violence and centripetal forces in Yemen, and the catastrophic civil war in Syria make the narrative of positive change in the region elusive. Nonetheless, by removing authoritarian rulers in several states and by demonstrating that youth and urban middle classes are willing to overcome fear and participate in national life, the Arab Spring has opened up a wider range of possibilities for the politics of the region.

At the four-year mark, even in Tunisia, where the most institutional change has occurred, election results suggest some nostalgia for the old order. Popular support for the moderate Islamist party, Ennahda, has weakened, and a loose amalgam of former regime associates and secular elites, Nidaa Tounes, is now the dominant political force, which may set a more cautious agenda for the near term. In an opinion piece after his election as president in late December 2014, Nidaa Tounes founder Béji Caïd Essebsi ranked his three priorities as improving economic and social conditions, addressing security risks, and strengthening democracy. Egypt is a stronger case of watching the pendulum swing back to the status quo ante, with a near-total repudiation of the diverse forces that led the revolt against former president Hosni Mubarak. The short-lived government of Mohamed Morsi, the Muslim Brother leader who was popularly elected in 2012, led to a sea change in Egyptian and regional attitudes about the Brotherhood, a nearly century-old Egyptian movement now in legal twilight, and charged with being a terrorist organization in February 2014.

Yet even in the chaotic cases of Syria, Libya and Yemen, there are still calls for political transition and a firm belief among educated elites and political activists that there can be no return to the strongman politics of the past. Peaceful transitions are beyond reach in these cases, but the notion that something has shifted and cannot be reversed is a useful marker to understand the political turmoil of the region. Of course new strongmen could emerge, such as General Khalifa Haftar in Libya, and Bashar al-Assad’s tenacious grip on his broken country may not be loosened soon. But the historical arc, as counterintuitive as it may seem at this juncture, will likely show that the Arab revolts of 2010-2011 were a turning point in the empowerment of individuals and defiance against a stagnant old order. It was a moment that connected the Middle East to the rest of the world—the last region to catch up with globalization and its effects. In other regions, in fact, transitions that disempower old elites and create durable space for new actors generally take at least a decade. By that reckoning, it is still too early to declare that the goal of transformation of the politics of the region is unachievable.

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Economics as a driver and determinant of change

The Middle East has great economic promise and potential. Despite prolific violence and suffering, the region ranks as middle-income, encompassing some of the highest-income countries in the world, the small Gulf states, and very few low-income countries (Yemen, Mauritania).

In the aggregate, the Arab states rank between medium and high in human development, scoring above Africa and South Asia, and just below East Asia in the UN Development Programme’s annual rankings. These metrics include per capita income (an average of $15,000 in the Arab world) and life expectancy (age 70 in the Arab world). In general, the Arab world has relatively strong indicators of social and economic development, yet falls short on political openness, and, in many cases, sees its economic progress hampered by demographic pressures. But the aggregate presentation belies the dramatic range of socioeconomic realities across the region, and the real challenge is concentrated in countries with high youth unemployment and poor natural resource endowments.

The countries of the Arab Spring were on paths to positive economic growth prior to 2011, but all suffered sharp economic downturns in the aftermath of the political upheavals, as measured by financial institutions. Those earlier growth patterns were not inclusive, and did not address profound structural weaknesses. In its July 2014 report on seven countries (Egypt, Tunisia, Iran, Lebanon, Jordan, Yemen and Libya), the World Bank’s Office of the Chief Economist monitored the growth slowdowns, the sustained high levels of unemployment, and the weak private sector. Nonetheless, its projections for Egypt, Tunisia, Iran and Jordan are fairly optimistic about further recovery in 2015.

These enduring structural problems in the population-dense/resource-poor countries cannot be ignored, and much of the turbulence in the region, from the early quest for dignity to the more recent startling recruitment of educated youth to extremist groups like the Islamic State of Iraq and the Levant (ISIL), can be linked to poor economic prospects for large segments of the young populations of the Arab world. Youth unemployment is a genuine crisis across the region, and requires comprehensive strategies that address a complex mix of economic, social and political policies.

In countries where dictators were overthrown, political reforms can yield more sustainable results if accompanied by economic liberalization, which requires taking further steps in economic policies and practices from earlier efforts to open up markets in the 1970s and 1980s. Empowered citizens can also be more effective economic actors. An old order that tolerated nepotism, cronyism and corruption needs to be replaced with complementary economic and political values and laws. Therefore, economic change should be seen as an integral part of advancing the political goals of the Arab Spring and making them more durable.

Protracted debate has disputed whether the Arab revolts of 2011 were precipitated by economic grievances—be they rising food prices, unemployment, corruption or displaced livelihoods from environmental stress. Correlations can quickly be judged as causal factors, and thus senior public officials are heard saying that Syria’s revolt was “caused” by a single grievance, such as drought conditions. It is important to tease apart what were indisputably difficult economic conditions in each of the Arab Spring

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5 http://www-wds.worldbank.org/external/default/WDSContentServer/PDF/2014/08/06/000470435_20140806105353/Rendered/PDF/898440REVISED00hus0301ULY2014FINAL.pdf
states, and whether those conditions could objectively be considered as real triggers of the revolts. For example, scholars have worked to show that rising food prices are not reliable indicators of political conflict, including in North Africa before 2011.6,7

Each country’s trajectory is different, and transformation into free-market democracies is not assured. Festering socioeconomic ills, most notably high youth unemployment, also threaten to derail the region’s fragile transitions. In Egypt alone, an estimated 1 million new entrants will join the labor force over the next 15 months, while the economy is likely to only generate 300,000 new jobs. The grim reality—from the sheer force of demography and the post-authoritarian power vacuums—is that economic conditions in the region have worsened, further dampening public confidence and optimism that there will be more open and fair economic opportunity. New grievances have arisen about the inability of more representative governments to deliver basic social and economic benefits.

THE ENDURING RELEVANCE OF THE MARSHALL PLAN

The Marshall Plan has lived on in history as a remarkable achievement of American policy. At the end of World War II, farsighted political figures in Washington did the unthinkable. When the Cold War was just beginning and the US faced no imminent threat, leaders launched a massive plan to rebuild economic activity in a devastated Europe, based on a simple formulation of US economic and security interests: that “there [could] be no political stability and no assured peace” as long as Europe’s economy was mired in desperation and dysfunction.

The way in which a group of American advisors, economists and policymakers devised an innovative plan to stimulate sustainable economic recovery has some resonance for the Arab world today. The plan, while specific to the preexisting and postwar conditions in Europe, was intended not to dictate terms but to empower and embolden Europeans to take charge of their recovery. The plan also required European countries to request aid jointly, not piecemeal in a way that would pit them against each other. In so doing, it provided a strong underpinning for what eventually became the objective of full economic integration.

What is now called the Marshall Plan derives from a speech then Secretary of State George Marshall delivered to the Harvard Alumni Association on June 5, 1947. (Excerpts may be found in the Appendices.) Marshall then launched a campaign to bring the concept to the American people, and to build support in a war-weary and skeptical Congress for the $13 billion cost of establishing the Economic Cooperation Administration.

This report distills critical elements from the Marshall Plan into an Arab world context. These insights can stimulate dialogue in the region over how best to manage and support various transitions, and to respond to growing demands for accountability and inclusiveness in Arab societies. Together US and regional actors must craft innovative policy solutions that respond to popular aspirations for dignity, democracy and economic opportunity. Indeed, many voices in the Arab world have called for some type of Marshall Plan to change economic realities and help curb the extremist threat.

Many in the region have already invoked the need for an “Arab Marshall Plan”—a rhetorical approach as well as a tangible one—to tackle the region’s myriad challenges. This is not surprising because the Marshall Plan stands out as a successful blueprint for addressing the complex, multidimensional challenges associated with regional transformation. Yet neither the US nor Europe can afford the massive aid flows that underpinned the Marshall Plan’s success. Instead, the oil-rich Arab Gulf, possibly including emerging economies such as China, India, Brazil and Turkey, will need to shoulder much of this burden.

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The real genius behind the Marshall Plan was not simply money; it was the vision for a new, prosperous Europe built on innovation and partnership. Reflecting this ethos of the Marshall legacy, a broad strategy to foster free-market democracies could similarly transform the Arab world. Such a strategy should distill the Marshall Plan's key elements: multilateral partnerships; collective problem-solving; innovative ideas; an integrated approach that recognizes the interplay of politics, economics and security; and a particular focus on building regional economic integration.9

Specifically, a Marshall-inspired strategy for the Arab world would seek to lay the foundations for successful political and economic transitions. It would build strong partnerships between the United States, Europe, emerging economies and the Arab world. In particular, to secure their financing, the Gulf countries would necessarily need to be included as equals in any strategic discussions.

This multidimensional strategy would also cultivate the new thinking germinating in the region. It would seek to harness the region’s indigenous innovative spirit, which played such an important role in propelling the Arab Spring from Tunis and Tahrir Square. (Indeed, it was the use of Twitter during Egypt’s 2008 labor strikes that first alerted its inventors to the real power of their microblogging service.) Reaching out to these newly empowered constituencies will be critical in the months ahead. An active dialogue between the international community and the Arab world would nurture and enhance a two-way flow of ideas to promote creative solutions to the region’s challenges.10

A holistic approach that focuses on political change, economic growth and regional security would begin to redress the region’s pressing problems. Promoting intraregional trade—currently at only a fraction of its potential—as well as regional trade with global markets would tap the synergies that straddle economic development and security. Facilitating small and medium enterprises would fuel a critical, untapped engine of job growth. Demonstrating the concrete benefits of private sector growth would begin to win over Arab publics that currently view economic liberalization with deep suspicion given decades of crony capitalism. Developing strategies for enhancing the rule of law, civil-military transitions, and good governance would further enhance the region’s prospects.

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9 Many of these components were included in the ambitious and optimistic pronouncements at the May 2011 summit of the Group of 7, known as the Deauville Partnership (see http://www.menatransitionfund.org/content/overview).

Are there conditions in the Arab world conducive to economic transformation?

Policymakers and public intellectuals in the region and in donor capitals have been seized with the political dramas of the Arab world, the setbacks since the Arab Spring and the emergence of a game-changing threat from ISIL (also known as ISIS or Daish, for its Arabic acronym). This turbulence and uncertainty has made it hard for those broadly interested in the stability of the region to focus on the particulars of economic policymaking, from policy reforms to the acute need for job creation—for youth in particular. The fundamental conditions for economic transformations present both challenges and opportunities, and vary across the countries of the region.

Youth: In contrast to Europe after World War II, youth in the Middle East and North Africa (MENA) region both present a great opportunity for economic growth (e.g., labor and markets) and a large risk factor. Private and public sectors recognize the critical importance of engaging youth and integrating them into society and the economy, but efforts to do so thus far by donor, public and private sectors have not addressed the full opportunity/challenge.

Security: Uncertainty around national and regional security restricts domestic and international private sector investment and associated economic growth. A MENA Marshall Plan would have to facilitate building economies in an environment grappling with current conflict, rather than rebuilding established economies post-conflict as the original plan did in Europe.

Entrepreneurship: The MENA region, particularly for Arabic-speaking populations, has not fully benefited from the technology-leveraged “new economy.” As a result there is a huge opportunity to adapt business models from developed economies and develop new ones for the region. There is widespread interest in entrepreneurship in MENA, particularly among youth, but even the most advanced supporting ecosystems are still underdeveloped.

Human Capacity: While there are clusters/pockets of high levels of education in the MENA region, professional capacity is low both for technical skills and soft skills. This impacts private sector competitiveness and hierarchy on the production value chain, and the capacity of governments to support their economies.

Regional Work Culture: Bloated, rigidly hierarchical public sectors across the region, along with associated risk-averse work cultures, are not conducive to innovation and the development of new economic sectors. The public sector’s instinct for self-preservation often impedes the needed shifts in mindset and culture that allow economic activity to be generated by private citizens, rather than provided by the state. There are segments of the population that embrace risk and work cultures congruent with developed economies, but they are the exception rather than the rule.

Corruption: While that generally reward personal connections over competence. Furthermore, labor unions restrict socioeconomic mobility, productivity and, ultimately, economic competitiveness. The result is a fundamentally unsustainable economic trajectory that will remain inefficient and continue to concentrate wealth in narrow segments of the population.
Confidence and Trust: On a regional “psychological” level, there appear to be very low levels of collective confidence that the individuals and institutions of the MENA region have the vision, integrity and capacity to precipitate inclusive economic growth. These low levels of confidence both result from and lead to low levels of trust among private and public institutions, which in turn dampen forces of economic growth. Furthermore, this sentiment stifles international economic engagement, which further limits the growth prospects of the region.

Competitive Advantages: From a regional perspective, the MENA region has comparative advantages in fossil fuels and phosphates, solar energy, and water technology—and the financial resources to capitalize on them. The capital of the Gulf Cooperation Council combined with the human capital across the region, particularly the “populous” countries, can seize many of these opportunities.
How to relate two big ideas from the Marshall Plan to the Middle East today

Since the Arab Spring, two of the major themes for improving economic fortunes in the region, consistent with the Marshall Plan legacy, are the promotion of private sector development and entrepreneurship, to unleash—with more favorable laws, financial resources and regulations—the natural talents of the region for business; and regional economic integration, to promote more intraregional economic cooperation to achieve greater economies of scale, and to promote interdependence that can improve regional security overall.

Private Sector Development and Entrepreneurship

Entrepreneurship is one of the highest potential mechanisms for realizing the core tenets of the Marshall Plan in the Middle East. It is particularly attractive because it presents an opportunity to pursue avenues of economic development without relying on the existence of capital-intensive and technically challenging infrastructure development that many other economic development approaches require. Furthermore, entrepreneurship in large part relies on actions taken by individuals rather than institutions, underscoring one of the tenets of a process of political openness and change.

To be sure, new business is only part of the economic landscape; larger, more traditional forms of employment also need to be part of the mix. In addition, entrepreneurship is helped by infrastructure development, though it can find outlets even in relatively undeveloped areas, and can yield results more quickly than economic activities that require a much longer return on investment.

Entrepreneurship is particularly beneficial for youth because it provides opportunities for employment outside of traditional, elite-dominated sectors (e.g., government, industrial conglomerates). It also captures the imagination and creative energy of youth, and has the potential to convert the youth liability in the Middle East to a youth dividend.11

Entrepreneurship is not a well-defined and fully understood approach to economic growth. First, it is not a monolith: technology entrepreneurship of the variety championed in Silicon Valley requires different kinds of support and engages different demographics than microenterprise entrepreneurship using traditional and established business models (e.g., barbershops, small-scale retail). Second, developing the conditions conducive to entrepreneurship requires an ecosystem of multiple actors ranging from the educational system to financial institutions to regulators.

Closing the Gaps through Policy Actions

Across the Arab world, the transformation of economies requires some significant shifts in thinking about the role of individuals, state-society relations, risk management, and more subtle, cultural norms about work, about freedom of expression and action, and about winners and losers. We include a few of the general requirements for a successful “ecosystem” for more dynamic private sectors across the region, which will require policy interventions ranging from direct support to distinct sectors, to indirect assistance through regulatory reform. Economic and political actors in major Arab countries and in the donor community identify these issues as challenges, and many Arab leaders are committed to the long process of building consensus for change, which may be relevant for national policymaking as well as for foreign aid or technical assistance funders.

Human Capital
- Integrate entrepreneurship skills into public education programs.
- Provide continuing/adult learning education programs for development of entrepreneurship skills later in life.
- Encourage labor mobility (e.g., through visas, tax structures) to attract and retain entrepreneurial talent.

Culture
- At the leadership level, highlight the importance of entrepreneurship, celebrate success, and also celebrate good efforts that did not succeed (i.e., reduce stigma of failure).
- Develop mechanisms for capturing and sharing successes—not just in innovation, but also with established business models.

Finance
- Improve bankruptcy regulations, particularly bankruptcy discharge and entrepreneur “second chance” legislation.
- Promote financial mechanisms to address the “barbell” financing issue of insufficient funds for startups that are at neither the gestational stage nor the scaling-up stage.

Institutions/Regulation
- Improve business development indicators, such as the registration of local businesses and international businesses.
- Enhance the ease of doing business for international companies.

Consider Disadvantaged Groups
- Target youth and women with entrepreneurship policy (likely via subsets of policy actions).

Foster Formal and Informal Connections
- Encourage and incentivize ecosystem connections—this goes beyond development projects and captures value-creating, market-based opportunities that will benefit all parties.
- Raise awareness in the US and among other developed-world investors/accelerators.
- Increase regional participation in international accelerators.
- Consider Israel. Given the tension in the region, and the regional perception of Israel, it is easy to exclude Israel when thinking about cross-regional activities. Yet Israel is highly developed, and individuals and businesses there are highly attuned to the region as a whole. Geographic proximity and even the chance for some cultural alignment of many citizens offers a significant opportunity that is not being pursued substantially.
JORDAN AND TUNISIA: TWO CASES OF PROMISING CHANGE

The state of development of the entrepreneurship ecosystems in Jordan and Tunisia are quite different, but the gap is narrowing. Jordan has one of the MENA region’s most advanced ecosystems in terms of number of startups and level of investment, while Tunisia remains comparatively nascent in that area. Nevertheless, both countries are seen as fertile ground for entrepreneurship as indicated by the Global Entrepreneurship Index that ranks Tunisia at 63 and Jordan at 65. While Jordan had a significant head start in the early part of the decade, investment in Tunisian startups is now growing more quickly.

Both Jordan and Tunisia stand to benefit from the significant value added by the knowledge/new economy. They have reputations for being relatively open societies and are attractive to entrepreneurs in the region, as well as to foreigners. Both are viewed as progressive and relatively stable in the region, so their “brands” are strong.

Jordan has many of the building blocks for a favorable environment for private sector growth. It needs assistance with some technical issues, such as the investment barbell problem, foreign capital requirements, and mechanisms for business exits. Tunisia also has a sophisticated business community that understands the country’s relative strengths and weaknesses, but needs its new government to do more to create an enabling environment for new enterprises.

In addition to notable individuals, prominent institutions are putting innovative ideas into practice and contributing directly to development across the Middle East. They include hundreds of private businesses such as the Nuqul Group in Jordan, regional investors such as the Abraaj Group, entrepreneur support organizations such as Wamda, and think tanks such as the Tunisian Institut Arabe des Chefs d’Entreprises. These institutions are mechanisms to amplify the region’s voices for change, and can certainly play productive roles in adapting ideas from the Marshall Plan to the Middle East.

12 The Global Entrepreneurship and Development Institute, “Countries,” accessed December 29, 2014, http://thegedi.org/countries. The ranking in the 60s is in the middle of the range of over 120 countries; above Mexico, below Argentina.
13 Jordan faces the enormous challenge of absorbing more than a half-million Syrian refugees and all the related economic consequences, which divert resources to provide essential services to refugees, at least in the short run. Over time, skilled refugees can contribute to a country’s economic prospects, but it is too early to know if that will be the case for Jordan.
Regional Economic Integration

The Arab world consists of nearly two dozen countries stretching from the Atlantic Ocean to the Indian Ocean. Many states were formed by post-World War I political agreements of nonregional powers, and many achieved independence in the second half of the 20th century, some as late as the 1970s. Yet there have always been unifying impulses in the politics of the region, and many calls for unification, political union or economic integration. Some of this impulse has been under the banner of Arab unity, and remains an abstract and aspirational goal, but many more practical schemes for subregional integration have been attempted. At present, the Gulf region is farthest along institutionally, but from the perspective of economic growth and sustainability, the Maghreb (from Morocco to Libya) would stand to gain the most.

The Benefits of Integration for the Maghreb

Greater regional economic integration in the Maghreb holds significant potential in terms of increased economic growth and job creation. The World Bank estimates that fostering Maghreb economic integration could result in GDP growth increases of 2-3% in each country. Intra-regional trade could easily grow by 5-12% in the event of liberalization. This growth could in turn translate to significant job creation particularly if enhanced trade encompasses both goods and services. Moreover, integrating Maghreb economies would lead to the creation of a consumer market of nearly 100 million, attracting greater foreign and local investment and affording smaller businesses opportunities for significant expansion.

Today, the Maghreb is the least integrated region in the world, with intra-regional trade estimated at less than 3%. By contrast, trade within the European Union is estimated at 65% of total trade; trade within the Association of Southeast Asian Nations (ASEAN) is 25% and among MERCUSUR countries of Latin America is 15%. The cost of intra-Maghreb trade is quite high due to its lack of integration. Trade within the Maghreb reportedly costs twice as much as trade between the Maghreb and European countries, though distances are shorter.14

At present, the Arab Maghreb Union is the moribund structure intended to advance unification of the five states of North Africa. It has long been paralyzed by political disputes between the two largest states, Morocco and Algeria, or by the forces of inertia among very disparate political regimes.

But the economic logic for some forms of integration is unassailable. For decades, US officials and business leaders have quietly urged the Arab states dependent on nonhydrocarbon trade, agriculture and light manufacturing to build more efficient economies of scale. Larger, integrated markets would more likely attract foreign capital, security conditions permitting.

After the changes at the top in Tunisia and Libya in 2011, it was an opportune moment to reconsider how their economies could work better together. The complements between a sparsely populated oil exporter and its small but more advanced neighbor offered opportunities for joint ventures, more labor mobility and more ambitious schemes to promote integration over time. But the virtual collapse of security in Libya, and the preoccupation of leaders with border security and the illicit flows of arms and smuggled goods, as well as refugee flows, indicated that such policy goals were beyond reach.

It is time to think more creatively about how types of regional integration might occur; less from top-down ambitious schemes, and more from bottom-up, practical requirements of a region under considerable stress. Regional economic integration is beginning to happen through the informal economy, cross-border investment, conflict-driven migration and some degree of labor mobility. This integration

is driven by market forces and the enduring commonalities of language, religion and history. Tunisia has absorbed over 1 million Libyans, many of whom are trying to live independently and not as wards of the international community. Jordan and Lebanon are struggling under the weight of millions of Syrian refugees, many of whom may not return to a post-conflict Syria given the wholesale destruction of the infrastructure and housing stock in most population centers.¹⁵ Like the Iraqis before them, many Syrians will settle in and try to find ways to live and become economically self-sufficient.

At least one Tunisian businessman has speculated about the economic opportunity of building housing and infrastructure to accommodate a likely long-term presence of Libyans; such economic activity can benefit the local community and contribute to economic growth for the country. While far short of formal government-to-government planned integration, it may be a more practical approach to integration, and suggests more agile, adaptive policies to achieve mutually beneficial economic activity.

In an environment of profound insecurity and uncertainty, one cannot assume that leaders will embrace such nontraditional approaches or ways of thinking about economic cooperation. Arab states are protective of their independence and sovereignty, and the new political classes emerging in these pre-democratic or democratizing societies are not steeped in economic concepts or strategic planning. Yet with foresight, political leaders and regional diplomats could make progress on some of the building blocks for regional integration by taking steps such as:

- Developing and ratifying bilateral and regional trade agreements;
- Providing investment and financing mechanisms that support cross-border capital flows;
- Conducting regional infrastructure planning for transportation links, energy and shared water management schemes;
- Supporting the advocacy capacity of industries to push for improved trade agreement infrastructure;
- Studying economic costs of legal, bureaucratic and infrastructure barriers to cross-border trade, and communicating to policymakers and the business community; and
- Creating a regionwide “Marshall Plan” functional office, perhaps under the aegis of the Arab Maghreb Union as the most relevant subregional grouping, to provide technical assistance, to develop ideas for cross-border initiatives, and to promote regional cooperation to key constituencies in government, business and civil society.

Roles of outside actors

Donor Countries

Major western donors have been keen to adapt their aid strategies to support democratic transitions in key Arab states. They have also been attentive to the urgency of addressing youth unemployment, and have embraced strategies to help the most promising paths to job creation, such as supporting training, youth programs, entrepreneurship forums, small and medium enterprise promotion, and facilitating trade, etc. Key western capitals have offered energy, attention and political will to support the transitions, but in some cases momentum has waned in the wake of delays as western capitals wait for Arab states to determine their priorities, or disappointment that the levels of aid are insufficient to generate significant change in economic prospects.

Funding from the US and the EU has been complicated by the need to balance immediate and urgent needs of refugees from Syria with more strategic investment in building democratic institutions in Yemen, Tunisia and Libya. Many funding plans have not been implemented due to worsening security conditions.

The lofty goals of the Deauville Partnership, declared in May 2011, were “to support strategies for sustainable and inclusive economic growth in the Middle East and North African region, encourage political reforms aimed at establishing accountable governments based on the rule of law, and create the conditions necessary for greater citizen participation in economic life.”16 Deauville pledged $38 billion in support from the G-8 countries plus the multilateral financial institutions, but many of the promises were never fulfilled. Some US officials see Deauville as a minor historical footnote, but others invoke it as the summation of the aspirational goals of major supporters of the Arab Spring, even if donors were later focused on more acute security requirements in the region.

The United States has paired bilateral official aid with public-private initiatives such as enterprise funds, loan guarantees, trade-promoting delegations, and other forms of indirect economic engagement. Tunisia, for example, had long graduated from eligibility for traditional foreign assistance, so US aid after the fall of Ben Ali has been in the form of diverse support programs that do not require a large assistance presence, and the funds have been drawn from both security and development accounts.

It is often observed that western donors are interested in many worthy activities, from education to women’s empowerment to technical assistance, but the relatively modest levels of funding mean that they are often providing seed money rather than creating catalytic effects that have lasting impact. There are many noteworthy exceptions, and the US is the single largest donor for Syria refugees, or for educational programs in Lebanon and Jordan. But it must be noted that, compared to the Marshall Plan era of the late 1940s, the role of official aid from the US or other western sources is less dominant and less transformative. Nonetheless, the broad concepts of the Marshall Plan, rather than its particulars, are resonating in the region and invoked by key players in promoting positive economic change.

International Business Community

Just as with the original Marshall Plan, the international business community can play a very large and important role in accelerating private sector development and economic integration in the Middle East, while taking advantage of a win-win opportunity. Business engagement is particularly stimulating for entrepreneurship in the following ways.

• **Developing value chains**: International companies that establish operations, both service and manufacturing, in a given country often help develop local value chains. These enhanced value chains create a coattail effect, helping local entrepreneurs both to access inputs more efficiently and to take advantage of enhanced distribution channels.

• **Pressure for regulatory reform**: In order to attract and retain international investment and business operations, countries often undertake regulatory reforms that are beneficial to private sector development and regional trade. These reforms can increase the business-enabling environments that benefit local entrepreneurs as well as international firms.

• **Enhanced workforce technical capacity**: Through training local employees and instilling international-standard business practices and cultures, international business can increase the overall capacity of the local labor pool. This pool then becomes both a potential source of new entrepreneurs and an enhanced resource for local entrepreneurs to draw from.

• **Corporate Social Responsibility (CSR) programs**: The international business community can contribute to a variety of economic development activities through CSR programs. These programs often complement donor activities, with a focus on the communities most closely impacted and engaged with business operations. CSR activities range from agricultural development to entrepreneurship, all of which create opportunities for local economic development.

There is substantial opportunity for international businesses in the MENA region as well. The region’s market is relatively underserved, with huge opportunities in retail, service, construction, energy, technology and other sectors. Relatively fast economic growth and a substantial body of wealthy consumers underlie the opportunities in these sectors and have proven highly receptive to international businesses.

The security environment, however, is greatly reducing international business activity in the region. Unrest in certain countries creates an increased perception of risk among international companies across the entire MENA region. Corporate management is often risk-averse, and this results in the region being passed over by many companies that are expanding internationally. Certain areas of the Gulf (e.g., Dubai, Qatar) have managed to overcome the perception of risk and attract foreign business, but many multinational companies remain skittish of employees traveling there during periods of regional unrest.

There is a significant opportunity for policymakers to facilitate and enhance the mutually beneficial engagement of international businesses in the MENA region. Specific actions range from increased formal financial support through entities such as the Overseas Private Investment Corporation and the Export-Import Bank, to reducing project identification and feasibility assessment costs through the United States Trade and Development Agency, to exchanges and facilitated engagement between groups of businessmen and government officials. Furthermore, more prolific outreach to international corporations on the market opportunities and relatively low risks in many countries of the MENA could lead to more of them investing in the region, and reaping financial benefits while promoting economic development and regional and global economic integration.

**Civil Society**

The Arab Spring reflected and created a surge in civil society activity, from young political activists organizing remarkable nonviolent street protests to established labor unions using strikes and work slowdowns to add their leverage to the moment of transition to a new order. But at the four-year mark, civil society organizations in key countries are under as much if not more stress from governments that profoundly mistrust them, and, in the case of Egypt and in some Gulf countries, members of the international civil society have been treated as unwelcome guests and interlopers in
what nervous regimes see as their domestic prerogatives. This is particularly true of western nongovernmental organizations, many of which are funded by their governments, promoting democracy and freedom of expression.

A more confident civil society that can engage government on policy ideas and serve as vital partners in implementing social and economic programs, which is a hallmark of state-society relations around the world in the 21st century, is still relatively rare in the Middle East. The pushback against the Arab Spring has reduced the influence of many Arab civil society groups; those that focus on nonpolitical topics, such as culture or trade, are generally left free to operate.
Conclusions

Economics Can Be a Positive Driver of Change

It is indisputable that the Arab world has great economic potential. The countries along the Mediterranean that are not oil-rich nonetheless are middle-income countries, with educated human capital. They enjoy proximity to Europe and advanced markets, and have moderately advanced agricultural, mineral, tourist and light manufacturing sectors that can expand and sustain economic growth.

Yet the challenges are daunting: unfavorable demographic structures in some countries, where the youth bulge has not yet created dividends; environmental stresses that will require more public spending on scarce water resources and related problems; enduring political resistance to change in most Arab countries; and the potentially existential threat from extremism that drains policy attention from the strategic to the short-term imperatives of security. This report does not make light of this reality, but hopes to refocus some attention on some achievable short-term goals that would make important contributions to long-term stability. More attention by senior leaders to smart economic policies that create growth and jobs in most Arab countries is a strategic investment.

New Political Leaders Need to Get Smart on Economics

The transitions in several Arab countries have brought new faces into national political life, and many parliamentarians are true novices to the complexities of achieving consensus on new legislation and the myriad policy trade-offs that real reforms entail. It is unrealistic to assume that first-time politicians, particularly in multiparty coalitions, can master policy briefs and push through major structural changes as quickly as society demands.

Tunisia, the model for the Arab Spring, has reached out for advice and input to scholars in its own universities and to diverse countries that recently experienced political transitions. The new government has allowed national television to broadcast its deliberations, and is open to support and ideas from international institutions and civil society organizations. Nonetheless, Tunisia's own business community and civil society give their new politicians poor grades on following through on needed reforms. Specifically, pending legislation to reform the banking sector, expand access to credit and facilitate public-private partnerships did not pass the last parliament. The new parliament, elected in October 2014, will have an opportunity to advance economic reforms in support of Tunisia's growth and youth job creation goals.

Across the Arab world, sophisticated and experienced businessmen have worked out their relationships with political power. When change occurs in the power structure, as happened in Turkey when the AK party rose to replace the established secular parties that had dominated political and economic life for decades, the established private sector can be threatened by demands for reform that upset their status and way of doing business. But these moments of transition are also opportunities to expand economic activity, permitting new entrants to the private sector and creating a more equitable playing field for innovation and entrepreneurship.

In some cases—and Tunisia again is an interesting case—established labor movements can also face conflicting pressures. The Union Generale des Travailleurs Tunisiens (UGTT) has played a powerful role in Tunisia's history, during one-party rule as well as during the revolution of 2011. It now finds itself resisting the reforms that many experts and Tunisian business see as vital for this period of change. In this case, the institution that defends the rights of workers may not always be a promoter of new jobs that require new ways of generating economic growth.
The Private Sector and Civil Society Are Key Players in Economic Transformation

This study engaged diverse players from small to large businesses and from civil society organizations that promote job creation and economic reforms. A sophisticated community of Arab citizens yearns to see their region adapt more successfully to globalization, and to open their societies to new ideas and to sustain the hope for lasting change in the region. Much work is already in play, from entrepreneurial hubs in the Levant and North Africa as well as the Arab Gulf. There are charismatic innovators and investors who operate globally who are working together to generate new activities—from information technology to green businesses—and new wealth in the region.

Arab business and civil society leaders have proven to be effective global citizens and advocates for change in diverse international settings, from the World Economic Forum and its regional meetings to the Clinton Global Initiative and other US and EU initiatives. They may be less successful in engaging the political classes in their home countries, and in shifting cultural norms and institutional behavior to provide more open environments for risk-takers and economic pioneers.

Regional Stability Requires More Successful Economic Strategies

This period of turbulence and change in the Middle East requires strategic patience and a long view of how transformation could occur. In the near term, governments in the region and in foreign capitals will focus on security deficits that have delayed if not destroyed some of the prospects for peaceful and democratizing change. The long-standing culture of conformity and central control has proven resilient, and many middle-class citizens who embraced the fall of dictators have reverted to old patterns of obedience to strong regimes that can impose a form of law and order.

For some of the region’s key powers, particularly in the Gulf, that return to the status quo ante, in Egypt in particular, has been reassuring; for them, the Arab Spring was a setback to the regional order they prefer. In other cases, the ongoing turmoil—from the extreme case of Syria to very volatile situations in Yemen and Libya—continues to be a major source of insecurity, with porous borders and too much displacement of people, goods and even extremist ideas.

But others saw the Arab Spring as a long-delayed quest for more freedom, and an opportunity for the Middle East region to adapt more fully to the age of globalization, with empowered individuals and greater cross-border interaction. In other regions of the world, the transitions from authoritarianism to stable democratic practice took many years—a decade at least. By that measure, it is still too early to dismiss the notion that the transitions can produce more open and prosperous societies, and more regional cooperation.

To be sure, greater regional interaction and cooperation will be unachievable without attention to the essential role of economics. Economic activity is not a substitute for freedom of expression or political participation, but an organic part of what the region needs.

Policymakers and new political actors have not done enough to create favorable economic conditions, or to think boldly about how regional relations could evolve in a more open and inclusive regional culture. In the urban centers of North Africa and the Levant, there are young and dynamic new elites who believe in a more liberal economic order, and see a world of innovation and startups as part of the quest for hope and dignity.
That model for the future faces competition from the confident countries of the Gulf, which operate in a political context that is more constrained and controlled compared to the Mediterranean Arab states. For now, these competing political and economic models cannot produce a compromise or a third way. The Arab region as a whole will continue to be a diverse collection of states that have chosen different paths, but the pressures of demography and socioeconomic requirements, and the urgent need to address the challenge of an extremist alternative order, should help the governments of the Arab Maghreb, the Levant and the Gulf find some profound shared interests. They can work together to build more successful economies that will bring more stability at home—and in so doing, create prospects for a more stable region.
Appendices

Marshall Plan Speech, June 5, 1947¹ (Excerpts)

Secretary of State George C. Marshall Address
to the Harvard Alumni Association, Cambridge, MA

I need not tell you gentlemen that the world situation is very serious. That must be apparent to all intelligent people. I think one difficulty is that the problem is one of such enormous complexity that the very mass of facts presented to the public by press and radio make it exceedingly difficult for the man in the street to reach a clear appraision of the situation. Furthermore, the people of this country are distant from the troubled areas of the earth and it is hard for them to comprehend the plight and consequent reactions of the long-suffering peoples, and the effect of those reactions on their governments in connection with our efforts to promote peace in the world.

In considering the requirements for the rehabilitation of Europe the physical loss of life, the visible destruction of cities, factories, mines and railroads was correctly estimated, but it has become obvious during recent months that this visible destruction was probably less serious than the dislocation of the entire fabric of European economy. For the past ten years conditions have been highly abnormal. The feverish preparation for war and the more feverish maintenance of the war effort engulfed all aspects of national economies. Machinery has fallen into disrepair or is entirely obsolete. Under the arbitrary and destructive Nazi rule, virtually every possible enterprise was geared into the German war machine. Long-standing commercial ties, private institutions, banks, insurance companies and shipping companies disappeared, through loss of capital, absorption through nationalization or by simple destruction. In many countries, confidence in the local currency has been severely shaken. The breakdown of the business structure of Europe during the war was complete. Recovery has been seriously retarded by the fact that two years after the close of hostilities a peace settlement with Germany and Austria has not been agreed upon. But even given a more prompt solution of these difficult problems, the rehabilitation of the economic structure of Europe quite evidently will require a much longer time and greater effort than had been foreseen.

Aside from the demoralizing effect on the world at large and the possibilities of disturbances arising as a result of the desperation of the people concerned, the consequences to the economy of the United States should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace. Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist. Such assistance, I am convinced, must not be on a peace-meal basis as various crises develop. Any assistance that this Government may render in the future should provide a cure rather than a mere palliative. Any government that is willing to assist in the task of recovery will find full cooperation, I am sure, on the part of the United States Government. Any government which maneuvers to block the recovery of other countries cannot expect help from us. Furthermore, governments, political parties or groups which seek to perpetuate human misery in order to profit therefrom politically or otherwise will encounter the opposition of the United States.

It is already evident that, before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all European nations.

An essential part of any successful action on the part of the United States is an understanding on the part of the people of America of the character of the problem and the remedies to be applied. Political passion and prejudice should have no part. With foresight, and a willingness on the part of our people to face up to the vast responsibility which history has clearly placed upon our country, the difficulties I have outlined can and will be overcome.

Arab Stabilization Plan 2011 (Excerpts)

**Executive Summary**

This White Paper proposes the development of an ‘ARAB STABILIZATION PLAN’ in direct response to the jobs crisis facing the Middle East and North Africa (MENA). There are 14-15 million people unemployed across the MENA region, with pockets of youth unemployment reaching up to 60%. With the population of MENA set to increase from 355 million to 500 million by 2025, the jobs crisis is already at a TIPPING POINT.

The proposed ARAB STABILIZATION PLAN (ASP) embraces four distinct Arab contexts: the Levant, Gulf, North Africa, and Egypt. At stake is the fate of millions of people, as well as the fortunes of government regimes and major international interests—public as well as private. The ASP, partly inspired by the European Recovery Program (the so-called ‘Marshall Plan’), would not only lay the foundation for collaborative Regional Leadership, it would also address the jobs crisis head on: creating 3 to 11 million jobs over the next 5 years.

The ASP would provide for an ARAB-LED solution and is, therefore, different from all other efforts proposed so far. Further, unlike the US$38 billion economic framework developed by the G8/Deauville Partnership, aimed at providing conditional loans channelled through international finance institutions such as the World Bank and the International Monetary Fund (IMF), the ASP would not focus on structural adjustment but direct jobs creation through critical infrastructure investments. Trust funds will be directly invested in infrastructure projects and will not pass through government. Finally, the Plan is established around PUBLIC, PRIVATE and PUBLIC-PRIVATE PARTNERSHIP investment windows, allowing country and sector investor options.

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The ASP Could Solve the Job Crisis, Generate High Returns and Build Essential Infrastructure.

- In MENA there are 14-15 million unemployed with 2.8 million people joining the job market each year.
- The IMF forecasts the financing needs of oil-importing Arab States to top US$160 billion in 2011-2013.
- The World Bank states that the region must invest US$75 to US$100 billion in infrastructure annually. China spends around 15% of expenditure in infrastructure. MENA currently only spends 5%.
- Likely economic rates of return on investments can exceed 25%, with significant stabilization and employment benefits—immediate, short and longer term.

How Would the ASP be Implemented?

The ASP would be financed largely by GCC investor states (UAE, Saudi Arabia, Qatar and Kuwait), and the GCC would lead the proposed ASP POLICY FORUM and the GOVERNING BOARD of the proposed plan. NATIONAL PROJECT DEVELOPMENT COMMITTEES would provide visible national leadership, and recipient countries would also be represented on the ASP Policy Forum and proposed ASP FUND INVESTMENT COMMITTEE. The ASP Policy forum would provide strategic leadership and vision. The Governing Board (represented by Executive Members) would provide strategic guidance on major investment areas, and the Investment Committee (represented by Ministers of Finance) would endorse all project level investments within an agreed threshold.

How Many Jobs Could be Created—Based on World Bank Figures?

INVESTING US$30 BILLION: A fund of US$30 Billion, based on a typical basket of investments, has the potential to generate up to 3,300,000 infrastructure-related jobs in oil-importing countries and up to 1,470,000 jobs in developing oil-exporting countries over 5-7 years.

INVESTING US$100 BILLION: A fund of US$100 billion, based on a typical basket of investments, has the potential to generate up to 11,000,000 infrastructure-related jobs in oil-importing countries and up to 4,900,000 jobs in the developing oil-exporting countries over the next 5-7 years.

Tunis Conference on Regional Economic Integration
Conference Report, July 18, 201334 (Excerpts)

Overview

The Arab transitions are now in their third year and continue to face daunting challenges of building democratic governance, economic growth and development and security. To date, change has not come quickly enough, and the instability that accompanied the uprisings has exacerbated economic ills. As such, the potential benefits of greater economic cooperation among Maghreb countries, particularly Tunisia and Libya, merit deeper exploration.

On June 29-30, 2013, the Stimson Center and the George C. Marshall Foundation in partnership with the Tunisian organization, the Institut Arabe des Chefs d’Enterprises (IACE), held a conference exploring the topic of regional economic integration in the Maghreb. A founding member of the Club de Tunis also provided substantive input to the conference framing. The roundtable-style conference featured 25 participants primarily from across North Africa (Morocco, Algeria, Tunisia, Libya) as well as representatives from the United States, Europe, and Japan. Participants were drawn

4 We wish to acknowledge General Electric, the Japanese External Trade Organization (JETRO), and Mr. Mark Baruch of California for their generous support of this conference.
Key Findings

• **Maghreb economic integration could be a “game changer,” enhancing GDP growth by 2-3% and boosting job creation.** With less than 3% intra-regional trade, North Africa is the least integrated region in the world. Yet, the benefits of intra-regional trade and cooperation would be significant. Reducing barriers to trade could increase intra-regional commerce by 5-12%. This increase could in turn stimulate job growth and also help anchor stability. An integrated Maghreb would also create a consumer market of nearly 100 million, an important impetus for foreign investment and business expansion.

• **An absence of bold leadership and strategic vision is perhaps the greatest obstacle to greater regional economic cooperation.** Numerous legal, logistical, and administrative impediments to regional economic integration also exist. In addition, significant political and economic differences across the region also inhibit greater integration. These obstacles would be surmountable but for a leadership void at the government level where Maghreb economic integration does not register as a critical priority.

• **In the absence of government leadership, the private sector and business community across the region can play a greater role in advocating for economic integration.** The Arab transitions have opened the way for more vibrant and independent private sectors as well as more empowered civil societies. Business and civil society leaders should engage more energetically on the issue of regional economic integration by devising an “action plan” for governments and other stakeholders focused on promoting greater economic cooperation across the region. Creative approaches to fostering greater economic integration include the establishment of cross-border enterprise zones and a focus on pursuing bilateral trade and cooperation.
  * Significant cross-border trade already takes place in the informal sector. Cross-border enterprise zones would seek to formalize and expand economic activity by fostering the growth of small and medium enterprises operating in these border areas.
  * Multilateral integration may be too ambitious at this time given significant political and economic disparities as well as other concerns. However, crafting a series of bilateral cooperation agreements that capture existing complementarities offers an important inroad to integration. These bilateral agreements could anchor and facilitate broader integration over time. Of the five Maghreb countries, Tunisia and Libya offer perhaps the best prospect for deepening bilateral economic ties.
Data on Selected Arab Economies

**UNEMPLOYMENT (% LABOR FORCE)**

- Tunisia
- Egypt
- Jordan
- Yemen
- Lebanon

Data source: World Bank

**GDP PER CAPITA (PPP)**

- Tunisia
- Egypt
- Jordan
- Yemen
- Lebanon

Data source: International Monetary Fund
GDP GROWTH (ANNUAL %)

Data source: World Bank
The Stimson Center and the George C. Marshall Foundation have collaborated since early 2011 to explore the repercussions of the Arab Spring for regional security, as well as the potential to transform state-society relations in key Arab states. We were eager to see if the Marshall Plan, so critical for the post-World War II transformation of Europe, resonated among Arab leaders and thinkers, and might have useful application for the transitions in the Arab world.

These findings are from our research on a few of the big ideas from the Marshall Plan that are relevant for the Middle East today. Amidst the turmoil and violence in the region, there is still a place for discussion of the more conventional policy challenges of expanding economic opportunity as a part of political reform and change.

About the Authors

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