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PURSuing A POSITIVE AGENDA FOR THE MIDDLE EAST

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The Middle East is currently experiencing a double dividend: an unprecedented oil boom, with global prices hovering at or near \$100 a barrel, and a demographic gift in the form of a large youth population. Though high oil prices and a large unemployed youth population are frequently viewed as contributing to economic volatility and social instability, with the right policies these twin dividends could yield greater global prosperity and security.

THE GLOBAL CONTEXT

Among all the world's regions, the Middle East contains the highest proportion of youth, who make up almost a third of its total population. With two working-age people (15 to 64 years of age) living in the region for every one non-working-age person (under 14 or over 65), it faces a historic opportunity to harness its own economic tiger by increasing incomes per capita, bolstering savings and improving social welfare.

Yet this Middle Eastern demographic asset is vastly underrecognized and underutilized. Though the transition to adulthood is an inherently difficult period, Middle Eastern youth face greater challenges than their peers in Latin America or East Asia. In the Middle East, youth unemployment rates are nearly twice the world average (25 vs. 14 percent), and the time required to wait for a first job is measured in years rather than months. Education, which in other regions is a way for youth to ease their transition to employment, fails to do the same in the Middle East. Furthermore, a large majority of youth must live with their parents well into their 20s and delay marriage, despite greater social taboos for relationships outside marriage.

The Middle East pays a high cost for the economic exclusion of youth; our recent research shows that estimates are as high as \$53 billion in Egypt (17 percent of GDP) and \$1.5 billion in Jordan (7 percent). While the youth bulge is itself a source of economic growth, it can also provide the social and political impetus for lasting institutional change. This is because many of the problems youth face—skill mismatches, unemployment, lack of access to credit—are the result of the institutional infrastructure that governs education, employment, housing and other key markets. These state-dominated institutions,

when first established, were designed with strong social justice objectives; but today, in a much more competitive global economy, they hinder economic development. Thus the Middle East's increased stability and prosperity hinge on making economic reforms before the region's demographic window of opportunity closes and its societies begin to age.

THE CHALLENGE

The next U.S. president faces obvious tough questions about how to reengage in the Middle East without antagonizing the region's policymakers and people. Given suspicions about current U.S. policies and objectives in the region, how can the next administration help encourage critical economic and political reforms there while fostering more favorable views of the U.S.? The key lies in shifting the political and policy discourse from the fight against Islamic radicalism to how to build a future for the majority—from using hard power to boosting smart power.

A recent Gallup poll of Muslim countries revealed that when asked what the West can do for Muslims, the number one response was to “reduce unemployment and improve the economic infrastructure.” When asked to describe their dream for the future, the majority of Muslims cited getting a better job. The same survey also revealed that respondents believe that the United States can improve relations with the Arab world by demonstrating more respect and not underestimating the status of Arab countries. The message is loud and clear: U.S. rhetoric should affirm respect and inspire local ownership, and the best U.S. efforts should be focused on economic development.

Yet many youth in the Middle East have witnessed the reverse. Most of these youth have had their perceptions of America shaped by the events of the past eight years: the 9/11 terrorist attacks, the U.S. war on terrorism and Islamic extremism, the stalemate in the Arab-Israeli conflict, the wars in Iraq and Lebanon. Young people find themselves portrayed in the West as in the grip of fundamentalist ideology and a source of security threats. Where public U.S. diplomacy has made overtures, it has often been out of sync with local realities.

Paradoxically, the chasm in U.S.–Middle East relations has emerged amid greater convergence in ideas and aspirations. Triggered by a large youth cohort, the Middle East is undergoing change where it is aligning with the fundamental drivers of globalization. The region has embraced the ideas of a market economy; it values education and civic participation is on the rise. Middle Eastern youth subscribe to the fundamental pro-growth norms of behavior such as hard work and high investment in children, including girls.

These are all areas where the United States is a leader. As the country with the world's best record in harnessing the energy of youth, the U.S. can offer much to the Middle East. The challenge is how the U.S. can build on its strengths and be seen as genuinely interested in reform, not just in curbing radicalism. The next American president must recast the U.S.–Middle East relationship on broader terms—seeking to move beyond security to comprehensive engagement. Promoting reforms in the name of youth is the only workable template for exercising soft power that can encourage the best impulses of the Middle East.

AMERICA'S OPPORTUNITY

Given this challenge, the next U.S. president will have the opportunity to:

- > **Change U.S. discourse to focus on youth-focused economic development in the Middle East:** Addressing the Middle East through the prism of Islamic extremism, however well intended, ends up alienating the majority of moderate citizens. It undercuts the government reformers who should be supported and contracts the space in which U.S. and Middle Eastern civil society, private sector and public institutions can build partnerships based on trust and mutual respect. The new discourse on economic and political reform should be aligned with the aspirations of the majority of the people in the Middle East: the young who are striving for global integration.
- > **Make greater investments in supporting Middle Eastern youth:** Most development programs targeting youth focus on improving education, training those who are unemployed or providing them with credit without understanding the linkages between these diverse sectors or addressing the root causes of youth outcomes. The result is a missed opportunity to use youth programs to create incentives and institutional changes, and to generate success stories for reform-minded leaders seeking to shape policy. The United States can play a critical role by amending the Foreign Assistance Act and exporting soft technology, as noted next.
- > **Amend the Foreign Assistance Act to provide resources for youth in developed countries.** Currently, the Foreign Assistance Act only funds a few youth activities in countries experiencing conflict or crisis. Thus, the legislation and programs are rewarding the bad behavior of these countries, a form of moral hazard in foreign policy. The act's language should be changed to overcome this policy flaw. Youth development should be given priority, particularly in countries experiencing youth bulges and high rates of youth unemployment.

> **Export soft technology for institutional reform of education.** Youth in the United States have a relatively smooth transition to adulthood compared with those in most advanced countries. Transitions to adulthood in the United States are facilitated because of the close integration between the education system and the labor market. U.S. institutions may not fit the Middle East perfectly, but as with all exports, soft technology exports can be adapted to fit local conditions. The U.S. educational system has already provided the region with excellent institutions of higher education—the American University in Beirut and the American University in Cairo—which have produced many of the region’s leaders. The U.S. can extend assistance on a broader scale, encompassing curricular reform for high schools, the transition from high school to college (through reforms of admission practices), and the transition from school to work.

WANT TO READ MORE?

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