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THE ARAB CENTER: THE PROMISE OF MODERATION

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### **Moderator:**

MARTIN S. INDYK, Senior Fellow Director, Saban Center for Middle East Policy The Brookings Institution

PANEL 1 PRESENTATION: "THE ARAB CENTER: THE PROMISE OF MODERATION"

MARWAN MUASHER Senior Vice President of External Affairs The World Bank

#### Discussant:

THOMAS L. FRIEDMAN Columnist, "New York Times"

PANEL 2 PRESENTATION: "THE NEW MILLENNIUM OF KNOWLEDGE: HUMAN DEVELOPMENT IN THE ARAB WORLD"

KRISTIN M. LORD, Fellow, Foreign Policy Saban Center for Middle East Policy The Brookings Institution

#### Discussants:

AMR GOHAR, CEO and Managing Director National Telecom Cards Company

RAMI KHOURI, Director Islamic Affairs Institute for Public Policy and International Affairs American University of Beirut

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## PROCEEDINGS

MR. INDYK: Good afternoon, ladies and gentlemen.

Welcome to the Saban Center at Brookings. I'm Martin Indyk, the Director of the Saban Center at Brookings.

We're delighted to have you here for two book launch events back to back. The first is of course Mawran Muasher's book "The Arab Center: The Promise of Moderation," copies of which can be purchased at the bookstore afterwards. I'm really honored to have the opportunity to host this book launching for Marwan. He's been a colleague of mine for many years, first when he started his diplomatic career heading up the Information Bureau of the Jordanian Embassy here in Washington, then when we both ended up in Israel, Marwan as the first Jordanian Ambassador to Israel after the signing of the peace treaty, and me as the

day.

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U.S. Ambassador to Israel. We actually presented our credentials to President Chaim Weizmann, Ezer Weizman I should say, on the same

After that, Marwan became Jordan's Ambassador here in Washington where he played a very creative and effective role, in particular in working to establish the free-trade agreement between the United States and Jordan which was the first free-trade agreement that the United States signed with an Arab country. Subsequently he went back to Jordan and became his country's Foreign Minister and then Deputy Prime Minister where he had special responsibility for promoting a political and economic reform agenda for the Hashemite Kingdom of Jordan.

This book which is part memoir and a good deal of history and analysis is essentially about those two hats that Marwan has worn as Jordan's chief diplomat trying to promote peace and an end to the Arab-Israeli conflict on the one hand, and as Jordan's leading reformer tasked by the King to pursue that reform agenda.

This book is fascinating for its insider account of what happened in those days when Marwan was Foreign Minister trying to push the peace process when the Bush administration in Washington wasn't greatly interested in it, then as a leading reformer in Jordan up against establishment interests who felt very threatened by the things that Marwan

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wanted to do. His thesis as he'll explain to you is that the two very much hand in hand, reform and peacemaking.

It's a very candid book with some amazing revelations about the positions of certain Arab personalities in the last days of King Hussein, but also it's a very important book because it is a book written by a leader in the Arab world who is I think extraordinarily candid about the challenges involved and the experience that he had in trying to surmount them. So in many ways this is a unique book and we're very glad to have Marwan talk about it today.

To response, we're also delighted to be able to host Tom
Friedman who is I think known to you all as a great advocate of reform in
the Arab world. In his columns I dare say perhaps 25 to 30 percent of
them in recent years have focused on this subject. He is as you are
probably aware a three-time Pulitzer Prize winner, a columnist for the New
York Times. He is the author of several bestsellers and From Beirut to
Jerusalem remains the book about the Arab-Israeli conflict and Arab
politics; The Lexus and the Olive Tree, and The World is Flat I'm reliably
informed sold 4 million copies that just shows that you can fool some of
the people some of the time; and now soon to be launched Hot, Flat, and
Crowded, Tom's new book about the need to green the world. So Tom,
thank you very much for joining us today as well.

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After Marwan and Tom speak we're going to have a little conversation and discussion with the audience, and then we'll move on to our second panel which is to launch our own Saban Center publication from the Brookings Project on U.S. Relations with the Islamic World. It's called "The New Millennium of Knowledge: Human Development in the Arab World." It is a look back at the 5 years since the U.N. Arab Human Development report was published written by Kristin Lord with a distinguished group of advisers, two of whom are joining us today with Kristin, Amr Gohar, the CEO and Managing Director of National Telecom Cards Company from Egypt, and Rami Khouri, Director of the Islamic Affairs Institute for Public Policy and International Affairs at the American University of Beirut, and also a famous columnist for the "Daily Star" and various other Arab publications.

Without further ado, Marwan Muasher and "The Arab Center."

MR. MUASHER: Thank you so much, Martin. I'm so pleased to come back to Brookings and to be able to talk about the book to you all. I see a lot of old friends in the room and I'm very appreciative that you took the time to do this.

To be a moderate in the Arab world can be described as an act of courage, a leap of faith, or maybe just plan suicidal. But there has never been a time in our region where moderation is more needed or

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where moderates need to speak out even more forcefully. This is a book about Arab moderation, the successes and the failures of Arab moderates, and a book that tries to explain where these successes have come about and why, and more importantly, why did the Arab center also fail in so many areas.

I argue of course in the book that first of all there is an Arab center. To most in the West an Arab center does not exist, Arab moderates are not there, and this is a region with a bunch of fanatics and where moderation does not rule. I try to argue on the peace process there has been not just Arab moderation, but in fact a very proactive moderate center that has put forward all the initiatives, let me say all the major initiatives, of this decade on the peace process has come from the Arab center, whether it is through the Arab peace initiative of 2002 where the whole Arab world committed itself collectively to a peace treaty with Israel, to security guarantees for all states in the region including Israel, to the end to the conflict, and to an agreed solution to the refugee problem. Then the Middle East Road Map that provided a road that would take us to the end of the occupation, a two-state solution, but would also implement among other things the terms of the Arab Peace Initiative and again commit the whole Arab world to a collective peace treaty with Israel.

In the Arab world, most politicians kiss and don't tell. They rarely record their impressions, and when they do, they do that in Arabic. I

meant to write this book in English and I meant to write it as a firsthand account of things that I have personally witnessed so that it is a humble contribution by an Arab politician in the region to the history of the region which has so often been written about from outside the region.

But beyond that, it also attempts to show the human side of the conflict. Whereas most people here would look at the issues of the Arab-Israeli peace process, I have attempted to explain some of the feelings that people have about these issues and some of the psychological barriers and divides the people have to cross and transcend their historical positions so that peace is possible in the Middle East. I have anecdotes starting from my own reluctance to become Jordan's Ambassador to Israel. To people in the West this is a great honor, to people in the region this is met with mixed emotions, and I had personally to cross a huge psychological divide to do so, but then I argued that this must be done by everybody else as well. Or the anecdote of when I had to visit my mother's house. My mother is a Jordanian of Palestinian origin who came from Jaffa in 1948 where she met my father in Jordan, and where my own house in Tel Aviv was only a few miles away from her house, the house that I got to see after 50 years or so. Or the anecdote about when I attended Israel's Independence Day which to all Arabs including myself is also the anniversary of the tragedy of the Nakba, and again the psychological barriers that people have to cross, I have

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attempted to do so as much as I could through these anecdotes in the book.

Most of all, I also attempted to give readers a rare inside view of Arab politics, of the different positions that Arab countries took on such important developments such as the Arab Peace Initiative and the Middle East Road Map, the Syrian position, the Jordanian position, the Egyptian position, the Saudi position. Arabs are not as monolithic as sometimes some people picture them to be, and again I think it is very important to understand where each position in each country comes from.

But most important of all, this book talks about why the Arab center today is losing credibility at a very fast rate in the Arab world and it is doing so because that center has chosen to focus on only one aspect of moderation, which is the peace process and, indeed, as it has as I said made valiant efforts to solve the Arab-Israeli conflict, but that core center has not been a center on other issues of importance to Arab society, political reform, good governance, economic wellbeing, and cultural diversity. In being selectively moderate and not solving what it has promised people it would solve which is the Arab-Israeli conflict, it has been painted successfully by its opponents as a compromiser of Arab rights, as an apologist for the West, as a center that has not delivered on anything; it did not deliver on peace, and it did not deliver on reform. I

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thrive in the future, it must address all these issues. It must address issues of reform in the same way and with the same vigor that it addresses issues of peace.

I also argue that that center needs to be supported, and I maintain that two things need to happen. One, the center's effort to solve the Arab-Israeli conflict must be not only recognized by the United States and others, but must be also acted upon so that we stop this wave of radicalization that is sweeping the region at a very, very alarming rate.

The fact remains that the Arab Peace Initiative which in my opinion has addressed every single need not of Arabs only but of Israelis as well, including an end to the conflict, including an agreed solution to the refugee problem, and including collective security and peace for Israel, that initiative was all but brushed aside by the Israeli government and given only lip service by the Bush administration, and because of that the Arab center became very much on the defensive. It felt that it put together a solution that addressed all the issues of the region and for the first time maybe did not only address Arab needs but Israeli ones as well but was brushed aside, and the United States as I said only gave it lip service. If we keep talking about an Arab center that is declining, we will maybe end up with a self-fulfilling prophecy and that center might indeed cease to exist if we do not give the process serious attention.

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I also maintain that the time for gradual agreements is over.

I think that the Oslo Process has exhausted all its possibilities and I think that if there is to be a solution, we must go for the big thing, we must go for a solution that today is known by every man, woman, and maybe child on the street. This solution is known today because of negotiations that have taken place among the parties themselves, and today thanks to such frameworks as the Clinton Initiative, the Taba Talks, the Arab Peace Initiatives, or the Geneva Document to name a few, we all know what the solution is going to look like and I do not think any further negotiation process is going to result in that solution looking to be much different from that, but it will result in the opponents of peace derailing the peace process just as they have successfully done every single time they were given time.

I also maintain that the Arab center needs to take on the responsibility of addressing reform issues in the Arab world. The problem today is that most moderates on peace in the Arab world are not moderates on reform and most moderates on reform in the Arab world are not moderates on peace, and this selective moderation really is taking away from the credibility of the Arab center and that center as I said needs to at least address these issues and convince Arab society that it is serious about these reform issues.

Today in the Arab world there are two schools of thought, the traditional school of thought which says if you open up the system, the Islamists come in and, therefore, their solution is not to open up the system at all. I maintain that this is not true nor supported by the record. The record shows that as a result of not opening up the system, we have not resulted in the Islamists being weakened in the Arab world. No one of you probably has heard of Hamas and Hizballah 25 years ago. Today they are not marginal powers, they are groups which have a lot of popularity in the Arab world because of the frustration of the continuation of the conflict. So the traditional forces have chosen to keep systems closed on this fear that any opening up of the system will bring in the Islamists, and while I also do not believe that the systems can be opened up immediately as indeed the Islamists do have a 40- or 50-year head start over everybody else, but I also do not believe that maintaining the status quo is sustainable and that unless we develop a system of checks and balances of political diversity that would allow alternatives to both the ruling elite that has not been checked by any system of checks and balances and to the Islamists who are often threatening the political and cultural diversity of society, unless we are able to open up the system even if in a gradual manner, then we are going to face a very, very dire future in the region. So the counterargument to the traditional forces today in the Arab world is if you do not open up the system, the Islamists

will come in, and so far, unfortunately, the first argument is the one that is

prevailing in the Arab world.

I have attempted again through firsthand experience to talk

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about my own experience with reform in my country Jordan but also with

the Arab world through several attempts that I participated in in order to

develop some blueprints that can be implemented in the region so that we

gradually open up the system. I cannot say that this has been an easy

process and will not be an easy process. The entrenched bureaucracies

of the political elite in the Arab world is very strong. The interests that they

have developed over a long period of time make it such that any process

of reform is going to be fought tooth and nail in the Arab world, but it is a

process that I think must be implemented and Arab moderates must

indeed be more vocal in pushing forward policies of moderation on all of

these issues if the Arab world is to have a prosperous future. Thank you

so much.

MR. FRIEDMAN: Martin, thank you for inviting me to grace

this opening of Marwan's book. I recommend it to everyone here and

those watching at home on C-SPAN. It is I think a unique event and a

unique book that Marwan has given us in terms of the insight it provides

into real decision makers in the Arab world and real decisions. It is really

a unique book.

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We are going to have a discussion here, and I do not have a talk per se, but to kind of feed the discussion and put out some of the questions that I am stewing with both from Marwan's talk and his book and having just come back from Egypt a couple days ago, one of the questions I have is Marwan has made the point and I think it is a valid point, that reformers in the Arab world and the whole reform process has been hobbled by the ongoing Arab-Israeli conflict and the inability to solve that. But the question that always raises in my mind is why. The fact of it is clear and irrefutable, but how is it that Korea and Egypt had the same per capita income in 1950 and Korea today is one of the richest per capita countries in the world and Egypt has been lagging considerably, and Korea had a 50-year conflict with North Korea? How did the center, the moderates in Korea manage to disentangle themselves from that conflict, and whether they were for or against and the issue in how to deal with North Koran is a hugely emotive issue in Korea, you have people on all sides of that issue, yet somehow they were able to isolate it there and go on with human and economic development. I would say the same about Taiwan. Lord knows Taiwan faced a 50-year conflict with a huge behemoth of an opponent, Mainland China, yet Taiwan managed to not only develop economically and have the fourth-largest financial reserves in the world today, but actually like Korea go from a military government to a democratic government in the context of an ongoing conflict? So I think

that's one of the things that I would really like to probe with Marwan because I think he is absolutely right about the facts, but I think we need to take that conversation one step deeper. Why were these people, the moderates and progressives in Asia able to disentangle themselves from the conflict and in the Arab world were not.

Marwan referred to the entrenched interests, and I know from having talked to him over the years and visited him in Jordan when he was Deputy Prime Minister, the valiant fight he mounted with some other reformers there to try to make progress on a whole range of humandevelopment issues despite these entrenched forces and I can only say from just having come from Egypt that I learned something really interesting about the entrenched forces and how moderates and reformers in Egypt are now dealing with them and I am again curious to hear Marwan's take on this. What I heard from reformers in Egypt was that they are looking at institutions like Cairo University with 265,000 students. At any university with 265,000 students you can be sure that one thing not going on there is education. So I said how are you dealing with that? The answer I got back from Egypt's reformers, and I am interested again to hear Marwan, we are basically driving around it. We are just going to leave it there. I talked to a very key minister in the Egyptian government who will go nameless who told me he had given up on his ministry. The entrenched interests were irredeemable and unreformable and that he

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could spend his entire tenure trying to take them on. So instead of created a small pocket, his own team, inside the ministry. He identified the two or three core key issues that they were going to pursue and he was just leaving the rest. China can do that. When the reform side of the institution is so dynamic and is producing so much energy, you can get a leveraged buyout as you are getting in China where the private sector is ultimately going to buy out the communist party. I am not sure you can get that much energy right now, that many resources in the Arab world, so the question I have, and I want Marwan to talk about this, is can you really have reform in a place like Egypt or Jordan without taking on the core system itself? Can you really drive around it?

For instance, on education, education reformers in Egypt decided they really cannot reform Cairo University, but what they have done is invite the University of Indianapolis Law School to come in and set up a faculty and we have seen this phenomena in the Gulf in places like Qatar and Dubai inviting in foreign universities to try to create little seedlings of reform and hopefully they would spread out. Does that really happen? Is that really a workable model? Or do you not have to take on the thing itself? So I am eager to hear Marwan talk about that.

I think that taking on the thing itself gets to the third issue, and this dovetails with Marwan's argument about legitimacy and, again, because I am fresh from Egypt, it is on my mind. The fact is to take on

Cairo University, to take on privatization, to take on subsidies, the government needs legitimacy. You have to have legitimacy because this involves inflicting pain. It involves laying off people, firing people, moving people from one job to the other. So what happens is because the regime does not feel it really has the legitimacy to inflict pain, it leaves the core thing unreformed and, worse, continues with a process of subsidies.

I had some statistics in my column on Sunday which some of you may have noticed which I think are absolutely devastating. Egypt this year is going to spend \$11 billion subsidizing gasoline and cooking oil. It is going to spend \$6 billion on education, and \$3 billion on health care. That means Egypt is going to spend more burning gasoline out of tailpipes than it is on education and health care combined. You do that for 10 years and the human-development implications of spending, by the way this is more and more every year as gasoline prices go up, the humandevelopment implications of spending \$2 billion more a year subsidizing fuel than you are on education and health, the long-term implications of that are going to be disastrous. So obviously to take down those subsidies you need legitimacy, legitimacy comes as Marwan has suggested in part from dealing with the core emotional issue of the Arab-Israeli conflict, but also it comes the traditional way through consensual government and consensual politics.

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The third issue that I have been reflecting on that really dovetails with Marwan's work, since I have come back from Egypt a friend of my mine at Alhram told me that he had given a talk a couple of weeks ago at the Coptic Cathedral in Cairo and during question time an Iraqi in the audience who was there with Egyptian friends stood up and said there are only two democracies in the Middle East today, Israel and Iraq. He said the audience booed. So the question I have is what if there is any kind of decent outcome in Iraq? Will that in any way empower or enable reformers in other countries? The Iraq story is clearly not over on the upside or the downside probably, but audience reaction there I thought was interesting and it raised the question in my mind of what would be the implication if Iraq did come out of a tailspin and even came in for just I would call it a decent landing let alone a democratic one?

Lastly, there is in my view the huge elephant in the room here and that is oil. Surely it is not an accident that two of the most progressive islands in the Middle East today, I would say three, are places with no oil, Lebanon, Jordan, and I would point to Bahrain. Could it just be an accident that Bahrain was the first Arab Gulf State to discover oil? It was the first Arab Gulf State to run out of oil. It was the first Arab Gulf State to hold a free and fair national election where women could run and vote. It was the first Arab Gulf State to sign a free-trade agreement with the United States. It was the first Arab Gulf State to hire McKenzie to

come in to overhaul its labor laws because people were going to have to work. Surely that is not an accident. It is surely not an accident that Lebanon with all its faults and foibles and strains never had a drop of oil. And surely it is not an accident, and in Bahrain was central to this, that the first Arab country that signed a free-trade agreement with the United States was the Arab country with no oil, another one of them being Jordan. So surely the question of oil which is one of the things it seems to me that has enabled and empowered in the worst sense of the word reformers to be reformers on the Arab-Israeli conflict, but not on the domestic front. As any parent knows, people change not when you tell them they should, but when they tell themselves they must. And when you have endless oil reserves which relieve you of the burden and the pressure that a Taiwan or a Korea may have felt, a Taiwan that is a barren rock in a typhoon-laden sea without a single natural resource, you tend to dig inside yourself rather than an oil well, you tend to tap your people rather than an oil well, men and women, and so clearly to me the question of the resource curse has to be part of the answer to why the reform process has not gone forward. With those grenades tossed out, I will take my seat.

MR. INDYK: Tom, thank you. Marwan, thank you. Let's start with Tom's questions. Maybe we'll do them in reverse order. Oil. The impact of oil on reform. How do you respond to that?

MR. MUASHER: Oil has certainly been a factor as Tom has said. People in countries without oil tend to try harder. I totally agree that Jordan is one of them. I would not say that oil is the only factor because obviously even in countries without oil the reform process has also not done well. So while I totally agree that oil has meant that people with full stomachs have maybe not engaged in reform, people with empty stomachs in the Arab world have also not engaged in reform.

I would say that secular parties (inaudible) independence parties in the Arab world, and they have all been secular, have not been democratic parties. Whether it is the Notarites in Egypt, whether it is the Baathists in Syria and Iraq, whether it is the nationalists in Tunisia and Algeria, or whether it is the monarchy, no secular country in the Arab world has advocated developing a system of checks and balances and that has in part led to the rise of Islamist religious parties in the late 1970s and 1980s after the failure of secular countries in the Arab world to develop such a system. That is to me the real problem and I think that the educational system in the Arab world today is a system where people are taught what to think and not how to think. We do not emphasize critical thinking. All truths in our region are absolute. They are never relative. We do not emphasize problem-solving skills. As a result, we have a generation in the region with skills that are not in any way linked to the labor market and today the Arab world is facing a problem where 60

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percent at least of Arabs are under 30 years of age, a huge youth bulge, where a huge number of people are attempting to enter the workforce, and where the Arab world has spent enormous amounts of money on the quantity of education in putting people into schools and building schools, we have not done enough about the quality. Therefore, yes, people are graduating but they are not equipped with the skills that are needed for the labor market.

MR. INDYK: One thing that is a phenomenon now of high oil prices is a massive shift of wealth to oil producers, but in particular to Gulf oil producers with sovereign wealth funds there of upwards of \$1-1/2 trillion. One of the interesting things is that they are starting to invest in Arab countries which did not happen in the oil boom of the 1970s. And at the same time we have the Bahrain example, we have the Dubai example, we have the Qatar example of these smaller countries with massive wealth actually doing things that Marwan in his description of what is going on in the rest of the Arab do not seem able to do. Do you see that there is some kind of dynamic thing created by that massive shift of wealth might actually have a positive impact, that the oil story is not necessarily just a negative one?

MR. FRIEDMAN: I think it is very ambivalent. You have a lot of positive and negative arrows, so let's try to disaggregate them. On the upside, this generation of Gulf Arab leaders I think has been much

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more judicious, wise, and professional in how it is investing its oil wealth, and a lot more of it is staying at home or in the region, but a lot of that which is staying at home is going into real estate, it is going into banking, it is not going into microchips as far as I can see, or as Marwan alluded to, the kind of education that really produces people who will invent things and not just make or copy them. So that to me is one side of it.

It is no secret that the biggest amount of that oil wealth is going to Saudi Arabia which has its own interpretation of Islam which is certainly the most conservative and it is using its interpretation of Islam and the wealth it is generating in order to export that to other countries. I was just in Cairo and as some of you may have read, the Hyatt Hotel owner, a hotel owned by Saudis, threw out a million-and-a-half dollars of liquor 2 weeks ago and got rid of all the liquor in the Hyatt Hotel in Cairo. So you have that trend. At the same time, I know that there are wealthy Gulfies who are supporting some new newspapers in the United Arab Emirates, progressive newspapers and stations like Al-Arabiya and even in Egypt. It is not all one way, but I would argue the net balance of it I still do not see coming out on the progressive side.

MR. INDYK: Let's go to Tom's question about strategy and tactics, essentially. What is your feeling about that in two respects? Tom asked the question can you bypass these incredible roadblocks on the road to reform? Is there some way to get around it? Secondly, related to

that is given your experience, Marwan, what would you say is the first priority here on the reform front, we will come to the process front in a moment, but on the reform front what do you see as the first priority, and in particular if the United States is going to take a second look at the way that it tried to promote reform and try again in the new administration, what would you next president in terms of where he should focus his energies?

MR. MUASHER: I think we need to have a starting point and we need to understand how to get things on track as far as the reform process is concerned. The ruling elites in the Arab world are afraid to start any process of reform because of what I said, because of the feeling that the Islamists will come in, that they will use democracy to come to power once and then deny it to all others. And the opposition in the Arab world or the reform forces are all saying if we keep the status quo, we do not do anything, that is going to also strengthen the radical forces in the Arab world. I think we need a commitment to two basic principles by everybody so that we start on a healthy road. One is the commitment to peaceful terms. In other words, any political party in the Arab world must pursue their objectives through peaceful means. You cannot be in the system on one hand and carrying arms with the other, and I am very candid about this. If Hizballah or Hamas want to be in power, I think they are more than entitled to be that, but they cannot carry arms with one hand and be in the system with the other, or any other party for that matter in the Arab world.

Otherwise other people will feel that these arms might be used against

them and they will feel equally the need to arm themselves if you have a

state within a state.

The second principle that must be adhered to is the principle

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of the commitment to political and cultural diversity at all times. No one

party can use democracy as I same to come to power and then deny it to

others. If these two principles are enshrined in Arab constitutions, and of

course I understand that it is not enough just to enshrine something, but

you need to practice it, and that is why I call for a gradual evolution and

not for an immediately opening of the system, but if we are able to

enshrine these two principles so that they form the guiding light for any

political party that wants to work in the Arab world, then there should be

no excuse for not opening up the system in a way that would have people

participate in political decision making. I know this is not easy and I know

this might take 50 years, but we must start. If we do not start, if we keep

the system closed, we do this at the risk of further radicalization.

MR. INDYK: What would you tell the next president from an

outside point of view, an American president trying to influence this

process?

MR. MUASHER: If you want me to be candid, and I know I

have said this before and a lot of people will not like what I say, the Bush

administration in particular has sort of lost all credibility for the U.S. when

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they talk about reform. Today the kiss of death for Arab reformers is for

them to be supported by the U.S. I am being extremely candid, extremely

candid. The Bush administration came with an agenda of reform. We

have not seen that implemented in Iraq, we have seen that implemented

them Hamas won in the West Bank and Gaza, we have not seen a further

commitment to reform in Egypt. We have seen initial support for the

reform process when the results of the reform process were not to the

liking of the United States, the United States pulled back. I as an Arab

reformer, and I tell you very candidly, do not want American support for

this. I think what the U.S. can do is on the peace process, leave the

reform process to Arabs, and the best support that the U.S. can give to

Arab reforms is a successful end to the Arab-Israeli conflict. You do this

and leave reform to Arabs to do.

MR. INDYK: Tom?

MR. FRIEDMAN: What's the question?

MR. INDYK: Marwan would tell the next president to leave

the reform agenda alone and instead to focus on making peace and we

will take care of the reform.

MR. FRIEDMAN: There is no question that the Bush

administration is so radioactive that they glow in the dark so I would not

wish them on anyone in the Arab world or anywhere else. With that said

though again I come back a little bit to my question about Korea, North

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Korean, Taiwan, and there is just too much about us in this story and not about you, and other people have managed to reform without us either mucking it up or advancing it. It just seems to me that that has really got to be where the core thing is. If people want it, it will happen, whether we screw it up or mess it up at the margins or advance it at the margins, and if they do not want it, it will not happen. It seems to me that that is where the core focus has to be. I am for solving the Arab-Israeli conflict for a million reasons beginning with American ones. I continue to believe as anyone reading me knows that the greatest thing we could do for advancing the reform process in the Arab world is invent renewable energy that will bring the price of oil back down to \$30 or \$40 a barrel. I promise you you will see reform then whether the Arab-Israeli conflict is heating up or cooling down, because I do go back to my core belief that people change when they tell themselves they have to change, not when you tell them they have to change.

MR. INDYK: Tom's last question which was his first question is why is the Arab world different from Asia when it comes to the role of conflict and holding up reform?

MR. MUASHER: It is a very valid question and, frankly, one that we are all struggling with in the Arab world. Why is the Arab world today near or at the bottom of almost all the freedom indices, reform indices, in the whole world? Every other region in the world has in one

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way or the other managed to advance on this front except for the Arab world.

To tell you that I have a clear answer, I truly do not. As I said, the secular parties at the beginning advocated this principle, we all remember Nasser in the 1950s advocated the slogan, "No voice should rise above that of liberation," and people took that. People took that. The motive then was that all the Arab world's energy should be focused on liberating Palestine and ending the Arab-Israeli conflict and people took that, but they took that for a while. After 20 years when the peace process did not end successfully and peace was not brought, that slogan became empty. Now unfortunately by that time you had only two alternatives because, again, the secular parties and systems in the Arab world did not encourage political diversity and so you have only two alternatives, either the rule elite, or a rising religious ideology in the Arab world. We have all seen it in the West Bank and Gaza, and I maintain and I think you would agree that many people voted for Hamas not because of their ideological stand against peace, but because it was a protest vote against corruption, they could not bring it to any other party, and therefore they brought it to Hamas. The solution is in creating third, and fourth, and fifth alternatives, and the solution is in creating a system of checks and balances where no single party can maintain absolute power. My solution says to the ruling elite if you want power you have to share it, absolute power is no longer

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sustainable, and this is something that we have to reckon with. Today the Islamist parties in the Arab world are a force to reckon with. We cannot brush them aside and pretend they do not exist. They do not only exist, they are very popular, but what we can do is gear them toward peaceful means.

If you will allow me, I think that political Islam in this country is seen as very monolithic. It is not monolithic. We have at least three groups of political Islam in the Muslim world. You have the first group which I call the exclusionist types, people who are war with the whole world, people who are not interested in compromise, not interested in negotiation, not against the United States or the West only, but also against other Muslims with whom they disagree, and of course people who employ violence and terrorist means. You cannot comprise with these people. They are not interested in dialogue. Then you have the second of people who have sprung up because of the occupation of their countries, Hizballah in Lebanon and Hamas in the West Bank, who also employ violent means but who have been increasingly getting into the political system in their own countries in Lebanon and in the West Bank and Gaza. So they have one carrying arms and the other hand inside the political system.

Then you have the third group of Islamists who have always been peaceful, who have never carried arms, whether it is the Muslim

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Brotherhood in Jordan or the Islamic Party in Morocco or other parties in the Arab world who have always been part of the political process. The way you deal with political Islam is to encourage the second group to migrate to the third group while you fight the first one. These are all forces that we have to reckon with. I have no problem with any political party in the Arab world including Islamist ones as long as all these parties adhere to peaceful means and adhere to the principle of political and cultural diversity, but we must also create other alternatives if we are to have a prosperous Arab society.

MR. INDYK: Let me ask you, Tom, one question on the peace process since I seem to remember have had a hand in the Arab Peace Initiative or what started out as Crown Prince Abdullah of Saudi Arabia's Peace Initiative which you wrote about in your column back in 2002. In your view what happened? Marwan also played a very important role in developing this and trying to get it promoted. It is still out there, but why hasn't it triggered a solution to the Arab-Israeli conflict?

MR. FRIEDMAN: Marwan recalls in the book that he actually had a hand in it in another way because actually the first -- it wasn't until I read the book that I remembered this conversation. I think it was at the Bombay Club as a matter of fact. We were having lunch and Marwan told me that King Hussein of Jordan had written a letter to President --

MR. MUASHER: King Hussein had come up with the initiative and then King Abdullah wrote a letter to President Bush.

MR. FRIEDMAN: -- proposing something along the lines of what became later my column and then the Abdullah Initiative and then the Arab League Initiative. So it is actually all Marwan's fault. It started at lunch over curry in the Bombay Club, because he told me about it and then I thought that that is something to try to get behind and let's try to get behind it. As happy I am as to see that on the table and concretized and in the form of a truly now Arab peace initiative, I think the reason it has not gone anywhere is hiding in plain sight. You cannot fax someone a peace initiative. You cannot email someone a peace initiative. Anwar Sadat and King Hussein of Jordan set the gold standard. They came to Israel, looked the Israelis in the eye and said here's the deal, full peace for full withdrawal. I have no doubt as I have also written in a follow-up column if King Abdullah of Saudi Arabia took a plane to Israel, landed at Lud Airport, said I am first going to play in Al Agsa Mosque, then I am going to go to the Israeli Knesset, I am going to put this peace plan before the Israeli people, I am going to look them in the eye and tell them this is what it is about, I am sincere, and then goes back to Saudi Arabia, trust me, you will see the Arab Peace Initiative come to life. This is not really rocket science. Anyone who has been to Israel lately knows that the vast majority of Israelis are dying to get rid of the West Bank and I have no

doubt that the settlers and Hamas who just mutually empower each other would be devastated by that, and the fact that King Abdullah has not done that is the reason it has not gone anywhere, and it is not going to go anywhere until he does, and you can point to all the provisions in there that are good, right, and just as you want, you cannot fax someone a peace initiative. Anwar Sadat proved it, King Hussein proved it, and this one will be no different.

MR. INDYK: Do you want to respond to that?

MR. MUASHER: The Arab Peace Initiative is the result of a long process of negotiations which took place between what I will call the radical part of Arab countries and the moderates in the Arab world and what you see today is a result of that consensus. Anytime you achieve a consensus you necessarily are not on the forefront because you have to take into account a common denominator among all Arab countries, but that should not weaken or take away from the strength of the Arab Peace Initiative, and let me point again to what the Arab Peace Initiative committed to. The basic principle behind the initiative was that Israel is not going to feel safe and secure in giving compromises to only the Palestinians because the Palestinians are weak, they are divided, they have some radical elements, and so the basic philosophy behind the Arab initiative was to commit the whole world, not just the Palestinians, through a collective peace treaty with Israel. So that is the first one, a collective

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peace treaty and normal relations. Two, to security guarantees for Israel, again not by states neighboring Israel, but by the whole Arab world. The third aspect, and I have been ambassador to Israel and I know this for a fact, one of the principal needs of any Israeli citizen is an end to the conflict. Israeli citizens want to know that if a Palestinian state comes about in the West Bank and Gaza, no one is going to claim Jaffa or Haifa, again, an end to the conflict not by the Palestinians, but by the whole Arab world. The biggest compromise which ironically has been looked at as the biggest thorn by Israel of the Arab initiative is the refugee question. For the first time the Arab world, the whole Arab world, says to Israel we are going to have an agreed solution to the refugee problem. We are not going to send you 4 or 5 million Palestinians back into Israel. It is a very powerful initiative that has withstood the test of time, and in the last 6 years with all the political problems, with all the violence in the region, not one single Arab state came and said we want to withdraw our signature from that initiative. I take Tom's point that Arabs have not been good at marketing it.

MR. INDYK: He is not saying marketing, he is saying operationalize it.

MR. MUASHER: I cannot also expect every Arab leader to do what Sadat did for peace to come to the Middle East. Everybody does things differently. The point that I want to make is whether they go to

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Israel or not, they have committed themselves collective -- collectively -- to

an initiative that does not address Arab needs. Yes, it does talk about of

course a Palestinian state on the basis of the 1967 border, it talks about

an end to the occupation. Of course. But it also talks about giving Israel

guarantees by 22 Arab states and I think that is still on the table and I

think that it still can form a basis for a solution in addition to all the other

frameworks that have already been developed and have already been

negotiated between the parties.

MR. INDYK: Thank you. Let's go to questions. We have

about half an hour for questions. I would appreciate it if you would wait for

the microphone, identify yourself, and make sure that your statement has

a guestion mark at the end of it.

MR. HERALD: Scott Herald of the Brookings Institution.

Two very quick questions. First, could you say something about the role

that U.S. funding and U.S. relations play with Arab states, in particular

Arab states that have not undertaken reform measures such as Egypt?

You talked a little bit about the role of oil in deferring those states, but a lot

of the states that do not have oil get their state revenues or a significant

chunk of them from U.S. outlays. Could that be an issue where the U.S.

may be able to push forward a bit?

Second, you did not mention Iran. This is a book about the

Arab center, but certainly there must be some motivation for reform and

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for the peace process that has to do with the potential threat that Iran

poses to the region. Thank you.

MR. MUASHER: On U.S. funding, I talk a bit in the book

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about the model of the European Union, and I like that model. When I

was foreign minister, Jordan and the European Union signed not just a

partnership agreement, but an action plan for reform in which Jordan will

commit to certain concrete measures of reform and for that they would be

eligible for additional money that comes. So I would use sort of the carrot

approach rather than the stick approach. If you tell people I am not going

to give you money if you do not do one, two, three, they are not going to

do it, but if you tell people I will give you more money if you do one, two,

three, they will do it. I think we have had a successful experiment with the

European Union which have interests that are not far different from those

of the United States in the region but are going about it in a partnership

mode more than in a sort of big brother mode, and I would urge the United

States to take some lessons from that model.

I have not talked about Iran much in the book. The book is

about the Arab center and I still maintain that the Arab-Israeli conflict is at

the center of the radar screen of the Arab world and not Iran. But having

said so, there are problems with Iran that have nothing to do with the

Arab-Israeli conflict. There are problems that have to do with the Arab-

Israeli conflict, I do not want to go into a discussion on Iran, suffice it to

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say from my point of view is that if the Arab conflict is resolved, many of them problems, not all of them, but many of the problems that have to do with Iran including the relationship with Hizballah, including the relationship with Hama, including Iran's stand on the peace process, many of these problems would be resolved through an end to the Arab-Israeli conflict. Problems that have to do with a nuclear Iran, et cetera, are problems that probably deserve another discussion outside the realm of this book.

MR. AL-BARAZI: My name is Tamam Al-Barazi from "Al-Watan Al-Arabi" magazine. What about the Shiite Crescent which is really sweeping the Arab center? We have Syria a part of it, Lebanon, of course, Hizballah, and Hamas, and Iran and Iraq that is sweeping it.

Secondly, when Tom Friedman who is the only Arab journalist I think in the Arab world who has syndicated his articles all over the Arab world, no Arab journalists do that, when you asked King Abdullah to go to Israel, I remember at the Arab Summit and you put this article, it was not carried by your syndicate (inaudible) and others. They did not even translate it. Secondly, he does not have an occupied land. Nobody will take him seriously, Syria and others. You pay the money. It has nothing to do with you. Can you answer that. You evaded Iran, but really it is controlling now the Arab center almost.

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MR. MUASHER: In a world of political diversity that I aspire

to in the future, I will not use any religious connotation. People are free to

pursue their own religious or political interests as long as they give that

same freedom to others, so in such a world I think religious connotations

become minor. Someone mentioned democracy in Iraq. I do not aspire to

a democracy along sectarian lines. I do not aspire to a democracy where

the main parties are sectarian, whether it is in Lebanon, whether it is in

Iraq, whether it is anywhere in the Arab world. If you talk about a system

of true political diversity then they should be along national lines and not

along religious ones.

MR. FRIEDMAN: On the Shiite-Sunni issue, I have enough

trouble with my own tribe. I am not going to get involved in that one. And

on the Arab initiative, I actually think (inaudible) did run it. I do not think

that that is true, but maybe not. I actually stayed in Saudi Arabia two extra

days because I did not really care (inaudible) I cared what the Saudi press

agency said and the Saudi press agency ran it word for word as did all the

Saudi papers. So that to me was very important and that was the key

issue.

You are absolutely right, there is no territorial issue between

Saudi Arabia and Israel, but obviously there is a huge emotional and in

some ways religious issue, and Saudi Arabia really represented the

Muslim world reconciling with Israel and I would argue that that something

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Israelis would pay for, that that would be something of value in the context

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of a true land-for-peace deal with the Palestinians. And even to Marwan's

point, I know what happened after the initiative came out, the Israeli

government then led by Prime Minister Sharon really did not certainly go

out of its way to try to embrace what Crown Prince Abdullah of Saudi

Arabia said at the time and the Bush administration just completely

dithered. They did not seize on it, see it as an opportunity, let's build on it,

they were completely out to lunch. They did not know what to do with it,

so I think that that is also true.

But ultimately it is about the parties themselves. You are

absolutely right that it is about the Israelis and Palestinians, it is about

Syrians and Israelis, but certainly framing it in the context of a wider Arab

consensus vis-à-vis Israel I think is something that had enormous value

and that could have been leveraged by Syria and the Palestinians had

they been able to in the context of negotiations.

MR. AMATE: I am Maury Amate, Jewish Institute for

National Security Affairs. Mister Ambassador, I was a bit puzzled by your

references to the Arab center as opposed to Arab moderates or reformers.

If you say there is a center, I guess on the other there is a hard line, there

is a center, where is the soft line? Where are the doves in the Arab

world?

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MR. MUASHER: It is a fair question. I think what I meant by

a center is to use a term that is used in the West to mean a moderate

discourse. What I call the center is not called the center in the Arab world.

The values that I talk about in my book about the center, some of them are

seen by many in the Arab world either as too much of an apologist for the

West, they are not seen as the center. My argument is that you can have

a center or today there exists a center in the Arab world on certain issues

but not on other issues and you find, for example, in general, I do not want

to generalize, but maybe that is the case, in general Arab moderates on

reform or hard liners on reform are not moderates on peace in general and

vice versa, Arab moderates on peace are not moderates on reform. The

center that I talk about is for a discourse that would be a moderate force in

all these fronts, on peace as well as on reform.

MR. KELLER: My name is John Keller. I am just a citizen.

MR. INDYK: Welcome.

MR. KELLER: In the case of Taiwan and Korea, the United

States has committed its military might to their security and their

wellbeing, and in the case of Taiwan you could argue that is land that

belongs to another country that we are saying we are going to defend. It

would certainly seem that if we wanted a better situation in the Middle

East that we would be stronger in addressing the Arab concerns, not

siding with them, but at least stronger, and if we do not do that, it is

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understandable to me at least that the radical element would become stronger. If people do not feel that their needs or issues are being heard, people become radical. It is like what happened in the 1960s, people felt that the government was not responsive and people became radicalized. So it seems to me fairly logical, and I am not advocating, I am not defending, but it certainly seems understandable and if we really want to help ease the tensions we would be seen as strong as we are advocating for Israel's security that we would advocate for Arab needs too.

MR. FRIEDMAN: We do not take questions from citizens here.

MR. KOLB: I am Bill Kolb and I am a lawyer practicing here. I do not want to controvert anything you have said, but when I was a law clerk to Mister Justice Felix Frankfurter I would give him some ideas as to what I thought and he would say, "Well, have you thought of this?" and that sometimes changed my mind. I'd like to -- my understanding is that if you put to the people in the Middle East the question of whether there should have been an Israeli state, 5 percent would say no. If you put them whether there should be an Israeli state where the boundaries should be at least what they are if you had used the 1967 line, something like 15 percent would say no. I know that despite that, most of the states in that part of the world have said if you cut the deal -- everything else we will go along with that. But once you get past that you have this question of right

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of return and it is clear that under international law those Palestinians who were there or their parents who were there have an absolute right to come back, but we all know that if you are going to make Israel a state which remains a Jewish state, that after 50 years by majority vote you would go the other way. So I find it difficult, and with all due respect to my friends saying that Bill Clinton almost made a deal, he was the one who screwed it up because he committed the unpardonable sin, namely, telling Arafat what the other side would do if it would do so and so and once Arafat got that commitment, he wanted more.

MR. FRIEDMAN: I did not say anything about Clinton.

MR. KOLB: One of the two of you said it. I forgot which one said it -- you said if you have peace in Korea and also China and Taiwan, that shows you can do it anywhere. But I'd like to suggest to you in Korea that the North Koreans came down and almost took all of South Korea.

MR. FRIEDMAN: That was my point. My point was that you had an ongoing war and you still had reform.

MR. KOLB: But then we had a sufficient army leader who could come back and at least take back half so he finally declares a peace, but we have 40,000 troops on that line. And also as you know, when once again the Clinton people were trying to take care of the nuclear problem and they sent that wonderful secretary of state over there and

she thought it at point A, she gave them money and everything but it turned out to be at point B.

MR. INDYK: What's the question?

MR. KOLB: I am serious that it is unfair to say that because we solved it in Korea we ought --

MR. FRIEDMAN: I think you have misunderstood my point.

MR. KOLB: Finally and then I am finished, with respect to Taiwan, the first thing is at the time we gave China the right at the U.N., they were on our side. Secondly, we have a major fleet out there and the Chinese know that if they make a move, that our fleet probably could hold them back so we do not have the -- and that's the difference.

MR. MUASHER: Both sides cannot stick to exclusionist dreams. They cannot have visions and dreams that are exclusionist of the other if we are to reach a deal. I have said it in the book that we have a long and very rich history in the Middle East but if we are going to let that history alone to define our future, we will never have a future. Just as when we talk about issues such as the right of return, just as it is today understood even in the Arab world that you cannot talk about the right of return that ends in 4 million Palestinians going back to Israel today, that is as impractical as talking about keeping all the land of Arab Israel or keeping all of Jerusalem for the Jewish people and not sharing it with the Arabs or the Palestinians. You cannot have exclusionist dreams if you are

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going to find a future no matter how strong your argument is on either

side. Fortunately we do not have to go that route any longer because I

maintain that the elements of a deal have already been negotiated.

People have talked about the right of return, people have talked about the

refugee issue and have found practical solutions for it, people have talked

about Jerusalem and have found practical solutions for it, people have

talked about the territory and have found practical solutions for it.

What I also think is that any deal today is going to be

possible and accepted by Arabs and Israelis only if it is a comprehensive

deal. You cannot talk about a Palestinian-Israeli deal or a Syrian-Israeli

deal and have a majority of Israelis and either Palestinians or Syrians

accept it unless you talk about a package deal in which all the issues are

on the table and all the issues are resolved including Hizballah and

Hamas and the territorial issues and the right of return and Jerusalem and

the end of the conflict. There are a lot of issues that can only be solved in

the context of a comprehensive agreement and this is what I think we

should go for.

MR. INDYK: We are running out of time. We are going to

take three questions and see if we can fit them all in. I will take them all

together. First of all, George Hishmeh, then Halil, and then up at the back

--

MR. HISHMEH: Now that the Israelis have not accepted the Arab Peace Initiative, Israelis are still seen as expanding in the West Bank by building more houses and things like that. What do you feel about the one-state solution since the two-state solution is not achievable? Is that the only alternative there?

SPEAKER: First of all, I think it is very difficult to promote an Arab center -- moderating the Arab society. You can do that and that would promote democracy. Here I disagree with Marwan when he said that the United States should leave the Arab states alone. Unfortunately, the most effective parts in the peace process are the most authoritarian regimes, I mean Jordan and Egypt. For Islamists and their views toward the peace process I think that the Islamists are very (inaudible) and if we can deal with Israel if they feel that they are part of the game (inaudible) in Turkey is involved with Israel more than Saudi Arabia and also the Muslim Brotherhood in Jordan accept the peace agreement with Israel although (inaudible) rejected it. So I think the first one we should talk about is how can we moderate the Arab societies and this will not happen without opening the atmosphere for all people to participate and spread their views toward a peace process and everything. Unfortunately now the Arab regimes who are involved in the peace process are very isolated. So when we are talking about the Arab center, we are talking about the minority among the Arab nations. Thank you.

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SPEAKER: (inaudible) Mister Ambassador you described that there are three different types of Islamists out there and you have advocated different approaches to each, but when you spoke about the Arab center especially about the requirement of Arab reformers, you sort of seemed to advocate a one policy toward Arab reforms by the United States which is stay away because this will be the kiss of death. But you come from a country where as a reformer you are embraced by the ruling regime, you were made into a deputy PM and to an ambassador. On the other hand, I come from a country, Syria, where reformers are in prison or in exile or under a travel ban. So how can the United States therefore adopt a one policy vis-à-vis the reformers in Jordan and the same police with reformers in Syria or Egypt or elsewhere especially at a time when there seems to be a current of Arab reformers out there who are actually willing to reach out to the United States, who are willing to reach out to the European Union, and who are saying we need your support?

MR. MUASHER: You got me there. Let me take the question about the one-state solution because the irony today is that a two-state solution is not just in the Palestinians' interest, it is much in Israel's interests, and that is a fact that the late Prime Minister Rabin got to understand shortly before his death and then Olmert and Sharon belatedly maybe came to that conclusion 10 years later.

If you do not have a two-state solution then Israel is going to be faced with maybe two very bleak options. Either it is a one-state solution as George said in which we all know Israel will never accept a situation where it will give more non-Jews the same rights as Jews in their own state without clear implications on that state, or an indefinite occupation of the West Bank and Gaza which is a recipe for disaster, as we all know you cannot keep people indefinitely under occupation. Or of course there is a third option that people also talk about which is creating such difficult conditions in the West Bank and Gaza that people will either on their own or somehow be forced to leave either into Jordan or elsewhere. This wishful thinking that we can once again have 4 million Palestinians just leave their own or have a Palestinian state in Jordan which ignores the fact that you have 4 million Palestinians in the West Bank and not in Jordan who do not want to be in Jordan, who want to be on their own land, there is no alternative to the two-state solution other than real chaos for the foreseeable future and it is something that, again, Arabs understand but Israel I believe needs to understand the need for a viable two-state solution, not a two-state solution, not a Palestinian state that is tailored according to Israeli needs only but does not take into account Palestinian needs as well. Without this very simple and clear fact we are going to have strife in the Middle East for the foreseeable future. But on top of that, we are going to have radicalism be the order of the day

in the Middle East on both sides rather than the moderates, which I totally

agree with you, we are a minority, we are a minority that is disappearing in

the Arab world and this is part of why I feel the need to speak out. I'm

speaking out not for ourselves, I am speaking out for the cause of

moderation which in my opinion is the only course that will result in a

prosperous Arab future even if we are today a minority because we have

not been able to deliver on the issues that we are faced with.

I have no problem with Islamist parties if they are along the

Turkish model. I am not against Islamist parties in the least. What I have

said is I need two conditions not just by the Islamists but by everybody,

peaceful means, and commitment to political and cultural diversity. If any

party adheres to these, I have no problem with that party wherever they

come from in the Arab world.

On advocating one formula, of course, there is not one

formula for reform. All I am trying to say is that support for the moderates

has to be made in a way that makes sense for everybody and if it is seen

as pushing a certain school of thought against another in a way that

unfortunately has been attempted in the past, it will backfire and will result

in the opposite result than what you are trying to achieve. I think there are

many ways in which you support reform that are not as a big brother

approach in our region, but I take your point.

MR. INDYK: Tom, do you want to say something?

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MR. FRIEDMAN: I think Marwan really said it all and I just

want to thank you and Marwan for letting me be on this panel. Marwan

knows about many things. He knows about moderation, he knows about

diplomacy, he knows about Jordan, he does not know jack about selling

books though, so buy this book. It is a really good book. Buy this book.

MR. INDYK: Thank you -- you can buy it at the bookstore

just outside. I want to thank Marwan and Tom very much for a fascinating

discussion. We are going to take a 5-minute break while the next panel

comes up. So come right back and we still start all over. Thank you

again.

(Recess)

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