

THE BROOKINGS INSTITUTION

AFTER THE ARAB SPRING:
WHAT'S NEXT FOR THE ECONOMIES OF THE MIDDLE EAST AND NORTH AFRICA

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PARTICIPANTS:

Moderator:

KEMAL DERVIS
Vice President and Director, Global Economy and
Development
The Brookings Institution

Featured Speakers:

MUSTAPHA NABLI
Governor
Central Bank of Tunisia

AHMED GALAL
Managing Director
Economic Research Forum

Panelists:

GUNILLA CARLSSON
Minister for International Development
Cooperation
Kingdom of Sweden

DIRK NIEBEL
Minister for Economic Cooperation and
Development
Federal Republic of Germany

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P R O C E E D I N G S

MR. DERVIS: Excellencies, ministers, ambassadors, dear friends, colleagues, thank you very much. I'm glad to see the rain was no obstacle to getting together this morning although it's really pouring out there, but we are very, very privileged to have four very distinguished guests as panelists today on a topic which is crucial and extremely important, of course, for the Arab region, for the Mediterranean region, but also fro the entire world.

It's the time of the annual meetings of the World Bank and the IMF. We're not short of economic news, unfortunately most of them not very good. And many parts of the world are really in turmoil, but the Arab Spring, as it has come to be called, what's happening in the Arab world I think is of really huge significance historically for the region, for the people, for the Arab people, and for their friends and their neighbors. It is a very deep transformation, I think, that is underway. It will take time, obviously, we all know that, but nothing will ever be the same as before, and I think it's full of -- the way it happened is full of lessons for the 21st century.

There may also be insights to be gained from experience in other pars of the world for the Arab countries so I hope that the interaction will also focus on that.

At the Brookings Institution we have assembled a team mostly from the Arab world to work on these issues and we are working on papers and a report, which hopefully will be ready in a few weeks. We view this as an input into preparation of this work. It will -- we really would like to thank all those who are working with us, who are giving us their advice. We'd very much like to thank Sweden and Germany for supporting this work financially, and now I turn to the panel.

So, we are really lucky because everybody's super busy and getting them here is really a privilege for Brookings. We have the governor of the Central Bank

of Tunisia, Mustapha Nabli, a very old friend of mine personally, somebody who is known throughout the world, in the Arab world, and of course, in his own country. Many years ago he was planning minister, he was head of the Tunis Stock Exchange, but he's also very much an Arab economist working in many, many parts of the Arab world, and in fact, wider -- wider economic world. He's got many books, a recent one on the crisis in emerging market economies, so I'm very happy that Mustapha, you could make it. It's great to have you. You now are on the frontline, if you like, and he was one who immediately was called as soon as the change took place in Tunisia to take his new position at the Central Bank, and it will be great to hear his experience, but also his advice for other Arab countries.

We have Ahmed Galal, who is the managing director of the Economic Research Forum for the Arab world, Turkey, and Iran, which is a very dynamic regional organization. Before that he was the director of the Egyptian Center for Economic Studies. He was a colleague of mine for many years at the World Bank, also a very old friend, and I would say a really leading Arab economist just like Mustapha Nabli. He has written about ten books, innumerable articles, specializing in many parts of economics, particularly public sector economics, but also macroeconomics. There's hardly a topic he hasn't touched on, and I know from participating in many of the meetings of the forum that he's now directing that it's a wonderful organization bringing together academics and thinkers from throughout the region. So, Ahmed, thank you for being with us today.

Gunilla Carlsson, the Swedish minister for development cooperation. Thank you, Gunilla, for being here. I was privileged to have her support when I was working at UNDP, at the United Nations. Sweden has always supported development and work on development, on human rights, on helping post-conflict countries. Sweden has always been at the forefront of these efforts. Gunilla also was a member of the

European Parliament. The topic is not Europe, not Greece, not the euro, but I'm sure it is on the minds of many, so I want to thank you, Gunilla, for being here.

And also, of course, Sweden, I should say -- I can say it, I don't think she can that easily say it herself -- has been one of the most successful economic stories in the 20th century and early 21st century despite a crisis at some point also a banking crisis that Sweden overcame quite rapidly, the Swedish record is very strong and it combines very good growth with extreme, you know, kind of strong welfare state, but at the same time, an efficient welfare state that performs well for its citizens. So, the Swedish experience, I think, is crucial to study and to learn from although, of course, circumstances are always different depending on what country you're from.

And finally we have Dirk Niebel, the German minister for economic cooperation. He was also -- he's a politician also, like I forgot to mention that you're also the vice-chairman of the Moderate Party in Sweden -- so both of you, of course, are politicians. Dirk was the secretary general of the Free Democrats for four years, and became minister in 2009. He has also worked -- he particularly has a lot of experience on labor markets, unemployment insurance, and in that context, of course, Germany has been a very interesting example. The German economy has also performed well, but particularly well in the labor market. When unemployment shot up during the crisis of 2008, 2009, 2010, actually Germany held up quite well. So, although again it's not the topic, but I think there are lessons one can learn from the German experience, also from the German experience I think of social partnership and negotiation and kind of consensus building in a society which might be of interest to the Arab world. So, thank you very much, Dirk. (Speaking in German.)

Dirk speaks English, understands English perfectly well, but he will make his remarks in German, so please use the earphones when the time comes.

Okay, with that, I will ask Mustapha now to kick up. (Applause)

MR. NABLI: Thank you, Kemal. There was only one word I didn't like from what you said, Kemal, you said old too much. You said old too many times.
(Laughter)

Thank you, Kemal, for this opportunity and for the Brookings to give us this chance to be here today. I was thanking Kemal and the Brookings Institution for allowing us to be here today to have this discussion and actually I didn't know what to talk about today because we got the invitation and then there was this issue, this theme that everybody's interested in, but it was difficult to figure out what to talk about. So, let me start by making one observation and question and then I will come to what I'm going to say.

The last few days I've been in Washington I was wondering whether the Arabs have not made another mistake -- big error -- and they chose to do the revolution during the worst year, that could be during the year of crisis -- global crisis. So, which means that they are not going to be getting any help from the international community in these times, so -- and this is borne by the fact. So, that's my first observation.

My second -- my thinking has been another issue, which is a question to all of you. What we are seeing, observing now at the global level, especially in the West and Europe and the U.S., is the inability of the political systems to cope and to make decisions. So, democratic -- advanced democratic systems have shown this year, this time that they are unable to make the decision, the choices that need to be made. And it's showing that markets also can go crazy, and I have been wondering, and I think I want to put it further, you know, what is this lesson -- what kind of message this is sending to us emerging democracy or trying to build a democratic system based on open economic systems? Are we getting -- I mean, the feedback that is going to get us -- get

to us, this is not very encouraging.

So, I leave you with those two thoughts and I move on.

What I thought I would do, maybe, start with a few observations about what has been happening on the economic developments and how they link to the political developments in Tunisia, and then get to raise a couple of issues or challenges of regional as well as national character. Clearly what we had, we are eight months into the political change, process, and we have gone through a very difficult period, and on the economic front we had essentially collapsing growth, we have economic activity which has been, you know, seriously affected, we had a growth rate of the first semester of minus 2 percent, compared to an expected growth rate of, you know, average of 4.5 to 5 percent, which means an output gap of 6 percent of GDP in the first semester. That's a huge cost. So, that's the bad news.

The good news is that the economy has shown many signs of resilience. We have seen many activities recover, exports of manufacturing recovered, we had a growth rate of 10 percent of exports, manufacturing. We have agricultural growth, which is significant, and we have an economic activity which has, in many, you know, areas, which have come back in good ways.

The macro balances are -- I wouldn't say solid, but they are resilient. The external balances, even though the current account deficit is clearly wider, but we don't have any serious problems at the currency -- of the foreign currency level exchange rate or the reserves which have declined significantly, but we still have reserves, which are adequate. We have been able to preserve the banking system, the payment system. Actually, created growth has been positive, significantly positive, with a growth rate of credit at 8 percent. This, with a negative growth rate of GDP, means that the banks continue to fund, to finance the economy, the firms, trying to preserve the, kind of -- the

different sectors of the economy, the solid firms would be preserved and maintained while they face this recession.

So, the fiscal situation is under control even though the fiscal deficit is going to be higher and there as a stimulus package which has been implemented, but we think that the fiscal situation is under control. We don't have a serious debt problem, whether external or whether it's domestic debt, government debt, we don't have that risk.

So, overall, at the macro level situation is manageable and it's under control. The real issue is that -- is somewhere else. The real issue is on the labor market side. That's where the real issue is. With a negative growth rate, clearly you're not going to create the jobs. While the revolution was -- the drivers of the revolution was jobs and jobs and jobs, and the outcome, the immediate outcome is less jobs, less jobs, less jobs. And less jobs, and less jobs created.

So, what you have is a situation where the unemployment rate is increasing. The expectations of the young people while they have big boost by the revolution, they face a reality which is much worse, so the expectation gap is getting wider. And this is feeding back -- might feed back into the political process and the pressure is on the political process.

I don't have much time to go into the political process. We can discuss later the political transition is ongoing. There's a lot of progress. We have elections planned for a month from now, the first elections ever which are free, to elect a constitutional assembly and start putting in place the new political system, the new political regime, which will be open and democratic, and the preparations are ongoing and the political activity is very, very tense -- I mean, very, very active, very rich, and very -- so, we can talk about this later.

So, I think my overall assessment is that it has been a difficult year. We

are out of the danger zone, but we are not out of the risky zones. There are many risks which are still waiting for us to be dealt with. We expect 2012 to be a difficult year. We are not sure yet about how strong the recovery is going to be and how quick the recovery is going to be. It depends on many things, some of them domestic, some of them are external. We'll see. So, there are many risks 2012 in terms of growth, in terms of the macro, in terms of employment, and so on.

So, that's a very, very quick brush of what the situation prospects.

Now, I would like maybe to raise a couple of issues and -- of concerns or challenges or whatever. The first is about the interaction between the political process and the economic reforms. This has been a problem which is of interest to many people and I think it's of interest to Brookings and some -- many people worry how fast, how quickly, how strongly, would their economics reforms undertaken to create a platform for higher growth and higher job creation rates. It's a very serious question, but I am not sure that it has an obvious answer.

My feeling is that in a process where you are trying -- where the political process is going to work itself out, and where you are going to put in place new political system, a new political mechanism for decision-making and so on, these times usually are not good for major economic reforms or social reforms.

We know that the challenges that need to be dealt with are big, huge, which need deep reforms -- we need deep reforms in the social safety net system, we need deep reforms in the education system, we need deep reforms into the business environment, the banking system, financial systems, you know, government, government systems and so on. We know all of that and everybody realized that.

The question is, how much can you do when the political process is very fragile and is unable -- and this brings me to the question I was asking about the

advanced democracies or decision-making -- to make tough decisions is not easy in this -
- in well-established democracies, how about when it is done in fragile, emerging,
budding democracies?

So, my view is that it will be too optimistic to expect in the next phase
deep reforms to be undertaken in a very significant way.

Now, the question is, if this is the case, if this is the case, where is the
growth going to come from that is going to support the political process in terms of
creating high growth rates and high job creation rates? And that is really the biggest
challenge that we have.

My belief, my thinking, is that actually we do have reserves for growth,
which are not really dependent on new reforms. I may be wrong on this, but that's my
belief. We have always said -- actually, I always said, and Ahmed, we talked about it
many times, that we always believed that in the Arab region there was -- the potential
growth rate was much higher than it was in the last 20 years or more. The average
growth rate was in the last period was 4 to 5 percent, and we knew always that the
fundamentals, as they exist, you know, will support a higher growth rate of 7 percent or
more, and the missing -- the critical point and that we pointed out to is the governance
issues.

So, by focusing on the governance issues and on the political process,
this, in itself, to my understanding, will create the conditions for the high growth rate and
the job creation, and you do not -- I mean, there has been -- we know there has been a
lot of reforms, and the question that -- the returns to these reforms over the last 20 years
have been weak, have not been good enough. Investments did not grow -- private
investment remained very, very low. And the reason for that, in my assessment, was
always the governance issue. There was no credibility in the political systems which

made the private investors, you know, not ready to invest strongly enough and at the level that would keep us, but it was possible, but it was not realized because the potential -- the government credibility, the governance problem, the corruption, and so on, were such that they inhibited that potential from (inaudible).

So, there is a lot of catch up, I think, lots of intrinsic catch up which is possible. And I think this war of potential growth, I think, needs to be captured and can be captured very quickly actually, if the political process works itself out and provides this credibility, this predictability of policy, predictability of -- you know, protection of property rights and less corruption and less of this and preferential treatment, a more level playing field, and all of those things that we think are associated with good governance.

This is the reservoir we should tap into and not really try to force too much policy change at this time where the political systems are still fragile and in the making.

This does not mean -- I mean, don't mistake me that there should not be efforts to introduce reforms and so on. I think, for instance, the social safety net system needs to be overhauled very quickly and very rapidly. This is critical, this is -- and that can be done, actually, and that could be easy, but many other things are much more difficult to implement and to introduce and to -- so, that's where I see really the big challenge for the reason for Tunisia -- I think this applies to Egypt, maybe Ahmed will say, and I think it applies maybe -- it's different, Libya is different and Syria is different, and, you know, but you will find the same problem, I think. How do you modulate the policy reform, the economic and social political reform agenda to make it compatible and, you know, with the political reform agenda? You cannot, in the current state of things, design your policy reforms at the economic level, it's like you have, you know, strong government were established and good political system which are able to make the

decision and force them and apply -- and implement them in the normal way. We are not in the norm. We are in a process of building a new political system, political regime, which is very fragile; it's going to be lots of instability, probably, as well.

We expect lots of instability in the next, you know, few years. And in that framework, it would be optimistic and probably misguided to expect (inaudible). So, I see a lot -- so when we talk about -- how much time do I have, Kemal? One minute, or two --

MR. DERVIS: Two, three minutes.

MR. NABLI: Two, three minutes. I see in the discussion that we hear from the partners and so on, okay, what is the reform agenda, what are you doing, what is this and that -- I'm -- sometimes I think it's really misguided and I think it's not the right thing to put forward. So, we have to be aware that this is not saying that this is not important, you should not pursue it. You can do lots of things, even within the context of, you know, what exists and the constraints that I am talking about. Lots of things can be done. Lots of things, you know, you can introduce -- there are measures of reform that you can do on the banking system, on the governance system, on the, uh -- you know, lots of things that can be done, which are not as difficult, you know, politically to decide on and to implement, and this -- there is enough of that that can carry us through this transition period, and at the same time work on the deeper, you know, bigger problems of, you know, whatever it is, on privatization, on privatization of banks. I mean, I get people asking, okay, when are you going to privatize the banks. Okay, yeah, I mean, I would like to privatize tomorrow, okay, but that's not the -- can you do it? And can you do it successfully? And so on.

So, that's really the big question -- the big challenge that we have as we go forward and where we need to do some thinking, and I think what we can learn, I think this work that Kemal was talking about in terms of the lessons that we can learn from

other experiences and so on, will be very helpful in that, you know, how did Indonesia deal with that problem and how did the Philippines did or did not deal with that problem, or whoever has done these transitions, political transition, in a serious way.

I will stop here. I'll leave this with you and maybe we can have a discussion on this subject. (Applause)

MR. DERVIS: Thank you.

MR. GALAL: Good afternoon, everyone. First of all, I want to thank Kemal for the kind invitation. It's delightful to be at Brookings and wonderful to be able to talk to you this afternoon.

It's also great to be on such a distinguished panel of very special people coming from all over the place.

Let me tell you, I have a problem; the problem is that Mustapha and I are good friends, we talk too much, and he said everything. So, it's almost like I have nothing else to add, but, you know what, I do. Let me start off with the title that we have for the session, which is, "After the Arab Spring." Well, you know the Vivaldi symphony has four segments, and after the spring comes the autumn -- no, comes the summer and then the winter and then the autumn, right? Well, all I hope -- and I think the process in the Middle East is going to be more or less like that symphony, and unfortunately we're going to have summer, and I hope it's not too hot, we're going to have autumn, and I hope it's not too dark and depressing, and I hope that we will turn around into a spring next year that's a much better spring than we have seen so far.

But I'm not here to talk to you about seasons, so I will tell you what I am going to tell you first, and what I'm going to tell you are three things. The first one has to do with the interpretation of what happened, and I would call it the end of two ideas, the end of Arab exceptionalism, and the end of neglecting distributional issues. So, that's the

first point I want to talk about. Second point that I want to talk about is, what can countries like Egypt and Tunisia do in the interim period as far as economics are concerned, and I completely agree with Mustapha that unfortunately nowadays you cannot talk about economic reforms as if you live in a vacuum, as if nothing is happening around you. Politics and economics are so intertwined, to the point where you re -- I am an economist by training, I know nothing about politics, but guess what? I've been talking politics recently. It's almost like you can't avoid it anymore. So, that's the -- under these constrained conditions what can you do, in the short-run and in the medium-run, because I do believe that the time dimension is incredibly critical.

What Mustapha was talking about, interim governments, what interim governments can do and cannot do, is so serious, and I'll come back to that in a few minutes.

The last point I want to cover is: can the international community do something to help. I'll have a few words to say about that one.

Let me start with my first point. The end of Arab exceptionalism and neglecting distributional issues. If you ask anyone around, for quite some time, why the Arab countries have their democratic deficits, they would give you multiple theories. Some of them will tell you it's Islam, some of them will tell you it's culture, and some of them will tell you it's that neat little authoritarian bargain where the leaders -- autocratic leaders -- decide to give people some economic benefits in return for political consent. I don't give you political freedom if I please you on the economic front. Well, apparently the guys in Tahrir Square and in other squares thought that everybody was wrong.

What these guys were actually going for was also not "I want a job," unlike what Mustapha said, this is where we might disagree a little bit, I'm not saying that unemployment and jobs are not important, but the slogans that they carried were dignity,

freedom, and social justice. These guys were middle class, they were educated, they were technologically connected, they were not the hungry guys. They are demanding what other people in advanced countries are demanding, which I would probably summarize it, in political liberalization and social equality, if you like, or justice.

The reason why I'm elaborating that a little bit because the way we understand the nature of the problem is going to help us in thinking about the solutions down the road, so let me move on to the second one. The issue of neglecting distribution, the issue of neglecting inequality...sort of. Until very recently -- I have to tell you a little story. Mustapha took more time than Kemal allocated to him, so I'm going to take more time, too. I'm sorry, Kemal, but it's social justice after all. I demand -- I mean, I have never been -- I visited Tahrir Square after it was quieter, but here I have my Tahrir Square.

Anyway, in the annual meetings of the last time, there was a panel that the IMF put together and they had Dominique Strauss-Kahn and a young man called (inaudible 0:31:07.4) on the podium, and Mustapha actually was on that panel. In any case, (inaudible), the young man who actually was a leader in the youth movement that created the revolution in Tahrir Square, in his opening remark, he got one paragraph from a report that the IMF has just written about Egypt, right before January, and it made Egypt look fantastic. I mean, it's paradise; it's the place where you want to go. The trouble -- and then he stopped, so Dominique, of course he's clever and came back trying to tell him, yeah, but we understand -- he said, no, ah, we can be friends. He said, no, no, I'm revolutionary, you're the IMF, we cannot be friends.

Now, the moral of the story here is I think the international institutions and the ruling elite in Egypt and in Tunisia were essentially telling people, we are making a lot of progress, we are liberalizing, we are attracting investment, we are making very

high ratio growth and you should be happy, and people were not. Every Egyptian I know -- most Egyptians I know were asking: well, growth is high, 7 percent, but where did it go? I didn't see it.

Issues of distribution are as important, if not more important, than growth, and I'm not suggesting, actually, that we should sacrifice growth for distribution, but I do want us in thinking forward not to ignore the distributional side of the economic growth that we should achieve.

So, these are my two basic points at the beginning. Now, let me move on to the next one, what should we be doing in the short-run? It's actually simple once you know what you want. If you believe that you want to achieve economic growth on the economic front, if you believe that you want higher economic growth and you want reasonable distribution to reward effort, not being lazy, and equalizing opportunities in the population so that those who don't have the equal opportunities can enter the labor market and get some of the benefits of economic growth, then what you need to do is a little simpler because you already know your targets and we know what are the elements that help you achieve economic growth, we also know something about which instruments you might want to use to achieve more regulatory distribution of income and wealth. By the way, we don't really know what's going on in the region as far as distribution is concerned. The only numbers we have actually tell you that the distribution of income in the Middle East and in Egypt in particular is quite even. That's totally untrue, everybody will tell you that, because all the numbers are based on household consumption, household expenditure. Nobody takes care of wealth, nobody worries about all sorts of real dimensions, but casual observations, if you walk around in Cairo, somewhere, you will find people living really miserably and you will find this wonderful new compounds on the other side, and then you tell them, no, no, Gini coefficient in

Egypt is only .3, it's even better than anywhere else, better than Sweden and Germany. Well, that's total nonsense because people can see what is happening.

I guess the other element that is also important that is related to this is the issue of corruption. The two countries -- and I would argue that Egypt and Tunisia are very similar in that -- essentially had a model whereby the rulers decided to please themselves and their friends and they did some economic liberalization but most of the benefits accrued to a very few. And in the process there was a lot of corruption and that's people are rebelling against.

Given all that, what can we do? This is where it gets more difficult, and I sympathize a great deal with what Mustapha was saying about what can interim governments do. There isn't a whole lot that they can do, honestly. There was the idea, you know, some people in the former -- on the previous interim government in Egypt were coming up with a big mega project that's going to cost \$24 billion taking Egypt away from the Nile and creating a whole world in the desert, sort of thing. Who are you to decide on a \$24 billion project? What legitimacy do you have? Who gave you the mandate? Have you done all the verification that ensures that such a -- so, there are decisions, many decisions as a matter of fact, that interim governments cannot do.

So, what I am suggesting to the Egyptian government in the interim period are three things. One: first of all, do no harm. Don't blunder too much. Just make sure that things are happening but not excessively so. Don't really overdo it in any direction. You have weeks and maximum months to stay in office and this is a period when you really should not be taking major decisions. So, that's one.

Second thing that I suggested that they do is, if you want to do economics, do politics. Don't do economics because as far as I am concerned, in the short-run, the real recovery is not going to come from economic policies. The real

recovery is going to come from two things, one is getting security -- people have to feel secure to begin with. If I have a factory I want to make sure that the factory is not going to be burned or people are going to go on strike or -- if I am walking up the street buying something or selling something -- anyway, security is the name of the game and it's not fully there yet.

The second one, which is not less important, is what I would call the political roadmap for reform. We keep talking about -- actually, I think in that sense, Tunisia is doing a little better than Egypt because at least they have a road map that they seem to be agreeing on. In the Egyptian case we do have a vague political map that we don't have consensus around, so you are going to have parliamentary elections, and then the -- supposedly the parliament will pick up the committee or the commission that would write the constitution, and God knows, if you get the wrong majority in parliament, you get the wrong constitution, and the country lives on for the next 20 years trying to fix what was done in the first phase.

So, lack of a political roadmap, not only it is costly in the sense I have just described, it's costly in another way. It's costly because when people are not certain about the future, nobody takes any decision either. On the economic front, no investors will come back, no tourists will be coming back, no -- not only foreign investment, but even domestic investors. So, my suggestion to them is, if you want to fix your economics, do deal with security and do deal with a political roadmap that most people can live with and feel comfortable with.

And then the third thing I suggest to them is that you may actually want a few actions that will help pave the -- I mean, basically prepare the process for takeoff down the road. For instance, labor and wages is a big issue. Well, okay, don't change it right now. I mean, just -- just study or commission or get a few people to sit around the

table, discuss it, get a Brookings report to be discussed in a public forum, get people to talk about what needs to be done and how it could be done and which way it should be done, sort of thing, and that is just but one example, but that's basically what I suggest in the short-run.

In the medium-run, the story is a very simple one. Again, if your main objectives are growth with equity, under growth the big thing is -- and this is something that I worry about a little bit -- there is some sort of a backlash, again, it's private sector, liberalization, and opening up. The biggest mistake we could do is that we reverse that. We go from fully growth and no distribution to distribution with no growth. Actually, you would be distributing poverty, so in a way, the first thing we need to do fundamentally is to capitalize on past achievements, build on them, and then make sure that we are adding the second pillar, which is how do you deal with issues of equality, of equal opportunities, of access to good education, good health, good social safety net, and the rest of it. That is essentially the formula.

Let me not elaborate further and say a few words about the role of the international community. When the guys on Tahrir Square and other squares in Tunisia were revolting they actually never carried an American flag, an Israeli flag, or any other flag. They did not enchant, again, the World Bank or IMF or anybody else for that matter. As a matter of fact, the real fight was with their people who were ruling them and I think it's a mistake on the part of the international community to think that they are party to the process. They are not, they were not.

It is really important that people understand that this is an endogenous process, it's an internal fight, these guys were demanding something, they didn't get it the peaceful way, they are doing it the more violent way -- in fact, it was peaceful still, but demonstrating is what I had at the back of my mind.

Now, that doesn't mean that the world does not have a stake in the success of revolutions in the region. On the contrary, I mean, there are so many channels that I can list that would hopefully convince you at the end of the day that the world is a better place when this region is making progress. The region was a lagger, everybody has changed around. Latin America was ruled by generals 20, 30 years ago, none of them is in power anymore. Eastern Europe has changed dramatically, Africa has changed, East Asia and China has changed. Well, this region nothing was happening. It is good for everybody that the revolutions in the region do succeed.

How can the world or the international community help? There are several instruments that you all know much about, one of them is easing the resource constraint in the short-run. With the revolution there was a decline of a significant way in international -- in foreign exchange, whether it's the flight of capital, whether it's the disappearance of tourists, or diminishment of exports, you name it. Remittances, whichever way you look at it, there have been a dramatic decline in external resources. That is one constraint that these countries have and it can backfire and it can cause more damage and it can cause more agony if the interim governments are unable to provide at least the basic things to the guys who are demanding it now at the time when expectations are skyrocketing. People want goodies and now.

The dividends from a revolution, I don't want to wait for tomorrow, I want it today, sort of attitude, so that's one channel.

The other channel which people don't focus enough on is the value of sharing experiences. Now, Mustapha alluded to this one. I do believe that the role of knowledge at this stage is probably more critical than at any time at all because this is the time when people are looking for who they are, how they go about the problems, how they resolve problems, how did somebody else resolve it. The idea of sharing knowledge

and experiences and supporting the creation and dissemination of knowledge and putting together groups of different kinds in the same place to worry about what options do they have and which one is better than the other one and why is really an important one and I do believe the international community can be helpful in that one at least.

And then the third one is what I would call lending credibility to making commitments. Interim governments are unable to promise because, one, they are there for a short period of time, two, people are not going to take them as seriously and take big decisions on the basis of what they would be saying. I'm sorry, Mustapha, I don't mean you, I mean everybody else.

MR. NABLI: (inaudible) central bank governments.

MR. GALAL: Yeah, central bank governments are independent; they stay there forever, so he's okay.

And I think international community can provide some anchor around which promises can be made and can gain more credibility than countries can do it on their own. The question is how the heck you do it. There are ways of doing it that work and ways that don't. For instance, at a time when Egypt doesn't have a president, doesn't have a parliament, doesn't have a constitution, you come and talk to the Egyptians and tell them I'm going to help you fix your governance, I'm sorry, you're knocking on the wrong door. You got yourself exactly the wrong entry point. I mean, it's almost like your house doesn't have columns, doesn't have anything and then you come and talk to me about painting. What is this? So, there are good ways of doing it and bad ways of doing it, but I do know that if you find the right entry point it can be a very helpful thing to do.

Let me add one more channel. In supporting reform in the region, don't (ph.) anymore go for supporting liberalization, growth, and the private sector period,

support that, but over and above do support egalitarianism, because that is fundamental to what has taken place in the region. Thank you. (Applause)

MS. CARLSSON: Thank you very much. It is my great pleasure to be here together with you and my colleague, Mr. Dirk Niebel, but also other panelists, and to take part in this discussion about what comes next and I think it's very, very interesting and just, I mean, as a started to try to answer the question from Mr. Nabli, I think we don't have it, but we have a lot of sovereign states in the world today but we face global challenges. We have a tremendous economic globalization but we don't have enough global citizens that can participate, so we have to fix the sovereign states in order to make their citizens being able to fully take part and enjoy the new global world and thereby, I think, we need more of global institutions that can really provide multilateral solutions. We are not there yet but I think the demand for this will increase.

And another thing, when we started here it was talked about, old men, or something was referred to that, because my dear friend Kemal Dervis referred to all as old friends, and true, we are, and I think the need, now, in the Middle East, for good old experiences and responsible actions is very needed. There is a need for people that can take responsibility, to be experienced about what a global world looks like, but we have to give room for the young and for the women in order to transform. The societies, the economy, and the countries, so that's where I think there is a need of knowledgeable, prominent men from and within the region, but also to see how can we do this.

And I think Brookings -- and I have to thank for the cooperation that we're having here because I think Brookings is very well placed to talk about the need for deep reforms and political processes to make things come true here now, and that's why I will focus a lot on a few things that I would like to add to these discussions.

The events that continue to unfold in North Africa and the Middle East

are encouraging illustrations to me of struggles, of human rights, democracy, justice, and dignity, and the events have been driven by broad and popular movements and the agendas have been secular and domestic, and have merged political, economic, and social demands. And my opinion is these human rights, which they are fighting for, are universal rights and only societies that respect such rights can hope to achieve real and lasting process. That's my departure point. And stressing the universality of human rights also means to me stressing the universality of women's rights.

Women have not only taken part in these struggles, indeed, they have been very much in the vanguard. Women have organized themselves into communication and action networks alongside men that we haven't seen before and use their influence and experiences with local mediation to promote a peaceful and democratic transition.

Today women make up over 40 percent of the global labor force but look what it looks like in the region. Women's entrepreneurship represents an unexploited opportunity for increasing competitiveness and private sector development. In the Middle East and North Africa only 28 percent of working age women enter labor force compared to 65 percent in OECD (phonetic 0:49:39.9) countries. Here is a huge resource that I think can help to change both on a macro and micro level. And it is now essential for sustainable and democratic development in the region that political and economic reform measures are designed and implemented in a transparent manner and that they do not sideline women.

By securing the rights of women and promoting gender equality, and therefore inclusiveness, it's also a question of smart economics. Discrimination in the labor market against women is a tragedy for the individual, but also translates into economic losses for the society as a whole. Inequality not only breeds poverty, it

perpetuates poverty.

I met, a few days ago, a noble person, Princess Ameerah al-Taweel from Saudi Arabia. Some of you, you might have heard about her because I was told that she started the driving campaign in her country, and of course she's a fortunate woman because she could demand to have a car. Many, many women in the Middle East do not have that opportunity, but she said that it was for her not only the joy and freedom to drive your own car as you could, but it was also to her not only a right and a freedom thing, it was also to her an economic rationale because she lost, she said, too much of time waiting for her chauffeur to come up and she had to spend a lot of her own money to have a driver to take her where she wanted to go, and she didn't want to go shopping, she wanted to do entrepreneurship, to do social work, she wanted to contribute in her society.

And that's why I think we have to see that there are culture changes that need to take place. It's not -- it's not only economic barriers, it's also culture barriers to see that these potential of economic growth, if we also treat men and women equal and thereby also focusing on the youth with their high unemployment. I think that could be good drivers of change and also I absolutely agree with Mr. Nabli, we need fundamental reforms, specifically in the education sector, but if we can't make the huge reforms immediately that are needed, perhaps we can start processes on a micro level, because if we create enabling conditions for women to freely engage in business, trade, activity, and employment as well as in political process in other public areas, it is imperative. Look at micro entrepreneurs at the local level where women often are a driving force and how they can start to employ. They can have a crucial impact for helping to lift communities out of the poverty track and thus contributing to social development as well as an inclusive growth.

But let me also say a few words, then, on the positive aspects of another part of globalization, such as trade openness and information technology, that are helping to create an environment more conducive to unlocking the potential of all populations, and we have seen the potential for young people know with the social media, but also women of course. I witnessed this first hand in Egypt some months ago, how the active involvement of women was made easier by social media and helped unleashing the political participation of Egyptian women.

But part of the loss is also institutional. We have all here agreed that good governance is a key factor in achieving sustainable growth and the World Development Report, this year's, is also -- that has been launched recently, correctly notes that empowering women as political and economic actors can change policy choices and make institutions more representative. When women are allowed to vote and hold public offices, the political agenda is more representative for the population as a whole, and this will also translate into economic sphere and perhaps spur more transformative reforms faster.

I mean, today, I think, there has been this move and I absolutely agree with Mr. Galal that it was a move to ask for justice, for participation, accountability, to stop corruption and cronyism. And there is a lot of energy, I think, today within the Middle East region that there are old boys fighting old boys, but we have to open up now for the new kids on the block and perhaps these reforms that are extremely tough to make in transition periods, they might be easier if we also look to how we make sure, at least as donors, that we also engage with the potential that are there with women and ask for their equal rights. It might be that the transformation on all levels could be easier done with new kids on the block coming in to take their rights to participate but also to see that we could have the courage to look into the future and address the problems that the young

population in this part of the world are facing.

Well, that was my contribution. What is clear is that the Arab world is being transformed in a way that has profound implications for its own people and, of course, for the rest of the world. Change is underway and turbulence is likely to continue, but I hope we have reasons to believe a region more responsive to the expectations of all its people, including women, will emerge. Thank you. (Applause)

MR. NIEBEL: So, good afternoon, ladies and gentlemen. Kemal, thank you very much for the warm welcome and I'm really happy to be here together with my colleague Gunilla Carlsson and the other panelists and meanwhile you can start your headphones, I can explain why it's necessary to use my native language for this speech.

As you know, Germany is fighting in international organizations every time for using German also as an official language and for this it's necessary to use it and I will do so.

TRANSLATOR: I am very pleased that today we have assembled here in this very renowned institution. I think it was a good idea of Gunilla's and also a little bit of mine to work with you, to make a little bit of progress on looking at what happened in the Middle East. Discussing the challenges in the Middle East/North Africa region is crucial in order to find answers to what happened there so I would like to thank you all very much for giving us this opportunity to meet here and to have some external expertise here that doesn't necessarily come from international institutions so as to arrive at the right conclusions.

I had the privilege of visiting the region several times; meeting policymakers, civil society, academia representatives there, and it was very exciting to see just how different the situations were in the individual countries even though on television it looks as though developments were the same everywhere.

I think it is legitimate to say that we have been watching the freedom movements with a great deal of friendly feeling and being very much impressed. Sometimes this reminded us of the fall of the Wall, the nonviolent overcoming of systems in Eastern Europe, and a lot of this has already been said by the people before me, but the many young people, including the many young women who took to the streets, they after all had very similar reasons why they did that. They wanted to participate and they wanted better prospects and I think it was similar to what happened in 1989 in Europe and I think the process of transformation that has started now will only be successful if we have strong development in these countries not only in political but also in economic terms.

Participation, equal opportunities, and the firm establishment of the rule of law are fundamental to making progress and I think there are three things that we need. First, what is most urgent, undoubtedly, is more jobs for the young generation. We are starting from different bases. In some cases you have well-qualified academics who have the wrong qualifications after all because there are no jobs for their qualifications, and then you have young people with poor or no qualification who have not had any access to the vocational training system. We need to give them better prospects.

Second, it is absolutely crucial for governments to gain the confidence of the private sector. The relationship between the public and private sector needs to be defined in very clear terms because without the involvement of the private sector, without direct investment, including foreign direct investment, there will not be sufficient capacity for creating the training and employment potential that is really needed to meet needs.

Third, governance matters including economic governance. We need the right environment to be created by governments so that new opportunities for

investment, for growth, and for social change can create the opportunities that people are hoping for. Governments need to do this in an active, transparent, and socially balanced manner.

Germany's development policy responded very quickly by setting up three funds to promote democracy, education, and economic development. We had a good basis to start from because the German political foundations, which are unique in the world, and also Germany's large implementing agencies, GIZ and KFW, had a good presence on the ground and had not only been working with the governments there but had networked with society as a whole, with academia, with the cultural sphere, partly with those who took to the streets, and so they had access very quickly.

We help with democratization not by telling people how to do things but helping them with things such as how to found a party, how do I establish election laws in such a way that the outcome of the election will be finalized after the election and not before, how can I get press representatives who used to just read out whatever the government told them to, to start doing their own research. These are things that don't even take that much money that can help with democratization.

Our second focus is on training and employment. We urgently need to support enterprises that have been active in the region and German enterprises in the region made a commitment to broaden their vocational training efforts far beyond what they really need in terms of training their own staff, and we want to help countries adjust their vocational training in such a way that people will have good qualifications in order to find good jobs. This requires exchange programs, it requires cooperative programs, between higher education institutions, and I think we're on the right track here.

The most recent fund we set up is about private sector development. So far it has 20 million Euros. It's what we call a structured fund and other donors'

contributions are welcome.

Public funding is used for the highest loss risk and then you have private investors with the second and third tiers of the fund so as to facilitate access to the capital market for SMEs. We know from our own economy in Germany that the SME sector is really the backbone of our economy, but if they have no access to financing, they have a hard time implementing even the best business idea and that is why by giving them access for business startups to get capital in order to provide opportunities for people to qualify and for people to find jobs we set up transformation partnerships with Egypt and Tunisia including debt swaps to the tune of 300 million Euros.

But of course it's not enough just to hand out money. We, the international community, need to do our own homework if the reform movements are to be successful. This includes, in Europe and elsewhere, to agree on coordinated international action, not only on the European neighborhood policy and the Deauville process of the G-8 where we are actively involved, but also beyond these processes we need to help through trade facilitation and better market access for our southern neighbors, and speeding up the elimination of tariffs would be a clear signal, especially in the field of agriculture products, but also facilitating access to the service market. This is the precondition for products, goods, and services from Northern Africa can actually access Europe creating new prospects.

But here in the United States, being here in Washington, I need to point out that the United States too needs to get active. If I think of making the WTO Doha Round a success in development terms, I think some things that would be politically helpful and could help us move beyond old agreements would create an early harvest in terms of opportunities for emerging and developing economies. At the meeting of G-8 finance ministers in Marseilles just a few weeks ago, the international financial institutions

made a commitment to coordinate their actions closely. In that way we will ensure that international support will be used in an efficient and targeted manner so that it will be easier to address the problems that will undoubtedly be part of the transformation process, and we all need to bear in mind that with all these paths of transition or reform, we will arrive at very different results. The paths will be different, the general environments are different from one country to the other, and we cannot expect everything to be successful everywhere. So, we need to remain flexible in terms of the tools that we as a donor community make available in line with the needs, which our partner governments need to voice.

We need strategies that are tailored to each country's specific circumstances so that countries can manage the political change and of course the freedom movements need a political response, but they also need an economic response. Unless in the foreseeable future there are changes in peoples' economic living conditions, it will be difficult to stay the course on the success and we can help by facilitating, for example, circular migration, becoming more flexible about visa for education or working purposes, helping people to transfer know how and expand their competencies. I think these are vital preconditions through which we, the international community, can provide some assistance, but it is the countries of North Africa and the Middle East that have to do certain things themselves and one thing they have to get right is to choose the right -- vote for the right governments that will produce positive results and this stage process from constitutional assemblies, the rewriting of election laws, the administrative process of holding elections, that might sound boring to listeners, but I think these are crucial prerequisites for being successful in the future because we must not get to a situation where after the election people cannot refute accusations of the elections having been manipulated. This is something where we want to help, not

only in Egypt and Tunisia, but also beyond, in all countries that have a strength to get rid of older governments and I look forward to our discussion. Thank you. (Applause)

MR. DERVIS: Well, I must admit that I failed miserably to enforce the time limits, but I think it was worth it because we got some really, very good contributions and very complimentary to one another. Very complimentary to one another.

We have 15 minutes and, perhaps, with the permission of the panel, I'll go straight to the audience questions because otherwise there won't be any time and we can, you know, transform it into a kind of conversation, but I do want to thank you very much and (inaudible) Ahmed Galal really stressed the political process and I think the interaction between politics and economics, which we see in Europe and the U.S., also very much.

Gunilla Carlsson stressed youth and Mustapha gave her the entry point to that -- but youth and really role of women and the crucial importance of bringing women into the mainstream also, of both politics and economics. And I can't resist, as a Turkish citizen, to say that this is something that Turkey did early with somebody who had a name close to yours, Mustapha, but which really has been a source of strength, I think, of the country over the recent history.

And Dirk Niebel really stressed the international context, what can be done practically and flexibly with a lot of emphasis on the labor market and on institution building, but also on the political side of institution building.

So, let me encourage three, four questions from the floor. Please identify yourself when you ask the question. We will take all the questions together and then turn them back to the panel.

Yes, the lady over there. Yes.

MS. RIZZO: Hi, my name is Kathy Rizzo. I'm a research associate with

the Public International Law and Policy Group. My question, really for the panel, but also MR. Galal, there was discussion about the international community providing vocational training for young people as sort of a way to assist in the reforms. Do you think this is something that should happen in the early stages at this point? Or should that type of assistance, again, wait until there is a more stable political governance system in place? Thank you.

MR. DERVIS: Thank you. There was somebody over there. Yes? Please identify yourself.

MS. FOSSUS: My name is Helen Fossus from the State University of New York. In this excellent presentation we've heard a lot about the young people, their impatience, their need for jobs, and I'm wondering what your predictions are for political consequences if the system isn't seen as responding fast enough. Will we have more revolution? Will we have support for extremism? What would you predict?

MR. DERVIS: Thank you. Yes, over there?

TARIQ: Good morning. My name is Tariq. I work with the Avi Schaefer Fund and I have two short questions. First for Mr. Galal, if you could expand a little bit more on those entry points that you were talking about, what are some of the good entry points that the international community could take advantage of?

And then for Mr. Nabli, for your Tunisian citizens, what would you advise them or request of them in terms of civil society support for the ongoing transition now that the revolution is finished? Thank you.

MR. DERVIS: Any other questions? Let me add one question from the chair. I read an excellent paper by Ahmed recently and he makes the point, and others have also made it, that the kind of Arab nationalist phase, which was a very important part of the Arab awakening, of course, earlier, had stressed partly as a reaction to the

colonial order, centralism, state planning, the state sector, and it did not turn out to be a success, unfortunately, and then came a wave of liberalization supported by the West with a lot of advice from the West, from the international institutions. We all worked -- most of us worked in these institutions. And, you know, the liberalization, privatization were the two main themes. And Ahmed, you ended your talk by saying, you know, we cannot put the stress on that anymore because in the perception of the people, it got associated very closely with corruption, with inequality, with big gaps, and the lack of inclusion. I think both explanations of what happened are correct, I mean, both models seem to have failed, but it does leave us with the hard question, you know, is there a kind of model? And is -- what can we salvage from that?

And maybe a few words elaborating, because both Mustapha Nabli and Ahmed Galal mentioned that, but I think it does leave one in a more difficult spot, and I agree with Ahmed very much that the reflex to kind of fall back on the old prescriptions is there, you know, you have liberalized but not enough, you have privatized, but not enough, and I think enough is not the right word. Maybe the type -- the way it was done may be the right word, so I just wanted to encourage a little bit of discussion on that.

And maybe what I can do is start in reverse order, ask Dirk Niebel to make a few comments in reaction -- I think vocational training, which is a great strength of the German, I think, society -- vocational training is very strong. Maybe you can say a few more words, picking up, and then we'll go in reverse order, Gunilla, and then Ahmed, and then Mustapha.

MR. NIEBEL: So, I should start?

MR. DERVIS: Yes.

MR. NIEBEL: I'll give the chance, for a second. I think as long as you work, vocational training is the most important we can do. I don't know where the

question taker is -- who had the question? Ah, you, sorry, couldn't see you. So, now are you ready?

TRANSLATOR (FOR MR. NIEBEL): I believe a crucial prerequisite for -- facilitating vocational training is a crucial prerequisite, but we must not try to do it in the same way we do in Germany through what we call chambers. That is a very highly qualified level that is too low for some and too high for others. In Egypt we have many well-qualified academics who cannot find jobs because they trained for jobs that are simply not there in the labor market and we have the problem that many people have no vocational training at all except for some on the job training, but for jobs that are not in an office, jobs that are involved with trades and crafts. These are jobs that often do not have a good reputation. But when you look at water supply and waste management, technical and vocational jobs, there are enormous needs throughout North Africa and it would be easier to meet this demand if we did some in between path of doing some on the job training, not at the level at which you would do it in Germany.

But, on the other hand, and this is a central point, we need to open our universities for cooperative endeavors to a greater extent than in the past. We have been working with the German Academic Exchange Service, DAAD, to help give academics additional postgraduate training so they respond better to labor market demand, and I think this is something that you need to start immediately or you will not be able to meet expectations of many young people who got involved in their revolutionary movement because they were hoping for better prospects.

And now you get to the third point, it's a matter of access to finance. Not all of them need to find a government job. This is something that you have across North Africa very often, what you need is private entrepreneurship and what they need is access to finance and then the right environment, above all, the rule of law, so you can

be sure that contracts will be complied with, and sustained anticorruption. I think these are the crucial prerequisites. Thank you very much.

MS. CARLSSON: If I say just a few things about the young and what do we think will happen, and I have to say, I need to be extremely humble because I don't know -- I never lived in the region, what do I know? But I think a few things that I have been told is really what was said, don't steal our revolution, it's our revolution, we would like to carry on ourselves, but support our goals. And what we have seen when the young people gather together with the old and that it was both men and women coming out on the squares and they were not only the capitals, they were spread in the country. I think to keep that path towards working together to continue to fight for dignity, for participation, and to try to do things together could help, not to make the young people totally disillusioned. Thank you.

And because I think young people are not, per se, radicalists or extremists, that they would perhaps be easily caught by those forces if we don't see that we know act perhaps a little bit different than we have done before, because never before when we were trying to accommodate changes, we talked about the fall of the Berlin Wall, but we didn't have that mix of a very, very young population that could really access information about what the world looks like and that you are doubly excluded, that you have barriers within your own country, that you are not feeling that there is justice and equity, and then you also see that the rest of the world are just moving on.

So, therefore, I'm a little bit afraid that if we don't manage immediately, and that's why I think the job opportunities, the participation, but also trying to -- also from outside, to facilitate how can people come together, and there I think it's jobs and it's education. And here I do think that our attitudes and how we are supporting the goals can make a slight difference, but it's really about now to have a clever and good

leadership in each and every country trying to facilitate this and it's a little bit hasty.

And then, again, both of us are coming from Europe. I don't think that we have the capacity. We have the capacity to do the Doha Round, to do the broad reforms, and so on and so forth. What we can't have is a lot of extremely young refugees coming in massive numbers, so it's really a challenge, and people do not want to leave their homes. They would like now to build the new Egypt, the new Tunisia, but it's really (inaudible) to the European Union to bridge and to build bridges, and to see that we now work together and also being very bold in our policies to see that we are supporting reforms and not looking inwards, because the consequences might be radicalists at home, but also a lot of disturbances in the neighborhood that we can't accommodate at our homes.

MR. DERVIS: Thank you, Gunilla.

MS. CARLSSON: And Sweden is very open for migration, one-fifth of our population are immigrants for the moment, and our biggest growing religion in my country is Islam, and we are happy about that because that's an advantage in a globalized world. But that's just the mood in Europe today, so we have to really face this.

MR. DERVIS: Thank you, Gunilla. Ahmed?

MR. GALAL: Yeah, let me pick on --

MR. DERVIS: Three minutes each.

MR. GALAL: Let me pick on the question you raised, which is what kind of model Egypt and possibly Tunisia could go for. They tried socialism, it didn't work, they tried liberalization, it didn't work, so what do we do? I, in the paper that Kemal referred to, I thought that we have three options, one of them is to look for a country to imitate, look for a country that looks like us, and we try to be Turkey or Malaysia or Indonesia or something. The other one is to go by one ideology or another, Islam is the

solution, sort of thing, or something else. And the third one is what I would call common sense actions, if you like.

Well, then I say, basically, no two countries are alike, so forget about the idea of imitating any country, because you will always find differences between one country or the other, so that you really cannot do. Ideology never delivered anyway, so what we really need to do is be sensible about what we want to do, basically define the objectives the way I defined them earlier, and then capitalize on accumulated knowledge from everywhere and basically try to resolve these problems, whether it's growth, creating jobs, (inaudible), more social justice or whatever, based on collective wisdom and whatever experiences that we have had so far.

Maybe I can say something about entry points for international community and I did suggest a few and my colleagues also raised a few but I would argue that at this point in time, one thing that was missing was really the social side of things. I mean, for instance, education. I wrote a book on the Middle East called *The Road Not Traveled*. Essentially they tried to fix the education system, but it was the wrong way, they were traveling the wrong way. I mean, I think issues of that kind would make a bigger safety net. When the World Bank discusses, let's say, removal of subsidies of bread it's seen as liberalization in disguise and very little attention is paid to the idea that who is getting it, do they need it, would they starve without it. And I think the smart thing to do in cases of that kind is essentially to find the formula that you reduce price distortions, but simultaneously satisfy the needs of the hungry people so that you don't have a second revolution on your hand if people are hungry.

MR. DERVIS: Thank you, Ahmed. Mustapha?

MR. NABLI: Yeah --

MR. DERVIS: Some last words.

MR. NABLI: In one minute. Let me start with your question, Kemal. I broadly agree with what Ahmed said. I will add that really this age of, you know, doing ideological issue is passed. I mean, we really are beyond that. I think now the time is for pragmatic, you know --

MR. DERVIS: Let me ask you, do you feel that among the Arab youth, that the ideology is kind of not -- I mean, it's a real question.

MR. NABLI: I think there is a rejection of ideology, especially liberalism, as the liberal ideology is not accepted overall. I think that's probably -- I think that's fairly strong, but I don't see, on the other hand, a movement towards state-ist ideology either. So the youth, I think they're trying to find this pragmatic way as well in some sense and I think our role is try to help elaborate on this.

This -- there is this question about civil society. Let me -- this is a wonderful question because I have to say something about it. I think one of the big, big -- I wouldn't say surprises, but features of the Tunisian, you know, last eight months, is civil society. Civil society is doing much better than the political groups, political parties, and there have been flowering of civil society activity of all kinds, everything, from developmental to political to social to whatever it is, and it's everywhere, on everything, it's really -- it's extraordinary.

And just to give you a sense of how much this civil society is so strong, in the constitution assembly elections, about 50 percent of the lists that are being presented are on independents, which means that they are coming from civil society, essentially. Fifty percent are coming from political party, and 50 percent -- now, to the extent that I think it's too many (inaudible) lists, that's another matter.

But civil society is really playing an extremely important role and it is trying -- I mean, even in the debate, the ideological debate about Islamists, non-Islamists

and so on, it's extremely active and, you know, resisting, confronting the extremist ideas, and so on, it's extremely important process. It's really wonderful. It's one of the bright things that are happening on the ground that really needs to be highlighted

One word on the vocational training, I think it should not wait. It's now, not next year, not next month. You know, creating the skills and building the skills is going to be useful very soon and just -- the Tunisian example on this is interesting. For instance, just as an example, one of the initiatives that were taken by the interim government was a program to support the university graduate. We have a kind of census of those, we have 160,000 university graduates who are unemployed. So, the program was to give them, you know, unemployment benefit, a small thing, but to ask them to undergo some training. Even though they are university graduates, their skills are not very good. They have some education, graduates, but they don't have really practical skills, so while they get some unemployment benefit they are being asked to undergo some training activity and things like that. And now, it's being done now, it's not waiting for next month, next year. So, this will prepare them for when the recovery comes, when the business sector comes, you know, to try to employ these people, they will be ready for employment in a different kind of sector and so on.

The last word on the political consequences of non-response -- I think it's very important. I think there might be large risks on this one, but I will stop here.

MR. DERVIS: Thank you very much. We've finished the time. It was a wonderful discussion. We could have gone on for a long time. Thank you very much all the panel. (Applause)

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