

**THE GREATER MIDDLE EAST INITIATIVE: SEA
ISLAND AND BEYOND**

HEARING
BEFORE THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
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THE GREATER MIDDLE EAST INITIATIVE: SEA ISLAND AND BEYOND

WEDNESDAY, JUNE 2, 2004

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met at 9:39 a.m., in room SH-216, Hart Senate Office Building, Hon. Richard G. Lugar (chairman of the committee), presiding.

Present: Senators Lugar, Hagel, Chafee, Brownback, Alexander, Biden, and Bill Nelson.

OPENING STATEMENT OF SENATOR RICHARD G. LUGAR, CHAIRMAN

The CHAIRMAN. This hearing of the Senate Foreign Relations Committee is called to order.

As the United States and our allies continue to seek stability and security in Iraq, we must consider how to address broader political and economic issues in the Greater Middle East. Ultimately, a new social and political environment must develop in the region, which is the source of most terrorist threats confronting the international community. Too often, the United States policy in the Greater Middle East is focused exclusively on the immediate crisis. Constructing a secure future in an age of terrorism requires that we not limit our thinking to the problems of the moment. We must also work with like-minded nations to develop solutions to underlying social, political, and economic conditions that breed hatred and conflict.

Although home to some of the world's oldest civilizations, with deep reserves of talent and wealth, the Greater Middle East region has become a land apart from the modern world. That is the conclusion of Arab intellectuals and scholars themselves in two reports for the United Nations on Arab human development. They said the region suffers from widespread illiteracy, economic stagnation, and isolation from other cultures. These experts concluded that this backwardness results from three important deficits: the lack of freedom, the lack of women's empowerment, and the lack of knowledge, particularly with regard to science, technology, computers, and the Internet.

These deficits have created throughout the Greater Middle East an atmosphere of hopelessness and frustration that has helped fuel extremist organizations, terrorist ideologies, and reflexive resentment of the West.

To help foster a new environment of hope, opportunity, and progress in the region, I have proposed the creation of a Greater

Middle East 21st Century Trust. The Bush administration has proposed its own Greater Middle East initiative to achieve many of the same ends. These ideas will be on the agenda of the G-8 summit in Sea Island, Georgia. I hope this hearing can provoke debate and provide valuable input for the G-8 leaders.

I believe that multilateral participation is central to the success of any initiative to encourage economic and political reform in the Greater Middle East. The United States can and should continue to provide unilateral aid to the region. The Bush administration and Congress launched the Middle East Partnership Initiative in 2002 to support economic, political, and educational reform, as well as women's empowerment in the region. The other G-8 countries have similar programs. But if we want to leverage resources for greater effect and emphasize the broader international responsibility for improving opportunity and hope in the region, we must have a mechanism that includes other nations. Organizing a Greater Middle East Trust around the G-8 would maximize the participation and provide the imprimatur of the international community.

The Greater Middle East 21st Century Trust that I have proposed would be modeled on the principles of the Global AIDS Fund, the G-8 Africa Action Plan, and the U.S. Millennium Challenge Account. The concept would unite the G-8 countries with donor countries in the Greater Middle East. The donors would pool resources to deliver grants and would work together with recipients to define the funding criteria.

It is important the Trust's contributors include wealthy countries from the Middle East, such as Saudi Arabia, that are willing to invest in the Trust's success. This would increase resources and guarantee Middle Eastern voices on the donor side of the equation. In addition, it would give donors in Saudi Arabia and other countries a secure vehicle for charitable donations to its neighbors. Saudi Arabia has completely banned its citizens from donating to charities in foreign countries because it feared that funds were being diverted to terrorist causes. To be sensitive to cultural concerns, the Trust also could be structured to respect Islamic financial principles.

What I have proposed is different from the Bush administration's proposal in several key respects. Rather than a set of programs to be created and funded, the Greater Middle East 21st Century Trust would set broad goals and criteria. Specific programs would be developed and offered by the recipient countries themselves, and evaluated by the Trust based on the standards it sets. In this way, we can confer ownership of the reform process on the recipients. The Trust would go beyond the primary development paradigm of growth, infrastructure, and health. It would help realize what Arab Human Development Reports called "a restructuring of the region from within." Ultimately, the Trust would seek to promote changes in many of the structures that the Development Reports identify as roadblocks to modernization in the Greater Middle East.

The Trust concept could be a vehicle for achieving economic reform goals in the Greater Middle East that have resisted progress for years. These include reforming economic systems, reducing state control of economies, diversifying industries, reforming labor markets to promote productivity and avenues for advancement, re-

vamping weak education systems, creating new roles for women, and improving scientific and technological capabilities.

It would also include political reform. Arab reformers meeting in Alexandria, Egypt in March, for example, declared that they wanted “without ambiguity, genuine democracy.” After heated debate, the recent Arab summit that occurred May 22 and 23 in Tunis resulted in calls for greater democracy, women’s rights, and human rights in the region. That these issues were raised on the agenda was a new phenomenon. A dialog on reform and modernization is taking place in governments, academia, media, and other organizations in the region. This dialog is vibrant and reflects American ideals of freedom, despite what President Mubarak of Egypt has identified as “unprecedented hatred” in the Arab world for Americans after Iraq.

As the United States and the G–8 nations consider how to boost economic development in the Greater Middle East, we must examine how democratic reform fits into this process. Some experts have said that if many countries in the region held elections tomorrow, the result might be Islamic theocracies just as undemocratic as the current governments. In other words, the concern is that elections would produce “one man, one vote, one time.”

So the question arises, how can the region move to full democracy in stages? What other democratic and civic institutions need to be built or strengthened before a country is ready for full democracy? Would partial measures inevitably be used by the existing powers to put off democracy indefinitely?

We also must examine how the international community can be most helpful. We know that political reforms cannot be imposed from outside, but can our efforts help generate reforms from the inside? What is the best way to get these societies to accept changes that in many cases would alter the established order? As sensible as it may seem to empower women, restructure inefficient state industries, or broaden educational horizons, powerful institutions on the inside have vested interests in the status quo. How can we enfranchise the forces in these societies that want modernization?

To begin our examination of these questions, the committee is pleased to be joined today by three insightful panels. On the first panel, we welcome Dr. Alan Larson, the Under Secretary for Economic, Business, and Agricultural Affairs at the Department of State. We then will have the honor of hearing from His Royal Highness Prince El Hassan bin Talal of Jordan. Prince Hassan is an extraordinary international leader and a creative thinker on the issues we will address today. We are grateful for his willingness to travel from Jordan to be with us. Finally, we welcome Dr. Patrick Cronin, senior vice president and Director of Studies at the Center for Strategic and International Studies, and Dr. Alan Richards, professor of Economic and Environmental Studies at the University of California, Santa Cruz.

We look forward to the assessments and recommendations of our distinguished witnesses.

[Additional material submitted by Senator Lugar follows:]

A NEW PARTNERSHIP FOR THE GREATER MIDDLE EAST: COMBATING
TERRORISM, BUILDING PEACE

(By Richard G. Lugar)

The Brookings Institution, Washington, DC—March 29, 2004

Since the end of World War II, we have recognized that our national security rests on four strong pillars: our own democratic values and the example of freedom that we hold out to the world; our military strength; our alliances with other countries and our ability to work cooperatively with the rest of the international community; and an enlightened use of both hard and soft power, including diplomacy, aid, and trade, that promotes friendship while protecting us from enemies.

To meet the threat from the Soviet Union, we maintained a strong military and created NATO. But we did more. We also launched the Marshall Plan to rebuild Europe and helped create the United Nations and the Bretton Woods institutions, the World Bank, the International Monetary Fund, and the World Trade Organization. The aim was to promote international cooperation, to spread the values of democracy and respect for human rights, and to fight poverty. Over time, we developed more institutions and mechanisms: bilateral defense treaties, regional development banks, the Helsinki Process, and the Nunn-Lugar Cooperative Threat Reduction program, just to name a few.

Today we in the West face a major challenge. *It is the threat of weapons of mass destruction, terrorism, failed states and instability that arises in major part from extremist organizations in the Greater Middle East. The terrorist ideology generated there has global reach. The region is the prime source of what I believe is the greatest single threat to modern civilization in the 21st century—that is, the nexus between terrorism and weapons of mass destruction.* We must promote security and stability in this vast but troubled region, where demographics, religious extremism, autocratic governments, isolation, stagnant economic systems, and war have often overwhelmed the talents of its peoples and the wealth of its natural resources.

COMMON INTEREST

This is a challenge for all of us in the developed world. Instability, poverty and joblessness increase the flow of migrants to Europe. The Palestinian-Israeli conflict causes unrest and discord among Europe's Muslim populations. For some, this long-standing struggle is both a reason and an excuse for anti-Americanism and anti-western sentiments in the Arab world. Last week's response to the killing by Israel of Hamas leader Sheik Yassin is yet another illustration of how events there can reverberate around the region, and a foretaste of the conflagration that could ensue if we can't end the spiral of violence. It underscores my strong belief that we cannot take an election-year time-out in the quest for peace.

IRAQ AND BEYOND

While we cannot ignore the repercussions of the U.S.-led military action in Iraq, it is now time to look forward. European and Asian countries have the same interest as the United States in seeing that Iraq becomes a stable democratic country. By so doing, it can become a catalyst for positive change throughout the region, where millions of people suffer from grinding poverty and hopelessness. This has led some young people to terrorism and to express their despair by lashing out at others more fortunate. At the extreme, some have chosen suicidal missions.

But if we strongly support in Afghanistan and Iraq citizens who are striving to build successful states that embrace freedom and enjoy broadly shared economic development, their success could generate extraordinary encouragement to millions of people now mired in hopelessness.

Likewise, if we help to produce a resolution of the Israeli-Palestinian conflict, fresh political winds would sweep through the region and new possibilities for political reform would flourish. *We should make solving the Israeli-Palestinian conflict an integral part of our larger strategy, not an adjunct to it, and consider new structures that bring moderate Arab countries into the process.*

LONG-TERM STRATEGY

As President Bush has said, our long-term strategy is to replace the region's pervasive repression, intolerance and stagnation with freedom, democracy and prosperity. The war on terrorism is only a part, although a crucial one, of this broad and ambitious agenda. The best way to achieve this goal is to cooperate with our traditional partners and with countries in the Greater Middle East on a new paradigm of reform and development.

At its June Summit in Sea Island, Georgia, the G-8 (the United States, Canada, Japan, Russia, the United Kingdom, France, Germany, and Italy) should outline a plan for the G-8 to engage with the Greater Middle East in a way that allows the nations of the region to set their own priorities for the new millennium.

Many of the nations of the Greater Middle East have entered this new era isolated from the industrialized world. As the U.N. Arab Human Development report noted, the whole Arab world translates only 300 books annually, 65 million Arab adults, including half of the women, are illiterate, and only 1.6 percent of the Arab population has Internet access. This isolation contributes to the misunderstanding and prejudice that leads to violence. Other advancements in communications, transportation, health and educational opportunities have yet to reach large percentages of the people of the Greater Middle East. As the 2002 Development report noted, while poverty is a serious problem, "The region is richer than it is developed."

The 2003 UN Arab Human Development Report identified knowledge, freedom and women's empowerment as the most serious challenges to development. Fourteen million Arab adults do not make enough money to buy even the most basic necessities. Steep population increases in many Arab countries mean that as many as 50 million more Arab workers will enter the job market in the next eight years. In addition, the Development Report found that Arab countries had the lowest freedom score out of the seven world regions. A number of these findings are applicable to non-Arab nations of the Greater Middle East as well.

The G-8 can be a key instrument to effect long-term political and economic change in the Greater Middle East by leveraging financial contributions from Europe, Asia and the rich countries of the region, and by providing the imprimatur of the broad international community. The United States has already begun on its own. The Bush administration launched the Middle East Partnership Initiative (MEPI) in 2002 to support economic, political, and educational reform as well as women's empowerment in the region. MEPI currently consists of 87 programs in 16 different countries. The other G-8 countries have similar programs.

Many of these existing efforts should continue. But the G-8, speaking with one voice, must make a bolder statement.

PROPOSAL

I propose a grant-making *Greater Middle East 21st Century Trust*, sponsored by the G-8. It would be modeled on the principles of the Global Fund to Fight AIDS, Tuberculosis, and Malaria, the G-8 Africa Action Plan, and the United States' Millennium Challenge Account. The 21st Century Trust would unite the G-8 countries with donor countries in the Greater Middle East in a quest for political, economic, and educational modernization. The donors would pool resources to deliver grants and would work together to define the funding criteria based, in part, on the high priority needs identified in the United Nations' Arab Human Development Reports, which were written by Arab scholars. Vigorous two-way interaction between donors and recipients is vital: change cannot be imposed from the outside.

The Trust would not only increase development funding to the region but would also provide an opportunity for the G-8 countries to work alongside countries in the Greater Middle East toward common goals, instead of arguing over old disputes. It is particularly important to demonstrate to countries like Afghanistan and Pakistan that G-8 interests stretch beyond capturing terrorists and destroying their networks.

It will be important for the Trust's contributors to include rich countries of the region, such as Saudi Arabia, willing to invest in their own futures and take a stake in the Trust's success. Equally important, Saudi Arabia has completely banned its citizens from donating to charities in foreign countries because it feared funds were being diverted to terrorist causes. A 21st Century Trust would give donors in Saudi Arabia, and other countries, a secure vehicle for charitable donations.

To be sensitive to cultural concerns in the Greater Middle East, the Trust could be structured to respect Islamic financial principles. These principles, in part, forbid the payment or receipt of interest, or any transaction that involves speculation, but allow grants, profit-sharing, transaction fees and other financial structures. This would provide a vehicle that both the religious and the non-religious could use.

This Trust proposal reflects advances in our understanding of international development. The programs it is based upon—the G-8 Africa plan, the global AIDS fund, and the Millennium Challenge Account—represent a new form of social compact between governments and donors that does not superimpose a plan from donors but, instead, works with the recipient countries to plan and set priorities. The MCA and

the Global Fund institutionalize the inclusion of civil society in project design and incorporate benchmarks so we can know if a project is effective.

Under MCA, countries must demonstrate that they are “ruling justly, investing in their peoples, and establishing economic freedom.” The MCA will use independent indicators to judge a candidate country’s fitness in such realms as corruption, rule of law, political rights and trade policy. The MCA includes at least three breakthrough concepts that could be applied to the Trust proposal:

- Donors and recipients negotiate compacts based on goals put forth by the recipient countries. This gives recipients the lead in coming up with their own priorities.
- The compacts contain benchmarks that can be measured over time to assess progress. This lays the groundwork for performance-based evaluations.
- Both the compacts and the projects are to be published on the organization’s Web site. This provides transparency and openness.

What I am proposing today is in some ways parallel to the Bush administration’s own initiative, which it developed separately. But mine has some key differences. For one, the Trust is not a development bank, but a grant- and investment-making body that could conform to Islamic financial principles. More importantly, rather than a set of programs to be created and funded, I am proposing instead building a vehicle for action that would set broad goals and criteria. Specific programs would be developed and offered by the recipient countries themselves, and accepted or rejected by the Trust based on the standards it sets. This way, we can confer “ownership” of the reform process on the countries themselves.

Similarly, the Trust would go beyond the primary development paradigm of growth, infrastructure and health. *It would help realize what the Arab Human Development Report called “a restructuring of the region from within.” Ultimately, the Trust would seek to promote changes to many of the structures that have been identified by the Arab scholars in the Development Reports as roadblocks to modernization in the Greater Middle East.* This involves reform of economic systems; lessened state control of economies; diversification away from over-reliance on oil and toward more value-added industries; reform of labor markets to promote productivity and greater opportunities for advancement; revamping of weak education systems; a sea-change in the role of women in education, the economy, and society; much greater emphasis on research, science, technology and engineering; and political reform to give citizens more space to think and to have a voice. As the latest Development Report notes, political instability and struggles for power “in the absence of . . . democracy . . . impede the growth of knowledge on Arab soil.”

The Trust would recognize that many of the policies and practices that have hobbled the Greater Middle East have been endorsed by the governments of the countries in question. It will be a challenge to convince them to join the Trust as partners in a process that will require them to make such fundamental changes. That’s why the Trust will seek to engage all elements of societies. The Arab Human Development Report calls on “the state, civil society, cultural and mass media institutions, enlightened intellectuals and the public at large to plant those values that encourage action and innovation in the political, social and economic sphere.”

This challenge to business-as-usual helps explain why the administration’s own ideas for a Greater Middle East initiative have so far met with resistance from many Arab governments. Some Europeans have also criticized the initiative for, in effect, choosing reform over stability. I urge the President and his team to stay the course and not be cowed by this initial reaction. Many comments about the administration’s plan have a familiar ring. Arab autocrats have denounced it as an imposition of western values by outsiders. They’ve also criticized it as being a mission impossible until western outsiders impose a settlement on the Israeli-Palestinian conflict. Such obstructionism simply makes the case more clearly for real reform.

I understand the desire of regional governments for “ownership” of this process, which is why I have emphasized the two-way nature of the Trust’s functions. But granting ownership does not mean the G-8, through the Trust, should simply write blank checks to Greater Middle East governments to pursue their own self-interested visions of reform. That would deny the need for fundamental change. We must be prepared to use our considerable leverage with allies inside and outside the region to promote truly democratic reforms and political freedom, not simply maintain the status quo, or our initiatives will lack credibility. At the same time, by remaining engaged in the Israeli-Palestinian conflict, we will strengthen the rationale for our broader initiative in the region.

THE SECURITY DIMENSION

The social and political changes we are seeking will be even more difficult in an atmosphere of violence. The industrialized democracies, working with the countries of the Greater Middle East, must try to maintain a stable environment for long-term progress. I have proposed that NATO, with its integrated military command, interoperability of equipment and forces, and a proven ability to make decisions and take action, assume a larger role in the Greater Middle East and make the region a new priority.

I have made a number of specific proposals. In particular, *NATO should beef up its presence in Afghanistan, where it is leading the International Security Assistance Force, and assume a formal role in Iraq. No reasonable country of the Greater Middle East, just as no Western or Asian country, can wish for failure in the rehabilitation of Iraq. NATO's involvement, by further internationalizing the reconstruction effort, will make success more likely.*

More broadly, *NATO should launch a major effort to promote strong military-to-military relations with Greater Middle East countries, a program I have called "Cooperation for Peace."* As in NATO's hugely successful Partnership for Peace program in Central and Eastern Europe, NATO could help with training for peacekeeping, counter-terrorism and border security, as well as with defense reform and civilian control of the military. This Cooperation for Peace program would complement efforts by the 21st Century Trust to modernize Greater Middle Eastern societies and integrate them into the international community.

THE POLITICAL DIMENSION

Achieving the kind of regional transformation we seek will require many steps over a long period of time. *The first step, before deciding WHAT change is necessary, must be for the leaders and the people of the Greater Middle East to agree, through vigorous and open debate among themselves and across the region, that change IS necessary. This reform in attitude cannot be imposed from outside, it must be generated from within the region, across national boundaries. And it must be seen in the context of people taking charge of their own futures.* We already see examples under way. For instance, the Alexandria Library in Egypt hosted a conference on "Critical Reforms in the Arab World: From Rhetoric to Reality" this month to bring together members of the civil society in the Arab region including intellectuals, businessmen and academics. They declared they "are fully convinced that reform is a necessary and urgent matter." And contrary to the popular notion that democracy is somehow an alien concept, they said they embraced "without ambiguity, genuine democracy." We need much more of this.

Many in the region say that they cannot support an agenda for change unless the United States addresses the Israeli-Palestinian conflict. The Arab Human Development Report calls the conflict "a contributing factor to the region's democratic deficit, providing both a cause and an excuse for distorting the development agenda." The search for stability in the Greater Middle East must proceed hand in hand with the resolution of the Israeli-Palestinian conflict. But the nations of the Greater Middle East must be brought into the process of resolving the conflict. They cannot continue to expect the U.S. to address these issues on their behalf, and then complain that the U.S. is not doing it right. Therefore, I propose that as part of this drive to bring the Greater Middle East countries into the modern world, we bring them fully into the process of resolving the Israeli-Palestinian conflict. This would close what has in the past often been a gap in strategies for the larger region.

As a first step, we should expand the "Quartet" which is currently directing the peace process—the U.S., Russia, the European Union and the United Nations—into the "Sextet" by adding Egypt and Saudi Arabia. This would give the Palestinians more confidence in any proposal that comes forth, and give all countries in the region a greater stake in both the specifics of new peace proposals and in the efforts to follow through on their implementation. Closer Arab support would also give the Palestinians the option to make compromises that they might not otherwise make on their own.

Secondly, *we must recognize that Prime Minister Sharon's unilateral disengagement has created an opportunity that we should seize to generate new attitudes and approaches to ending the violence.* His decision to evacuate unilaterally almost all settlements in Gaza and a number in the West Bank, once unthinkable by any Israeli leader, is being accepted by most within Israel. Many in Israel are recognizing the demographic reality that if Israel maintains control of the West Bank to the beginning of the next decade, Jews could be a minority in the state of Israel.

Such recognition now reinforces Israel's acceptance of the principle of a separate Palestinian state.

The Israeli withdrawal, as a practical matter, along with Israel's construction of a security fence, will reduce the opportunities for Palestinians to attack Israelis, and the need for Israeli military checkpoints and other intrusions into Palestinian daily life, which do so much to inflame anger. The withdrawal, because it is new and was put forward unilaterally, could energize the peace effort and provide a useful "detour" in the Road Map without abandoning it.

However, it is important that we, along with the Quartet—or the Sextet—work actively with the Israeli government to ensure that disengagement is done in a way that enhances Israeli security, returns a significant number of Arab neighborhoods to Palestinian Authority jurisdiction and does not fragment Palestinian territory. It should also be coordinated with the Palestinians and others.

There is concern that the Palestinian Authority is so weak and fragmented that upon an Israeli departure, a radical group such as Hamas could emerge as the de facto rulers. That's why the administration is promoting the active involvement of Egypt and Jordan in any security arrangement in Gaza. But we can and must go further. With the effective collapse of the Palestinian Authority, Israel has no reliable negotiating partner, as events of the past week have underscored. *We should consider asking moderate Arab countries to assume significant responsibility for rehabilitating or restructuring the Palestinian Authority so that discussions can be restarted.*

Some experts have proposed turning over control of the Palestinian territories to an international trusteeship. This trusteeship would provide enhanced security for both Palestinians and Israelis, it could restructure the Palestinian security services, and lead a reform of the Palestinians' failed institutions. It would turn back sovereignty at the appropriate time. Why shouldn't this trusteeship be managed by Arab nations? This would give them a role in what they themselves claim is at the core of many of their own problems.

Arab nations' establishment of a trusteeship; Israeli unilateral disengagement: these might sound like drastic measures. But taken together, they could revive momentum toward a solution of the Israeli-Palestinian conflict.

CONCLUSION

The G-8 has already taken on one new role in 21st Century security, the Global Partnership Against the Spread of Materials and Weapons of Mass Destruction and has pledged an additional \$10 billion over 10 years for Nunn-Lugar programs in the former Soviet Union. The Greater Middle East 21st Century Trust should be a new form of social compact between donors and recipients. By working together with a wide range of other nations, Americans can demonstrate that we are strong and creative advocates of a peaceful world for all, and that the future lies in being a partner with the United States, not a counterweight to it.

In my view, the G-8 Summit in Sea Island at the beginning of June represents an opportunity to focus the world on modernization needs in the Greater Middle East. This challenge should be addressed by the G-8, and it should include the participation, contribution, and vision of those in the Greater Middle East. By the same token, the NATO summit in Istanbul at the end of June would be the right venue for framing a transatlantic security structure that extends throughout the Middle East.

As His Royal Highness Prince El Hassan bin Talal noted last October in Amman, "Peace is real and durable only when the root causes of conflict have been eliminated." He went on to highlight the importance of eradicating poverty to limit violence. We can achieve greater security through careful mitigation of well-defined threats. We can extend our idealism to create broad opportunities for millions of people to enjoy more promising lives for themselves and their children. Let us answer the call of those in the Middle East and work with them.

* * *

PROPOSAL FOR

A GREATER MIDDLE EAST 21ST CENTURY TRUST

At the Brookings Institution on March 29, 2004, Senator Richard Lugar proposed the creation of a Greater Middle East 21st Century Trust ("Trust") to combat terrorism and build peace in the region. The Trust would unite the G-8 countries with other donors and countries of the Greater Middle East regions to promote common interests in political, economic and social reform and modernization, particularly

governance, sound education and health policies and programs, entrepreneurial success, and the full participation of men and women.

STRUCTURE

Trust donors would pool resources to deliver grants and would work together to define funding criteria based on goals and high priority needs identified by the recipients. Clear and objective criteria would be applied fairly to determine eligibility of recipients; levels of support; and types of projects. Criteria and performance indicators would be defined jointly by Trust members.

Donors and recipients would negotiate compacts based on goals put forth by the recipient countries. This gives recipients the lead in setting their priorities. The compacts would contain benchmarks to be measured over time to assess progress in performance-based evaluations. Both the compacts and projects could be published on a Trust Web site to provide transparency and openness. This vigorous interaction between donors and recipients is a vital component of the Trust as change cannot be imposed from the outside.

From the recipient countries, members of civil society, non-governmental organizations, and local, regional, and state government agencies could submit funding proposals to the Trust. The proposals should meet agreed criteria and goals laid out in the compact. The Trust would review proposals on a competitive basis and provide grants to the most promising projects.

The Trust could be administered by a new corporation designed to support innovative strategies and to ensure accountability for measurable results or by an existing international organization. It could be supervised by a Board of Directors composed of Ministers from member countries' Treasury, international development or other similar fiscal agency. The Trust could be designed to make maximum use of flexible authorities to optimize efficiency in contracting, program implementation, and personnel.

UNIQUE FEATURES

The Trust would not only increase development funding to the region but would also provide an opportunity for the G-8 countries to work alongside countries in the Greater Middle East toward common reform goals. Through the Trust, governments and donors would work with each beneficiary country to plan and set their priorities. The Trust would be modeled on the principles of the Global Fund to Fight AIDS, Tuberculosis, and Malaria, the G-8 Africa Action Plan, and the United States' Millennium Challenge Account (MCA).

RESPONSIVE

The Trust would seek to promote reforms such as those identified by Arab scholars in the United Nations Arab Human Development Reports as critical to modernization in the Greater Middle East including reform related to economics, governance, education and the empowering women.

COOPERATIVE

The Trust's contributors ideally would include donors from the G-8, other industrialized nations, and wealthy nations of the region, such as Saudi Arabia and Kuwait, demonstrating their willingness to invest in their own futures and take a stake in the Trust's success. By considering funding proposals from governmental and non-governmental organizations and the private sectors of the countries in the Greater Middle East regions, the Trust would seek to engage all elements of societies. The Arab Human Development Reports calls on "the state, civil society, cultural and mass media institutions, enlightened intellectuals and the public at large to plant those values that encourage action and innovation in the political, social and economic sphere."

OWNERSHIP

Rather than a set of programs to be created and funded, the Trust builds a vehicle for action that would set broad goals and criteria. The Trust could use independent indicators to judge if recipient candidate countries are making strides to achieve certain goals such as combating corruption and promoting the rule of law. Specific programs would be developed and offered by the recipient countries themselves, and accepted or rejected by the Trust based on the standards it sets. As a result, "ownership" of the reform process is conferred on the countries themselves.

Like the MCA, countries could enter into multi-year contracts with the Trust with measurable performance yardsticks. Programs would be developed and offered by

those in the recipient countries, and accepted or rejected by the Trust based on standards it sets—thus, “ownership” of the reform process would be held by the countries themselves.

CULTURALLY SENSITIVE

To be sensitive to cultural concerns in the Greater Middle East, the Trust could be structured to respect Islamic financial principles. These principles, in part, forbid the payment or receipt of interest but allow grants, profit-sharing, transaction fees and other financial structures. This would provide a vehicle that both the religious and the non-religious could use.

INNOVATIVE

The Trust proposal reflects advances in our understanding of international development. The programs it is based upon—the G-8 Africa Action Plan, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the Millennium Challenge Account—represent a new form of social compact between governments and donors that does not superimpose a plan from donors but, instead, works with the recipient countries to plan and set priorities. The MCA and the Global Fund institutionalize the inclusion of civil society in project design and incorporate program effectiveness benchmarks.

The CHAIRMAN. Before calling upon Secretary Larson, I would like to call upon the distinguished ranking member of our committee, Senator Biden.

OPENING STATEMENT OF SENATOR JOSEPH R. BIDEN, JR.,
RANKING MEMBER

Senator BIDEN. Thank you, Mr. Chairman. As we say in this body, I would like to associate myself with your remarks.

Welcome, Mr. Secretary.

Mr. Chairman, promoting political, economic, and educational reform in the Muslim and Arab worlds is in my judgment a key to winning the war on terror, but I think it also warrants a very, very healthy dose of humility on our part.

We should not make any mistake that there is a war underway right now and it is not a clash between civilizations, as some suggest in my view, but rather a clash within civilizations, the Arab and Islamic civilizations. And it pits the forces of reform, modernity, and tolerance against the forces of radical fundamentalism, regression, and violence.

We may be terrorist targets today, but their ultimate aim is not us. It is the vast majority of the moderate Muslim world, and they will suffer most should the radicals gain ascendancy.

The radical vision is bleak. We saw it on full display in Taliban-controlled Afghanistan whose leaders persecuted minorities, denied education to women and girls, banned political activity, and institutionalized terrorism and violence. Military law, law enforcement, and intelligence tactics alone are not sufficient, in my view, to defeat radical fundamentalists. We must also build an alliance of tolerance and progress with moderate Muslim majorities.

Now, I am assuming and I believe that the vast majority of Muslims and Arabs in particular are in fact moderate. The radicals feed off the failures of governments, particularly in the Arab world, to open up political systems, to modernize education, and to build vibrant economies. In 2002, as you mentioned, Arab scholars completed a groundbreaking study of Arab human development. We have quoted it many times. It speaks to the need across the Arab

world to make progress in three critical areas: empowering women, spreading knowledge, and expanding freedom. This is an incredibly difficult challenge for us, but it is also an extraordinary opportunity.

For example, 70 percent of the Middle East population is below the age of 30. Unlocking their minds and unleashing their talents can be a deep source of strength and progress. Bringing women into the work place will boost Arab economies, not just as women leaders past and present in Pakistan, in Bangladesh, and in Turkey and Indonesia have demonstrated. They energized the Muslim world of politics as well.

This committee has recognized the challenge. Last year, we passed my proposal to establish a Middle East Foundation to support civil societies, a free press, women's rights, the rule of law, and education reform. And I am pleased to see it included in the President's 2005 budget. I also look forward to working with the State Department to identify the resources to get this foundation off the ground.

Mr. Chairman, as you referenced, you have an excellent proposal in my view for the Greater Middle East 21st Century Trust. And Senator Hagel, as well, has introduced an important bill called the Greater Middle East and Central Asia Development Act.

Whatever the strengths of our ideas for reform in the Arab world and Islamic world are, we cannot impose them on that part of the world. We cannot advance them alone. As I said again, it warrants a significant dose of humility as we undertake these efforts.

I am pleased the administration is working with our allies to support reform in the Arab and Muslim world. We must also work more closely with those in the region who are committed to reform both inside and outside the government, as your Trust calculates to do.

Mr. Chairman, I do not have any problem with us placing reform prominently on the agenda of the Sea Island summit, but I am a little baffled that the twin elephants in the room are not at the top of the agenda: Iraq and the Israeli-Palestinian conflict. Iraq at present is serving as more of a dead weight on regional reform than a catalyst as some had predicted. Scheduling problems in my view did not cause the leaders of Egypt, Saudi Arabia, Morocco, and Tunisia to decline President Bush's invitation to Sea Island. And I do not know how we really get very far on the notion of reform in the Arab world when significant numbers of the countries are not engaged in the discussion and refuse the invitation. Had President Bush decided to focus the summit on charting a new course in Iraq, I am of the view that the leaders of these and other Arab countries and Muslim countries would have enthusiastically attended.

We also cannot hold reform hostage to the Israeli-Palestinian dispute, nor can we ignore the reality that continuing conflict lets governments off the hook by giving them an excuse to drag their feet. We must show sustained leadership on this issue, and with your leadership here in this committee and the President's focus on the issue, I am hopeful that is exactly what we will be able to do.

I look forward to hearing from our distinguished panel, and I would like to thank His Royal Highness for making the trip here.

It is a significant gesture and we want you to know how much we appreciate it.

Mr. Secretary, I look forward to hearing your testimony and working with you and the administration, along with my colleagues as to how we can promote this notion.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Biden. Senator Biden has mentioned the legislation offered by our distinguished colleague, Senator Hagel. I would like to include Senator Hagel's statement in the record, as he has presented it.

[The prepared statement of Senator Hagel follows:]

PREPARED STATEMENT OF SENATOR CHUCK HAGEL

Mr. Chairman, thank you for calling this hearing on the Greater Middle East Initiative. The G-8 Summit next week will consider ideas to support political and economic reform in the Greater Middle East. I support these efforts. Only through partnership with our allies and with the governments and peoples of the region can we develop realistic programs and policies that support sustainable change and reform.

The terrorist attacks of September 11, 2001 signaled a turning point in United States foreign policy. The war on terrorism will not be won through counter-terrorism and military measures alone. The roots of terrorism are found in the hopelessness of endemic poverty and despair. Although poverty and economic underdevelopment alone do not "cause" terrorism, the expansion of economic growth, free trade, and private sector development can contribute to an environment that undercuts radical political tendencies that give rise to terrorism.

The economic problems of the Greater Middle East and Central Asia cannot be considered in isolation. There will be no sustainable development in the region if the Israeli-Palestinian conflict continues unresolved, or if Iraq becomes a failed state.

Mr. Chairman, let me acknowledge your proposal for a Greater Middle East 21st Century Trust and Senator Biden's initiative to establish a Middle East Foundation to encourage political participation and civil society in the Middle East. I strongly support both initiatives.

In that spirit, our colleague Senator Joseph Lieberman and I have introduced the Greater Middle East and Central Asia Development Act, S. 2305. The bill would stimulate private sector development, promote strong market economies, invigorate trade relations within the region, and empower states to rebuild and open their economies. It does so through three new multilateral institutions: a Greater Middle East and Central Asia Development Bank to promote private sector development; a Greater Middle East and Central Asia Development Foundation to implement and administer economic and political programs; and a Trust for Democracy to provide small grants to promote development of civil society.

In April, Senator Lieberman and I held an unprecedented meeting with 17 ambassadors and representatives from the Greater Middle East and Central Asia to discuss how our legislation and other initiatives could contribute to progress toward economic and political development in their countries. Any initiative for the Greater Middle East must allow for the active participation of the governments of the region.

Promoting political and economic governance practices complements our diplomatic objectives in the war on terrorism. We cannot succeed in our war on terrorism until hope replaces despair among the next generation in the Greater Middle East and Central Asia.

Thank you.

The CHAIRMAN. We would like to proceed now to your testimony. I understand your time is limited, but hopefully not too limited today. We will proceed with your testimony and then questions from our committee and then on to our second panel. We are delighted to have you. Please proceed.

Senator BIDEN. It is kind of a good thing not to limit your time before this committee.

**STATEMENT OF HON. ALAN P. LARSON, UNDER SECRETARY
OF STATE FOR ECONOMIC, BUSINESS AND AGRICULTURAL
AFFAIRS, U.S. DEPARTMENT OF STATE**

Mr. LARSON. I have all the time that the committee has.

Mr. Chairman and Senator Biden, Senator Hagel, Senator Chafee, Senator Alexander, thank you very much for the opportunity to join you to discuss efforts to encourage and support economic, social, and political reform in the broader Middle East and north Africa. I want to also express my appreciation for the leadership of this committee in helping to keep the issue of reform in the region at the forefront of American foreign policy. If I may, Mr. Chairman, I would like to just make a few brief comments and submit the longer statement for the record.

The CHAIRMAN. It will be included in full in the record.

Mr. LARSON. Thank you.

The broader Middle East is a region with a very important cultural heritage and history of scientific contribution that inspires great pride. Today, however, the region faces significant challenges in tapping the vast potential of its people and in offering them freedom, opportunity, and prosperity.

The people of the region itself have clearly and convincingly analyzed the challenges that they face. The authors of the Arab Human Development report, the prestigious Arab NGOs and individuals who met together at the Alexandria Library in Egypt last March, the members of the Arab Business Council, all of them have described the dilemma faced by the region in very clear terms.

More recently, Arab leaders themselves answered this call at the Arab League summit on May 22 and 23 in Tunis. Their leaders called on members of the Arab League to continue to reform, to foster democratic practice, to broaden participation in political and public life, to strengthen the role of civil society, and to expand women's participation in the political, economic, social, cultural, and educational fields, and to enhance their rights in society.

More specifically, the region has identified several primary challenges, including increasing commitment to free and transparent elections, improving the functioning of parliaments, supporting an independent judiciary, and encouraging free media and active civil society, intensifying efforts to develop and improve educational curricula and teacher training systems and to combat illiteracy, generating enough employment to accommodate the 5 million new job seekers entering the labor market each year, increasing the region's share in international capital flows, and expanding the region's share of booming international trade.

So starting with these issues, the issues that our partners in the region have identified, the United States has been working, together with other G-8 countries, on a number of possible initiatives that could help regional reformers achieve their goals.

Our consultations with the region have informed and guided our efforts to develop these reform initiatives. Some of our partners from the region who have been involved in preparations will attend the G-8 summit at Sea Island. King Abdullah II of Jordan, President Bouteflika of Algeria, King Hamad of Bahrain, President Salih of Yemen, and President Karzai of Afghanistan. In addition

to these Middle Eastern countries, Turkey will attend the Sea Island summit. As you know, for centuries Turkey has been a bridge between eastern and western cultures, and Turkey has a long record of democratic institutions and of political and economic reform and religious tolerance. So we are pleased that Prime Minister Erdogan has accepted President Bush's invitation to attend the Sea Island summit.

The G-8 members have not only an opportunity, but they have a responsibility to assist in the reform effort, both through collective actions that engage all of the G-8 countries and also through enhanced cooperation in ongoing areas of bilateral assistance. We are looking for ways to work together with the countries of the region to establish a forum for discussions to exchange ideas, to examine and share best practices in promoting reform and to build intra-regional cooperation and consensus.

We are working on ideas on how better to assist in the establishment of the institutions that underlie democratic and free societies, things like strong and independent judiciaries, strong legislatures, free and professional press, support for free elections.

We have been working to identify better ways to improve access in the region to microfinance and to help local governments improve the policy and regulatory atmosphere on making financing available for small- and medium-sized businesses.

More generally, we have been looking for ways to bring more capital into the region both through the promotion of good foreign investment policies and through collaborative institutions that could tap private capital that in many cases is fleeing the region now and could be brought back to the region.

We have been pursuing trade links with the region, including the negotiation of free trade agreements, encouraging regional governments that are not members of the World Trade Organization to become members, and we are considering ideas like regional trade hubs and support for local chambers of commerce.

Reformers in the region made it very clear at the Arab League summit in Tunis, at the Alexandria Library conference, and in Sana'a that they are committed to moving forward on all fronts, including governance, not just those reforms that are the easiest.

I am pleased to say that our initial ideas and plans for support for a broader Middle East region have met with considerable acceptance. As you will see at Sea Island, I think there will be a foundation for consensus action. I believe this is because we have taken care to reflect the views and declarations of the people in the region and we have responded to those views and those declarations.

Mr. Chairman, I want to emphasize that the impetus for reform must, of course, come from the region. I also want to emphasize that we are leaving no stone unturned in pushing forward toward a successful political and economic reconstruction in Iraq and a solution to the Israeli-Palestinian conflict. Yet, as important as these tasks are, they should not dissuade us from giving equally urgent attention to the longer-term task, the generational task, of supporting economic, social, and political reform in the broader Middle East. We are encouraged by the region's recent movements toward and calls for further reform and we do stand ready with our G-8

partners to help the people of this region build a future that provides more hope, more opportunity, and more freedom.

Thank you.

[The prepared statement of Mr. Larson follows:]

PREPARED STATEMENT OF HON. ALAN P. LARSON

SUPPORTING REFORM AND OPPORTUNITY IN THE BROADER MIDDLE EAST AND NORTH AFRICA

Mr. Chairman, members of the Committee: thank you for the opportunity to speak with you today on our efforts to encourage and support economic, social and political reform in the G8 Broader Middle East and North Africa. Mr. Chairman, I particularly want to thank you and Senator Hagel for keeping support for reform in this region at the forefront of U.S. foreign policy.

The broader Middle East is a region with an important cultural heritage and a history of scientific contributions that inspires great pride. Today, however, the region faces significant challenges in tapping the vast potential of its people and offering them freedom, opportunity, and prosperity.

We recognize the importance of a lasting peaceful settlement of the Arab-Israeli conflict, and every day we are working toward this goal—as we are toward the goal of a peaceful, democratic, and sovereign Iraq. At the same time, regional voices are calling for reform; we must respond to this desire for change. Divisions, disputes, and even violence in the region cannot be allowed to become an excuse for deferring reform; indeed, reform can help to bring them to solutions.

President Bush has laid out a vision of partnership in support of political, social and economic reform. From the beginning of our work on this issue we, and our G8 partners, have recognized that reform must be an internal process in each of the countries of the region. No one-size-fits-all formula can meet the varied needs of this region, nor can reform be imposed from the outside. President Bush and the Administration are committed to working with the countries of the region to help facilitate reforms that each nation and its people have identified as necessary for their own advancement.

Consensus for reform, and recognition of its benefits, is growing. In recent years, gradual reforms have led to increased political and economic opportunities and improved living conditions for both women and men across the region. For example, in the last three years, citizens of Bahrain, Jordan, Morocco, and Yemen have elected new parliaments. Last year, the people of Qatar approved a new constitution by referendum, and just a few months ago Morocco adopted a new family code that protects the rights of women. Recently, we concluded free trade agreement negotiations with Morocco and Bahrain. The United States already has free trade agreements with Jordan and Israel. Algeria, Egypt, Kuwait, Qatar, Saudi Arabia, Tunisia, the UAE, and Yemen have signed Trade and Investment Framework Agreements with the United States.

Reform has a positive multiplier effect in a society. Political, educational, economic, and social reforms connect on many levels to reinforce each other and to create hope and opportunity. Even small steps can give people more opportunity to shape their lives, their societies and their future. Each step leads to greater freedom, greater experience and strengthened confidence.

We recognize, of course, that this region is one of different societies and we know each has uniquely different circumstances. At the same time, we believe the aspiration for freedom and opportunity is universal. We believe that the basic pillars of democracy—such as a representative legislature, an independent judiciary, a free press and market economy—are suitable for all people and compatible with any society, though they may not look exactly the same or function in exactly the same way.

We are looking for ways to facilitate and support reform initiatives that are identified and proposed by those who will ultimately implement them and benefit most from them. The people of this region want reform that will address their needs, and we stand ready to help, for as long as it takes to achieve success.

The people of this region have clearly and convincingly analyzed the challenges they face. The authors of the Arab Human Development report, the prestigious Arab NGOs and individuals who met at the Alexandria Library in Egypt last March and the members of the Arab Business Council have described the dilemma faced by the region in clear terms.

More recently, Arab leaders answered this call at the Arab League Summit, May 22-23 in Tunis. Leaders called on members to continue reform to foster democratic practice, broaden participation in political and public life, strengthen the role of civil

society, and “expand women’s participation in the political, economic, social, cultural and educational fields, and] enhance their rights and status in society.”

More specifically, the region itself has identified several primary challenges, including:

- Broadening participation in public and political life, in particular, increasing the role of women in economic, social, and political spheres.
- Increasing commitment to free and transparent elections, improving functioning of parliaments, supporting an independent judiciary, and encouraging free media and active civil society.
- Intensifying efforts to develop and improve educational to improve curricula and teacher training systems and to combat illiteracy.
- Generating enough employment to accommodate the five million job seekers entering the market each year.
- Raising economic growth to about 6-7 percent annually over the coming decade.
- Increasing the region’s share in foreign capital flows, including direct and indirect foreign investments. The region attracts low levels of inward FDI; suffers from capital flight; and needs to allocate more productively the capital that stays behind.
- Expanding the region’s share in booming international trade and extending exports beyond primary products to include high-value-added products.
- Increasing intra-regional trade and investment.
- Improving access to information by increasing capacity in translation, publishing and access to the Internet.

Starting from the issues our partners in the region have identified, we are working together with the other G8 countries on a number of possible initiatives that will help regional reformers to achieve their goals. These proposals will offer a broad range of opportunities from which governments, civil society, and business can draw. This initiative is intended to enhance and support G8 countries’ long-term engagement and dialogue with this region. We intend to proceed in the spirit of collaboration and mutual respect.

It is for that reason that Secretary Powell, Under Secretary Grossman, Assistant Secretary Burns and I—as well as many others throughout our government—have consulted extensively with the region’s governments on this initiative. Secretary Powell, Assistant Secretary Burns, and I recently attended the World Economic Forum last month in Jordan, where we had excellent discussions with regional leaders on this topic. Secretary Snow hosted a meeting in April for Finance Ministers from the Broader Middle East and North Africa and G8 governments to discuss economic aspects of this initiative. These consultations have informed and guided our efforts to develop methods of supporting reform initiatives emerging from the region. Some of our partners from the region who have been involved in our preparations will attend the G8 Summit at Sea Island.

- The President has invited King Abdullah II of Jordan, whose strong economic reform program is putting Jordan on the path toward economic growth and rapid development.
- President Bouteflika of Algeria has also accepted the President’s invitation and will add valuable experience based on his nation’s experience working with the G8 in the New Partnership for Africa’s Development (NEPAD) program.
- King Hamad of Bahrain will attend, bringing with him Bahrain’s experience as a leader in opening up trade in the region.
- President Salih of Yemen will attend and discuss his country’s experience in successfully running recent parliamentary elections.
- President Karzai of Afghanistan will attend and can discuss how democracy can revitalize a society even after decades of repression. Afghanistan is planning for national elections for the first time in decades and has made great strides in literacy and economic reform.
- In addition to these Middle Eastern countries, Turkey will attend the Sea Island summit. For centuries a bridge between eastern and western cultures, Turkey has a long record of strong democratic institutions, political and economic reform, and religious tolerance. As Turkey advances toward full membership in the European family, its unique history affords potential examples of successful reform for the nations of the Greater Middle East region. We are pleased that Prime Minister Erdogan has accepted the President’s invitation to attend the Sea Island Summit.

There clearly are opportunities for the G8 to assist the reform effort; both through the collective action of all G8 countries and also through enhanced cooperation in areas of bilateral assistance already underway. For example, countries of the broader Middle East and North Africa would welcome opportunities through which they can exchange ideas, examine and share best practices, and build intra-regional cooperation and consensus on reform. We are looking at ways to work together with the countries of the region to establish a forum for such discussions.

Reformers in the region have also noted the need for more micro credit programs and increased investment in small and medium-sized enterprises (SMEs). This will help cut unemployment, improve access to trade financing for small exporters and increase opportunities for women to pull themselves and their families out of poverty. We are seeking ways to improve access to microfinance and to help local governments improve the policy and regulatory atmosphere and exchange best practices.

Meeting basic educational needs is vital for development and economic growth. The region has made training and development of human resources—particularly with regard to teacher training, as well as vocational and technical training—a priority. We will look for opportunities to provide tools to work with the region to achieve these important goals.

Expanding trade needs to be a focus of our efforts as well. Regional economic integration and increased trade between the countries of the region and the rest of the world will provide more opportunity for business and investment. We are pursuing trade links with the region and encouraging regional governments to work toward membership in the World Trade Organization, where they have not already done so. We could consider regional trade hubs and support for local chambers of commerce.

We are acutely aware of the magnitude and complexity of the reform challenge in the broader Middle East. Reformers in the region have made it clear in Tunis, Alexandria and Sana'a they are committed to moving forward on *all* fronts, including governance, not just those reforms that are easiest. We should not shy away from the challenge, but support them in that great effort to transform this critical region.

I am pleased to say that our initial ideas and plans for the initiative in the greater Middle East region met with considerable acceptance and, as you will see at Sea Island, are the basis for consensus action. I think this is because those plans reflect the view and the declarations of people in the region, to which we responded.

In closing, Mr. Chairman, I want to emphasize once again that the impetus for reform must come from the region. We have no interest in forcing a set of proposals on the people of the broader Middle East, nor could we do so if we wished. We are leaving no stone unturned in pushing forward toward a successful political and economic reconstruction in Iraq and a solution to the Israeli-Palestinian conflict. Yet, as important as these tasks are, they should not dissuade us from giving equally urgent attention to the longer-term task of supporting economic, social and political reform in the broader Middle East. We are encouraged by the region's recent movements toward, and calls for, reform. We stand ready, with our G8 partners, to help the people of this region build a future that provides more hope, opportunity and freedom.

The CHAIRMAN. Thank you very much, Secretary Larson.

We have three panels today and several Senators raising questions, so we will try for a 7-minute round at this point. I will commence the round by asking you, Secretary Larson, what is the best outcome you can anticipate at the G-8 meeting with regard to a Greater Middle East initiative. By that I mean, will there be pledges of money? Will there be some structure of the G-8 as to how proposals are to be considered? Has the Trust idea that I have suggested been a part of discussion at our State Department or with anybody else in the G-8? Give us some flavor of what we can anticipate. You say some preconsultation has occurred. You give some optimism in your testimony of the results, but can you sketch out more particularly what they are likely to be?

Mr. LARSON. I think the most fundamental thing we want to see coming out of Sea Island is a recognition that the issue of reform in all its dimensions is fully and permanently on the agenda. Be-

yond that, I believe we will be able to come forward with some new initiatives that will include the members of the G-8 and include the countries of the region. One of those I hope we will move forward is some type of ongoing forum where we can further develop areas of cooperation. I think we will be able to come forward with some specific initiatives that will push the ball forward on issues like microfinance, small business lending, push the ball forward on cooperation in the promotion of democracy. But we recognize that this is just an initial plan of support for reform, and we will have to work, together with our partners in the region and outside of the region, to further develop this architecture. The idea that you have put forward for a 21st Century Fund is, I think, among those types of very big challenging ideas.

We have had a round of discussions with the region about ideas for new regional financing institutions. Those have not fully gelled, to be perfectly honest. But I think that there is a debate that has been opened up on those, and I think those are the sorts of ideas we would hope to continue to discuss in institutions like a forum.

The CHAIRMAN. Just for the sake of the record and our information, lets us focus on this topic. The G-8 meets and, as you say, is seized with various issues. It is not clear how things move after that. In other words, the G-8 discussed—and we have discussed before in these hearings—the so-called 10 plus 10 over 10 program in which the G-8 countries were to match contributions by the United States in terms of the destruction of weapons of mass destruction and nonproliferation efforts.

From time to time the committee has probed how this is going. What have the other seven nations stepped up to do? Who meets with whom? And is there any sort of ongoing committee work or structure that leads people to do things except on an ad hoc basis, which contributes obviously to the overall result? Can you give any idea who might meet whom after the G-8 on the issue that we have in front of us today?

Mr. LARSON. Definitely. We have a team of people that work on the preparation for the G-8 summit that includes the President's representative at the National Security Council, Mr. Edson, myself, Mr. Bolton at the State Department, of course, works on issues like 10 plus 10 over 10, and others.

This year we are in the role of the chairmanship or the presidency of the G-8, and we hold that responsibility through the end of the calendar year. We have made a firm decision that our presidency does not end on the 10th of June when the Sea Island summit is over. We have determined that we are going to need to drive a number of initiatives forward over the rest of the calendar year, and this is one of the most important. We would hope, for example, to host or co-host meetings that would be designed to carry out initiatives of the broader Middle East and north Africa later in the fall. We will be using the team that prepared for the summit to drive this process with our colleagues in the G-8 but also colleagues in the broader Middle East.

The CHAIRMAN. Well, that is very encouraging. I am encouraged by the fact that the U.S. presidency of the G-8 this year gives us the ability to raise these issues at the G-8 summit and through the

end of the year. As president of the institution, you can call meetings and will do so. So that really offers some promise.

Now, just for sake of our understanding, what do you believe the Greater Middle East covers? In other words, what countries or what areas are we talking about in terms of the issues at the meeting we are about to have?

Mr. LARSON. We have believed that it is important to have an open architecture on a concept like this because we found in other regional organizations when it is successful, others want to join. So we have not wanted to draw very sharp lines excluding some and including others. But we certainly imagine the countries of north Africa, the Levant and the gulf and some adjacent countries. We think that the geography will vary somewhat depending on the topics under discussion. On economic topics, these regional interconnections are very important and you need to reach out to all of the necessary players. If there are security-related conversations, we would naturally exclude countries that are state sponsors of terrorism. So we believe it should be open. It should be broad beyond the traditional confines of the Middle East, and that the geography of it may vary somewhat depending on what subjects are under discussion.

The CHAIRMAN. Carrying forward a question that Senator Biden had in his opening statement, why have many countries declined the invitation? This is a distinguished list who have accepted, and that is the good news. But the Greater Middle East covers, as you have defined it, a large number of countries who obviously do not plan to participate. Do you have any view as to why they are not interested?

Mr. LARSON. Well, I think a number of countries that are not attending the conference at Sea Island are very interested in the broader Middle East and, in fact, are going to play a leadership role in it. For example, Morocco is not going to be in a position to attend the meeting, but the leader of Morocco will be coming a couple weeks later. And Morocco is going to play a leadership role on one of the initiatives designed to promote better training and internship opportunities for young people who want to have careers in business.

We recognized, when Sea Island was selected as the venue for this meeting, that it would not make it possible to have many guests outside of the G-8. We are having a separate outreach meeting for the Africans, and we have zeroed in on six African leaders who will be coming. And that is about the extent of what you can accommodate.

But I can assure you that countries that are not necessarily participating in this particular conference have, nevertheless, had very productive conversations with us about the content of this initiative and expect to work with us in the implementation of it.

The CHAIRMAN. Let me just say parenthetically, given the presence of our distinguished guest today, perhaps a better venue would have been Amman or the Dead Sea conference area, which has accommodated a good number of people from the Middle East.

Mr. LARSON. Well, the Dead Sea meeting that was recently held under the auspices of the WEF, World Economic Forum, did provide a wonderful opportunity for Secretary Powell and others of us

to consult the region, and so we took full advantage of the hospitality of His Majesty King Abdullah II.

The CHAIRMAN. Thank you, Mr. Secretary.

Senator Biden.

Senator BIDEN. Thank you.

Mr. Secretary, let me move back to the centerpiece of this initiative as I see it, the Forum for the Future, as I see it, which is this ongoing framework for discussion, and you fleshed it out a little bit for the chairman. Could you elaborate on how this forum will function, how far advanced is the concept of the forum? Is there consensus among the G-8? Did you arrive at a consensus before you arrived at Sea Island? Is there consensus in the region about it? And are any countries and all countries going to be invited to participate in the forum, including Iran and Syria?

Mr. LARSON. One of the most important things that we learned from our consultations in the region was that more important than any single initiative that might come up was the sense that there was an ongoing, sustained engagement on the part of G-8 countries with the region. So you are right, Senator, in suggesting that this idea of a forum has begun to move to center stage because it is something that is seen in the region as important and it is something around which the G-8 has coalesced.

Many of the details of this will have to be worked out in further consultations with the region, but I think the basic framework is quite clear. We would imagine, for example, an opportunity to have ministerial level consultations. That could include foreign and economic and other ministers so that one could look at the process of reform across the board, including educational reform, economic reform, reform in areas of governance. We would imagine a forum that would allow for a discussion of best practices so parts of the region could learn from the experiences, the successes of other parts of the region—

Senator BIDEN. May I interrupt you?

Mr. LARSON. Yes.

Senator BIDEN. I think that is extremely valuable and I am sure there are other fora based on subject matter. But with most summits, before people arrive, they agree on the major points. Summits are not impromptu gatherings. Is there an agreement on how often that forum will meet? Have you set dates for these various kinds of meetings between now and the end of the year when our presidency moves on? And have you arrived at a consensus whether or not, for example, Syria and Iran can participate?

Mr. LARSON. We expect and believe we have an agreement on the idea of a meeting before the end of the year. We believe we have agreement on a structure that, in addition to the elements I outlined, would include the opportunity for input from the business community and civil society. We anticipate that the forum itself would be open to all countries in the region and interested partners from nearby the region, but that on certain types of topics, the participation would be affected by these countries' policies, and I gave the example of security discussions that might take place.

Senator BIDEN. Over the weekend, the Jordanian Foreign Minister expressed reservations about the inclusion of such countries as Turkey, Afghanistan, and Pakistan in the initiative. He said the

dialog “is best conducted between the G-8 and the Arab group and not through a wider definition of the Greater Middle East where we do not share sometimes the same common interest.”

According to Robert Satloff of the Washington Institute of Near East Policy, “More than a quarter of all residents of Arab countries are not Arabs, and by the Greater Middle East Initiative’s geographic definition, Arabs will be a distinct minority in the region.” And Mr. Satloff continues. “Virtually all of the proposals, analyses, and recommendations are directed toward Arabs. Where is the recognition of the region’s ethnic, cultural, religious, and linguistic mosaic?” Could you respond to his question?

Mr. LARSON. Surely. We think that it has been profoundly important that the Arab League and Arab institutions have moved forward to embrace this reform agenda. I think the Arab League summit statement in Tunis was a very important initiative.

We also think, though, that the challenges that are faced by the Arab world are not unique in every respect and that there is a lot that can be learned from the experiences of some of their neighbors, including neighbors like Turkey, neighbors like Pakistan. I think it is very important that we have the flexibility to have a dialog that brings in some of these other countries as well.

You mentioned in the quotation that you just gave that in many of these countries there are very important populations from outside of the Arab world. Certainly in the gulf, the links between the gulf and countries like Pakistan are very, very prominent. So if you are going to have a discussion of increased trade, increased investment, I think you need to be able to include some of these adjacent countries, and that has certainly been our concept.

But we have not in any way wished to diminish the importance of the Arab identity or the importance of Arab institutions as being key components of this push toward reform.

Senator BIDEN. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Biden.

Senator HAGEL.

Senator HAGEL. Mr. Chairman, thank you.

Secretary Larson, welcome. I think it is important that we acknowledge the good work of Secretary Powell and Secretary Burns, yourself, others in the administration who in fact have put an effort into dealing with the underlying issues in the Middle East and that is why we are here this morning. I know we are not as far as we all would like to have come, but nonetheless we are focused on it, and that in itself is important and now we need to do exactly what you said in your testimony, connect the reality and the relevancy of the programs that will enlist the support of the people of the Middle East.

The first question. Give me your sense of the balance, the relationship between the Israeli-Palestinian issue, our efforts in Iraq, the overall development challenges that we face in the Middle East. Are they related? How are they related? And give me your best sense of that.

Mr. LARSON. We believe that it is very important to make an all-out effort to promote Middle East peace, peace between the Arabs and the Israelis to persevere with the task of political and economic

reconstruction in Iraq and to pursue longer-term economic, social, and educational reforms in the broader Middle East. We have to do all of these.

We must be clear that we are addressing the first two so that the sense does not creep in that the discussion on the third is somehow an alternative. But at the same time, we have to be very firm, I believe, in suggesting to our friends in the region that a setback tomorrow in the Middle East peace process is not an excuse for saying we cannot address these economic reforms that are so important for the future of our own people. These are simply things that have to be addressed. They have to be addressed with equal urgency and equal vigor.

Senator HAGEL. Do you believe the current administration's policy in fact is doing that, exactly that? I guess the other part of that is how much emphasis are we putting on the fact that all the programs that we are talking about, what may well be laid on the table next week in the way of specific programs in economic development are, in fact, related to the Trust that the people in this region, the Middle East, Muslim world in general, have in our leadership and confidence in that leadership and trust in our purpose. What I am trying to get at is how much is the Israeli-Palestinian issue woven into the fabric of what we are talking about this morning, as well as the great challenges of the Middle East, specifically now with 140,000 American troops in Iraq?

Mr. LARSON. Both of those issues are fully woven into the challenge of promoting reform in the broader Middle East. Certainly they are huge psychological factors in the minds of the citizens of this part of the world. I think that on Iraq, for example, we are in a pivotal month where if we can show that we have successfully moved forward with a Security Council resolution, we have seen the announcement yesterday of the interim government, we are working to get broader international support for the task of reconstruction, I think those efforts will help improve the climate for moving forward with the broader Middle East Initiative.

I think that the way that we approach the prison abuse scandal will be also very important. Obviously, it was a huge setback for us in terms of our image in the region. But if we address it in the way that shows a sense of democratic accountability and that our institutions are working, I think that will show that we are serious when we talk to the region about democracy, about accountable institutions.

So we will need to pursue our efforts on all three of these issues simultaneously. That is certainly what we are trying to do, and I think we are making good progress on all fronts.

Senator HAGEL. Mr. Secretary, how important do you think it is in the minds of the people of the Middle East that they believe that the United States is doing everything we can to help resolve the Israeli-Palestinian issue? Can we make progress on these other fronts we are talking about today, as well as other more specific issues like Iraq, without that piece?

Mr. LARSON. We will always be running uphill in trying to convince many of our friends in the Arab world that we are doing everything we can to promote peace between the Israelis and the Palestinians. Nevertheless, in our candid discussions with friends in

the region, I believe I have detected an acknowledgement that they cannot hold hostage the reform and the improvement of opportunity in their own societies for the benefit of their own people to the day-to-day ups and downs in the peace process. It would simply be irrational. There is a psychological factor that we must always take into account, but they are not pursuing reforms for our benefit. They are pursuing reforms for their own benefit, and we are trying to put ourselves in a position to—

Senator HAGEL. But does not an awful lot have to do with the confidence in our efforts by the people themselves? If we lose the people, we lose the effort, the trust in our purpose, and certainly it has to spill over into the Israeli-Palestinian issue, as well as all of the other challenges that we have.

Mr. LARSON. It comes up in every conversation. You are right. It comes up in every conversation.

Senator HAGEL. Thank you.

One last question. Any new, specific proposals going to be introduced at the G-8 conference next week? You talked about micro-finance. You talked about a number of objectives, things that we should be doing. We are doing now some of them, but more need to be done. Anything new that we can expect?

Mr. LARSON. I think we will have some things that will be new twists on existing programs. We talked at some length about the forum which we hope to launch. We hope that we will find it possible to come up with new, more effective and expanded ways to support small- and medium-sized businesses in the region.

A lot what we need to try to do requires mobilizing resources from the region, from the governments of the region, as well as from the private sector. The chairman has talked about a 21st Century Trust. We are trying to focus on a 21st century approach to the financing needs of the region, and that means recognizing that the vast majority of funds potentially available to support development will come from the private sector. This is a region where resources have not been coming in from abroad. In fact, their own resources have been fleeing. So part of what we need to do is get private resources coming back to the region.

Senator HAGEL. Thank you.

Mr. Chairman, thank you.

The CHAIRMAN. Thank you very much, Senator Hagel.

Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman, very much, and welcome, Secretary Larson.

As a career public servant and having served around the world, I believe in Zaire, Sierra Leone, Jamaica, you are trained to understand and pick up what is happening on the ground. How would you assess honestly our credibility and stature at this time in the Greater Middle East?

Mr. LARSON. What I find interesting from my travels in the greater, broader Middle East is that despite some very difficult setbacks, including some of the recent developments, prison abuse scandal in Iraq, and the tough road that we have been walking on the Middle East peace process, people in the region still look to us as a country that has a model that works, where people would like to come and live. We have found, in particular, in our meetings

with young people, outside of government, young entrepreneurs, young rotarians, that there is deep interest in this reform agenda. There is deep interest in the question of what they can do to make sure they have a bigger voice in the future of their country, bigger opportunity to pursue their educational and economic dreams.

So I think that we are able to work with the region to pursue an initiative like this, and it really comes from that reservoir of confidence in the United States, notwithstanding a lot of disagreement with what is perceived to be—what is perceived to be—some of the policies that we are following.

Senator CHAFEE. Yes. That is putting a good face on it, and I respect that.

The President's own Djerejian report said that hostility toward America is reaching shocking levels. So we do have to be concerned that actually—and what I am hearing from people in the region is that by pushing this, conversely we are hurting the effort, that we are undermining real reformers just because our credibility and the hostility toward us is, as the Djerejian report said, reaching shocking levels. Does that concern you, that by pushing it, we are actually hurting the real reformers in the region?

Mr. LARSON. I think it is something to consider. Secretary Powell went to the World Economic Forum and sat down with leaders of the Arab Business Council and of leading Arab NGOs, and the message that we heard there was keep it up. You have helped to start a debate that needs to take place. Obviously, reform must come from within the region. We all respect that. We respect the fact that it will have to come in different ways and at different paces, but there was very strong support from these groups in civil society and from the business community for the agenda that we were helping to push. I found that encouraging because, as you pointed out, the Djerejian report and other similar reports have suggested that there is serious disaffection with what is perceived to be our policy in many parts of this region.

Senator CHAFEE. Yes. I am sure there are some that say, keep it up, but certainly the majority of the comments, upon the release of the initiative, were in strong opposition and I have a whole list of quotes here. The Jordanian Foreign Minister said, "our objective is for this document never to see the light," and on and on it goes. So we have to be realistic also and honest about how we want to pursue our goals.

Mr. LARSON. Let me comment a little bit about just how we pursued consultation in the region. The document that the Foreign Minister was commenting on was one that was an internal G-8 working document that was leaked by someone in the G-8 process, and I must say that in my experience over a couple of decades working on G-8 summits, it is the first time this has ever happened. It was very, very unfortunate and we suffered a setback because of it because it carried the perception that there was some sort of blueprint that was being developed without consultation from the region.

What we have done since then is to engage in an all-out process of consultation with the region. We have shared our ideas, including a few non-papers, with government leaders, with business leaders, with NGO leaders. We have had meetings. In one of my pre-

paratory meetings with the G-8, I invited to Washington the main author of the Arab Human Development Report, the President of the Arab Business Council, and leaders of the reform process, government and non-government, from the region. We sat down and we got their advice.

So I think we have begun to recover from that period a couple of months ago when there was a sense that we had a secret plan that we were going to publish at Sea Island and only then the region would find out about it. We are meeting even this week. We are continuing our consultations with the region so that they have a full opportunity to give us advice on these types of initiatives, and I think through those efforts we have helped turn around the sentiments that you are referring to.

Senator CHAFEE. I might argue that our credibility being what it is, that the cynics would say that it was purposely leaked just to make compromise all the more palatable down the road.

Now, of course, many of the G-8 countries have been opponents of the war in Iraq. How do you expect the feedback at Sea Island from these particular countries—I have many quotes here in opposition also talking about a paternalistic attitudes toward the region that they have been very involved in much longer than we have.

Mr. LARSON. First of all, having just gotten off a conference call with my G-8 counterparts earlier this morning, I think we are very, very close to agreement on the package of ideas that we have been developing for Sea Island. So we have been bringing this process along.

Second, I would just say that I think it is paternalistic to say that this is a region that cannot experience democracy, that cannot experience economic growth, and cannot experience educational opportunity. I think it would be the worst form of paternalism to say that we can talk about these issues in other parts of the world, but we cannot really have it part of the agenda in this part of the world.

Senator CHAFEE. I know my time is up, but I do not think anybody is saying it cannot happen. Nobody is saying that. It is just at its own pace as opposed to on our time table.

Mr. LARSON. I think we would all agree with that, that it will have to be at their own pace and that will differ from country to country.

Senator CHAFEE. Thank you, Mr. Secretary.

The CHAIRMAN. Thank you very much, Senator Chafee.

Senator Alexander.

Senator ALEXANDER. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here.

I would like to continue the line of discussion of my colleagues about American credibility and how we seek to improve what the world thinks of what we are doing as a way of helping us succeed in what we are doing. I am trying to keep it in balance.

I can remember that the American Revolution, if there had been a poll, would not have received a majority support in the colonies. Yet, we do not think that was a wrong revolution.

I remember being in Amsterdam and in Germany in the 1980s and hearing preachers in the pulpits talk about Reagan and Begin and Hitler. They objected to our presence there. Yet, we do not

think it was a wrong decision to say, Mr. Gorbachev, tear down this wall.

And Professor Graham Allison at Harvard likes to talk about the elephant and the mouse in the bathtub theory, that no matter how nice the elephant is, if you are the mouse in the bathtub with the elephant, the mouse is not going to like it very much. That is one of the problems that the United States has in the world.

But having said that, where we are today is not where we would like to be in terms of what the world thinks of what we are doing and the support we have in the Middle East for what we are trying to accomplish. We know, as a tactical matter, that if we want to succeed in what we are doing, we need to isolate the radicals. We are told by the Brookings Institution, as reported in the New York Times, that in a country of 25 million, Iraq, that there are only 5,000 insurgents whom we are fighting and only 500 jihadists out of 25 million. That is the size of the opposition. So we do not want to enlarge that. We want to isolate and narrow that. How do we do it?

We have talked about several ways here today, the peace process in Israel. You said, dealing with prison abuse in a straightforward way is a way to do it. All the proposals that you have suggested at Sea Island would be helpful, the various proposals Senator Lugar and Senator Hagel and others in the administration on the Trusts reminds us that the Marshall Plan was a plan of the European countries. It was not our plan. They came up with their plans for their countries, and this gives us a chance to do that. You have emphasized that.

I wanted to ask you about one other thing, and that has to do with what I would like to be able to call the "first Bush doctrine," although it is not for me to call it that really. Most of us agree with what I would call the "second Bush doctrine," which came after 9/11 occurred unexpectedly, which is if terrorists hit us, we will hit you back and you are either with us or against us. The President was courageous in that. I support him in that.

But he also said these words in his campaign debate October 11 in Wake Forest. In talking about foreign policy in the future, Governor Bush then said, "I think the United States must be humble and must be proud and confident of our values, but humble in how we treat nations that are figuring out how to chart their own course." I would like to call that the first Bush doctrine, and I would suspect that it is still an operative doctrine even though we have heard more about what I would call the second one.

So I guess my question for you would be, Mr. Secretary, are words like these still operative words in the administration? And as we move into a different era in Iraq, particularly after June 30, might we hear more words like I think the United States must be humble and must be proud and confident of our values, but humble in how we treat nations that are figuring out how to chart their own course?

Mr. LARSON. Senator, I find it interesting that both you and Senator Biden have touched on this theme of humility and being humble. I think that when it comes to discussing reform, being humble and having humility is an important part of the message that we need to convey. We need to be able to convey that we believe that

the work of building free democratic open societies is never done, that we do not believe that we have achieved perfection. It is because we think that, that we have encouraged this debate so much.

It was also interesting what you said about the elephant and the mouse because I think that however careful we are, sometimes by our pronouncements, because of our power and our prosperity, things that we do not believe are meant to be imposition sound like that sometimes to others. So we have had to work very, very hard in the region to say that this is a response, an initial response, to your own priorities. You set them out in Tunis and in Alexandria and Sana'a and other places. We have developed these proposed initial responses in consultation with you, and we are prepared to implement them and develop new ideas through some type of forum where we can work together as equals. I think that message is sinking in, but it has, frankly, taken a very serious effort, and I think the visit of the Secretary of State to the region at the Dead Sea conference was an important milestone in that effort.

Senator ALEXANDER. I thought it also was important in the President's remarks the other night and in your remarks today what you did not say in terms of our objectives. The President listed five. You listed several. But I did not hear anybody say that you must have exactly our Bill of Rights. You must have exactly our separation of church and state doctrine, which is unique in the world really, our own version. You must have our federalism. You must have our checks and balances. You must have our *e pluribus unum*. In fact, the President's objectives in his remarks and your objectives here today I would characterize both as being modest and realistic and going a long way toward the kind of words that the President himself talked about in 2002, which are that we can be strong and humble in recognizing that people will chart their own course, and there is a limit to what we can realistically expect.

Mr. LARSON. I would agree with that. At the same time, I would stress that we believe that there are values that are universal, and it is interesting to me that even though you or I, if we were Arab leaders, might have written this summit statement slightly differently, you nevertheless see language about consolidating democratic practice, broadening participation in political life, reinforcing the rights of women in society. These are very strong statements, in their own words, expressed in their own way.

But I think, to pick up on another phrase that you used, it gives us reason to have confidence that the values that we stand for and the principles that we are trying to help make available in this region are ones that the region itself is embracing. In other words, we are pushing on an open door. It is just that we have to do it in a way that is tactful, that is helpful, and that clearly reflects the priorities of the region.

Senator ALEXANDER. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Alexander.

Secretary Larson, we appreciate your testimony. We are delighted that, as you pointed out earlier, our presidency of the G-8 will continue throughout the year. We are looking forward to hearing from you and from your colleagues what your impressions are after the G-8 meeting. Our hearing today was scheduled to offer a contribution through this forum of the U.S. Senate to that

meeting. We take it very seriously, as you do. We think it is important for the G-8 to have successful initiatives, but also that they be implemented and that there be some evidence of the organization that moves on, that builds consensus and has these contacts with nations that may want to work with us. We thank you very much for your testimony, as always, and we look forward to hearing from you again as things proceed.

Mr. LARSON. Well, thank you very much, Mr. Chairman, and thanks to the committee.

Senator BIDEN. Good luck, Mr. Secretary.

The CHAIRMAN. Now we will hear testimony from His Royal Highness Prince Hassan, who has come to us today from Amman, Jordan. Prince Hassan, it is a genuine privilege to have you before the committee today. Many members of our committee have had the privilege of being entertained by you in your country, as well as opportunities through the Jordanian Embassy here in Washington for events that have brought us together in the past. Your visit is timely, and your testimony is especially timely this morning.

We would ask you to proceed, and then to entertain questions by the committee in much the same form as you witnessed with Secretary Larson. Please proceed. Your full statement will be, of course, a part of our record.

**STATEMENT OF HIS ROYAL HIGHNESS PRINCE EL HASSAN
BIN TALAL OF THE HASHEMITE KINGDOM OF JORDAN,
ROYAL PALACE, AMMAN, JORDAN**

Prince HASSAN. Senator Lugar, Mr. Chairman, Mr. Biden, distinguished Senators of the Senator Foreign Relations Committee, I want to say from the outset that I have been here before. It was in the 1970s that David Rockefeller convened a meeting, which I recall included the participation of Jacob Javits, a bridge-builder like myself who knew both worlds. It included Robert McNamara, former Secretary of Defense, who I knew in his then new incarnation as President of the World Bank. It included Senator Edward Kennedy and nationals from other countries, including Simone Weil herself, a World War II holocaust survivor.

We presented a concept of the Middle East 2000, and referring to the Palestine question, we presented a regional assessment of human, natural, and economic resources, on the basis of a computer model, we suggested that 10 million consumers of water could live between the Mediterranean and the Jordan River.

The only person who has taken that study seriously as an indicator, over the many years and over the years that I have spoken to him, is Prime Minister Sharon. In fact, I feel that the settlement policy has been deliberately allowed to grow by neglect of reading the small print by Arab countries. Settlers were less than 1,000 in the 1970s. Today they are in the hundreds of thousands.

And today presumably this new initiative of building peace and combating terror is based on a projection of what-if scenarios. I would start by saying that the administration's Greater Middle East Initiative should be understood as a misnomer. There is no such thing as a Middle East or even a Greater Middle East, at

least in the language of the United Nations. I am an Asian. An Egyptian is an African. An Israeli is not a part of any region.

South Asia and west Asia—and I think here you have got it right, with all due respect, in your Near East and South Asian Committee. Their combined population is larger than the population of China. And as you know, Senator Lugar, as a guiding light in the nuclear threat initiative with Senator Nunn, there is no weapons of mass destruction agreement or protocol within that region which is brimming with weapons of mass destruction. So on basic security, there is a conspicuous absence.

On current security, as Mr. Brzezinski said the other day, we did not fight against the Blitzkrieg. The Blitzkrieg and terror are tools of war, however odious they may be. But we fought against despotism. And I do not need to be told, after 30 years of lonely bridge-building, what the problems of governance in our region are, but I would recite them for the record: population growth, poverty and deprivation, slow economic development, high illiteracy, high infant mortality, poor health care and sanitation, and inadequacy of democratic processes. Democratization is a process. Democracy is an end result. The problem is the poor quality of the institutions of governance. Politicians, unfortunately, have lost their bedside manner, the ability to talk to people. Governments are alienated from people. There is failure of political parties and the politicization of the armed forces. And 9/11 has come as a windfall to many countries whose security services now regard the security priority as the main issue of policy, flying in the face of democracy and democratic values. The problems also are the rise of ethnic conflict, the rise in violence, growth of urbanization, the degradation of the environment, and corruption in public life.

And I do not think it takes too much wisdom to suggest that the common minimum agenda for our region is to recognize the sovereignty of the citizen, to make stakeholders out of citizens in planning their future, obviously to control population growth, to bring justice back to development, economic growth with equity, not to make the rich richer. The development reports you have quoted include the reference by Merrill Lynch to \$1.3 trillion owned by 300,000 Middle Easterners in the United States, and yet I come from a region where 24 percent of the population live on a dollar a day and 55 percent live on \$2 to \$5 a day.

Terrorist organizations do not ask for collateral on loans, and while we sit here and talk about small- and medium-enterprise projects, the fact is that our middle class has left the region because there is not a merit-based system for them to participate in.

The three baskets of Helsinki through Barcelona are security, economy, and then culture, and humanity as an afterthought. In 1995, I believe it was, Shimon Peres and I at the Middle East-North Africa summit conference proposed \$35 billion for a decade of infrastructure development to encourage the will of migrants to stay in 24 countries from Morocco to Turkey, inclusive. We were told by the European Union, first come, first served, on the basis of what was then known as the Copenhagen shopping list.

My hope is that the Greater Middle East Initiative is not an initiative of sherpas and shepherds without listening to the sheep, as I once told President Clinton before a G-8 meeting in Denver. I

hope that the people of the region can be recognized in terms of their legitimate quandary. The Middle East region will be discussed at the G-8 summit at Sea Island, but as Senator Biden pointed out, it has already been sharply criticized by those who consider that it fails to address the Palestinian-Israeli conflict and seeks to impose reform extra cathedra, from the outside.

Allow me to start by saying that such critics may be proven wrong on both counts because they may have missed the point on both counts. My part of the world needs as many initiatives for reform as can be imagined, both from within and from outside the region. Incidentally, I am here as an NGO, a nongovernmental organization. Reform can also accelerate rather than retard peace in the Middle East.

I would like to suggest that we must remember that over the millennia, our part of the world prospered only when it had two-way openness and interaction. The free movement of ideas was the key to prosperity. The free movement of goods, capital, and people followed. And yet, when we heard the statements during the visit of Prime Minister Sharon, which included references to the fact that the right of return and the question of compensation were to be discussed in the context of Israeli-Palestinian particularity alone, if they were to be discussed at all, I would like you to know that in a Palestinian refugee camp a week ago, with visitors from all over the world, young men and women were saying why is it that we are not allowed a town hall meeting where we can ask the question, what of the long-awaited right of return and the right to compensation. Why do we not interact with people?

The down side of the Internet revolution is that it has created enclaves of hatred. The positive side of it is that the other day I witnessed Bedouins in the northeast of Jordan talking directly to Navajo Indians in Albuquerque, New Mexico about sheep shearing. We need more citizens conferencing and less elitism. It is all very well to talk, as Secretary Larson mentioned, about rotarians and young entrepreneurs, but we are not all rotarians or young entrepreneurs.

During the 1990s two ideas or initiatives were launched in the region: the 1991 gulf war and the Madrid Middle East peace process. They had bilateral and multilateral tracks, and of course, there was objection to multilateralism until the bilateral issues had been addressed. My problem with that is that I, through the ages of the Quakers, if they will permit me to say this, the friends for whom I have great respect, have had the Iranians, the Israelis, Turks, Arabs, and Westerners in one room discussing weapons of mass destruction, but the minute they leave that room into the cruel light of day, they are concerned about their unilateral standing with the strong nations and in particular with Washington.

Gentlemen, there is a law of war. Treatment of prisoners is a concession from the law of war. But there is no such thing as a law of peace. And the new, independent humanitarian order is on the agenda of the General Assembly of the United Nations every year. The call for a culture of compliance for state actors and non-state actors is on the agenda of the General Assembly every year. Let us all in this region step up to the template of international law. On that basis, we can begin to convince people that this is not a

new initiative emphasizing “pipeline-istan,” if I may on the one side, and if you will forgive the impropriety and the lack of political correctness, “uslikestan” on the other.

The Israeli-Palestinian conflict and Iraq are, of course, key issues for the people of the Middle East. Although interrelated, it would be unwise and impractical to assume that the Israeli-Palestinian issue, Iraq, and overarching regional reform should be tackled in any chronological order. Resolution of any one issue should not be conditional upon any other.

Senator Lugar, I agree with your statement and I quote. “If we help to produce a resolution of the Israeli-Palestinian conflict, fresh political winds would sweep through the region and new possibilities for political reform would flourish.” I am deeply worried, as I think many of you are, during this election period of the next 4 months, without presuming on internal American domestic politics, that initiatives will remain initiatives in name. I am afraid of the dreadful initiatives that might be taken by extremists within the region or beyond the region that will change the context to which we have been alluding.

And for three decades, I have been trying to foster reform. As a Prince, this may sound a contradiction in terms in Republican/Democratic America, but I would like to say that the long list of NGOs with which I am associated, both Arab and Israeli, are civil liberty oriented, but they are representative of the majority which is being squeezed out by our fanatics, your fanatics, their fanatics, and without the centrist platform, I do not see how reform can be addressed. It is a lonely task to be the powerless lobby for the powerless, and that is why I accepted your kind invitation solely on the word “partnership.”

The Achilles’ heel of reform efforts is the thin and often invisible dividing line between patronage and partnership, between compulsion and cosmopolitanism. I want to know how do we move from principles to instruments. Karl Popper, the philosopher, once said any meeting that goes beyond 18, maybe 15, is not a meeting. We need a concept group of people who are larger than the newspaper headlines, people who can exchange ideas. There is an English expression, I believe in a meeting of minds. If you have a mind, I would like to meet it.

Hard security, soft security have to complement each other. Civil society stakeholding is essential in Pakistan and in India. The first act after 9/11 was to stop importing the silk that is being woven by the poor, who normally would be killing each other, in the Kachi Abadi authorities in the Gramin Bank projects.

I would like to suggest that the 21st Century Trust is a trust that should be built on principles that can be turned into instruments. I would like to explain that the imaginative leaps into non-traditional combinations of policies can be a part of a matrix for the new Middle East Initiative where we make incremental progress, but progress all the same, unrelenting progress, on basic security, current security, and soft security.

The GMEI, the Greater Middle East Initiative, suggests to me at least, if I understand it correctly, that self-reliance is the unifying objective rather than looking to the United States as policeman, nurse maid, and benefactor. You have said yourself, Senator Lugar,

that the United States cannot feed every person, lift every person out of poverty, cure every disease or stop every conflict.

I would like to suggest that the Trust should represent the new form of social compact to institutionalize the inclusion of civil society in project design. In doing so, it will avoid the patronage trap. I see it as a vehicle for action. I see it as a vehicle of hope for neglected elements of society.

As for Islamic financial principles, I have called for an A-L-M-S. We have enough of the A-R-M-S. An A-L-M-S fund focused on the poor for over 20 years, transparent, guaranteed by governments, using vehicles such as the Islamic Development Bank and other foundations in the region to focus on creating stakeholders out of the poor.

I wonder whether a regional conference of NGOs, ministers of development, Middle East opinion makers, can be led up to in terms of a process. Regional reform should focus on issues of collective security, free trade, free movement of goods, people, and capital, but most of all, I think they should focus on the importance of vitalizing or revitalizing something that is really nonexistent, an ECOSOC, an economic and social council, for the region about which we speak.

We keep hearing about summits in Tunis. Summitry is a rarity in our part of the world. Prime Ministers do not meet on a quarterly basis to discuss transboundary issues. Europe was brought together on one transboundary issue, coal and steel. Can we not work together on a transboundary issue of water and energy?

The Alexandria Declaration, with all due respect, focused on security, democracy, human rights, and development. But I feel that on the security issue, with the forthcoming NATO meeting, there should be an emphasis on a framework for cooperation with states in the Middle East, and it is for this reason that I worked hard and successfully to include in the Israel-Jordan peace treaty a reference to CSCME, a Conference on Security and Cooperation for the Middle East.

I would like to thank the Arab Development Report and the Unified Arab Economic Report, which is less spoken of, issued by the Arab League, the Arab Fund for Economic and Social Development, the Arab Monetary Fund, and OAPEC. But over association from the United States with the good works of these committees, unfortunately, tends to kill with kindness.

I would like to suggest that the World Development Report in its latest form states that development is not just about money or about numerical targets, as important as those are. It is about people, and the recommendations of these groups are only important inasmuch as they can empower people.

As for the revival of Islamic thought, I have been working with President Musharraf in Pakistan, with leaders in Malaysia and Turkey and elsewhere to develop an Islamic World Forum, a forum of the majority of the same. I hope that such an effort can be focused on consensus, pluralism, Arabs and non-Arabs, Muslims, Christians, Jews, and for that matter, Sunnis and Shi'a. Whatever our differences, the challenges that face us are far greater than those perceived differences. If we all observed the Ten Commandments, we would not be in this mess in the first place.

As for violent extremism, I feel that with proper leadership and proper governance, we can effectively develop a great resource in terms of the Muslims of the Diaspora who have been brought up in countries like yours and who know the institutional rules of the game of building nations.

The question is not whether the United States and the G-8 can fix the Middle East, the real question is whether we in the Islamic world can redeploy our intellectual resources in partnership with the United States and the G-8. And I hope that the Greater Middle East 21st Century Trust can be such a vehicle.

Peace is real and durable only when the root causes of conflict have been eliminated, Mr. Chairman, and I would like to suggest that important initiatives of leadership have been taken over the past decades. In a bold breakthrough, President Sadat went to Jerusalem. King Hussein concluded the peace treaty. The Palestinians partnered in Oslo. President Nixon called on China; Reagan on the Soviet Union. Are we inevitably on a course of collision with the "axis of evil"? Or would an initiative, possibly a high level American visit to Tehran, be justified?

The British Prime Minister visited Libya. The British Foreign Secretary visited Tehran, presumably with prior consultation. Can we go the extra mile particularly in the next few months to avoid the inevitability of conflict? Can we move from politics to statesmanship?

In terms of detail, I am going back to initiatives. Help us to help ourselves.

I would just like to make a few specific suggestions by referring to human resources as defined by the Commission on Human Security, that it complement state security, furthers human developments, and enhances human rights. It complements state security by being people-centered. I hate to think what is happening in all the prisons of the world, having worked with the International Committee of the Red Cross and human rights organizations all my adult life. We need to broaden the human development forces beyond growth with equity.

At the core, we have to respect human rights, and in early May, I hosted the Amman Roundtable on Human Security and we focused on the Helsinki Citizens Assembly. We suggested MECA, a Middle East Citizens Assembly. We worked jointly with the Canadians and the Norwegians on the Lysoen Declaration in 1998. The Swedish Government's Fundamental Standards of Humanity of 1992 were set on the basis of international law and human rights, as well as cultural and ethnic norms.

I would like to suggest that producing a shopping list of ideas, as with the shopping list we suggested in Copenhagen and then in Brussels, will produce the answer, first come, first served. Thirty-five billion dollars for 24 countries for a decade of development to encourage the will to stay, to stop migrants crossing the Mediterranean. And \$35 billion was what was spent in one day on homeland security to create Fortress America.

Can we talk about crisis avoidance through the use of this important vehicle of the 21st Century Trust? Can we promote good governance in South Asia? Can we realize the hope of an Independent

Commission on International Humanitarian Issues where we called for a new law of peace?

I spoke 3 years ago in Mainz, Germany at the First World Congress of Middle Eastern Studies. The Congress brings together Middle East studies associations from Europe and from the Middle East, and from the United States. The second Congress will be held in Jordan in 2006. I have suggested that this is part of a process, a process where conferences have been held, where it is found clearly that Islam and elections are not incompatible.

We have proposed the creation of a parliament of cultures, which will open its doors in Turkey, at the School of Mediterranean Humanities only a few weeks away. By comparison, the Middle East Peace Initiative, MEPI, has spent hundreds of millions of dollars but not on interactive conversation building.

I remember addressing the USIA board when James Michener was a member of that board. He was talking of the American image abroad, which concerns you gentlemen as it concerns me. We share the same values only if we interact, and I would like to see that citizens conferencing, that Partnership in Humanity, as we call the organization that we founded shortly after 9/11, be given serious consideration in building a new citizens accord, a new citizens compact based on human values for developing a shared consciousness.

You may be amused to know that I am also involved with a University of Wisdom Studies. It does not mean that students will graduate with a degree in wisdom. I wish it did. But the cornerstone is the new Alexandrian Library of the Philosophical Research Society comprised of over 25,000 volumes of texts and manuscripts of ancient Greek philosophers, ancient Hindu and Chinese masters, the traditions of Judeo-Christianity, the mysticism of Islam, all the traditions comprising what Huxley called the "perennial philosophy." It is time to say to those who have privatized religion that religion did not start with you.

To emphasize the continuum, we need to encourage script writers, interactive script writing for the media, which is so voracious. Embedded scholars rather than or as well as embedded journalists.

The Arab League summit in Tunis reminds me of the Arab Economic Summit in 1980 in Amman. We proposed a decade of development, a strategy for Arab development. My colleague, the former President of Lebanon, Mr. Saleem Al-Huss, presented the call for Arab League reform of the 16 Arab League institutions. Nothing happened. Unilateralism is the order of the day.

And I would like to conclude my remarks by emphasizing that the Kuwait Symposium, the call for Arab civil society, the meaning of the concept of belonging and development are all steps in the right direction. But let us start with considering in a concept group a matrix and a strategy where incremental progress can be achieved.

I would like to commend to you the initiative of 18 countries entitled TREC, Trans-Mediterranean Renewable Energy Corporation. Water and energy.

Oil prices ended last week at just below \$40 a barrel in New York and around \$2 a barrel lower than a week earlier amid optimism that OPEC would act to bring prices back down to the car-

tel's \$22 to \$28 range. Let us not leave the future of the happiness of the most populous region in the world, South Asia and West Asia, to the huge gap, the huge divide between the poorest and the cartel.

I would like to suggest that the crescent of crisis, which goes from west Africa all the way down to the south of the Red Sea, the Persian Gulf, and right up to the top of the Caspian, is a "crescent of crisis" because we have not adopted the universal declaration on the basic principles of democracy, the universality or relativity of democracy, democracy as a process or a condition, democracy as methods and modalities or as substance and substantive outcomes. Let us take these bold steps together. Let us develop a process of implementation and compliance of international humanitarian and human rights law.

The Club of Rome, of which I am the first Asian President, presented limits to growth in the 1970s. Today I would suggest that there are limits to ignorance, and I would like to commend to you the socioeconomic plan of members of the Club of Rome and friends, such as Mary Robinson, as an indicator of one way to spend fruitfully the investment that we all seek from the 21st century fund in human dignity, in anthropolitics, in politics where people matter.

Thank you for your kind attention.

[The prepared statement of His Royal Highness Prince Hassan follows:]

PREPARED STATEMENT OF HIS ROYAL HIGHNESS PRINCE EL HASSAN BIN TALAL OF
THE HASHEMITE KINGDOM OF JORDAN

Thank you Mr. Chairman, Senator Biden, and members of this distinguished Committee. Thank you for your kind invitation.

The Administration's Greater Middle East Initiative to be discussed at the G8 Summit in Sea Island has already been harshly criticised by those who consider that it fails to address the Palestinian-Israeli conflict and seeks to impose reform from the outside.

Allow me to start by saying that such critics miss the point on both counts. My part of the world needs as many initiatives for reform as can be imagined both from within and from the outside. Reform can also accelerate rather than retard peace making in the Middle East.

Let us remember that over the millennia, our part of the world prospered only when it had two-way openness and interaction. The free movement of ideas was the key to prosperity: the free movement of goods, capital and people followed.

During the nineties, two ideas or initiatives were launched in our region. After the 1991 Gulf War, the Madrid Middle East Peace Process was sponsored by the United States and the Russian Federation. It had bilateral and multilateral tracks with working groups on refugees, water, environment, economic cooperation and regional security and arms control. In 1994, the European Union launched the Barcelona Process for Euro-Mediterranean Partnership. The Madrid Process is now at a standstill. But Barcelona is still ongoing and has been conceptually expanded by the new neighbourhood initiative.

The Palestinian-Israeli conflict and Iraq are of course key issues for the people of the Middle East. Although interrelated, it would be unwise and impractical to assume that the Palestinian-Israeli issue, Iraq, and overarching regional reform should be tackled in any chronological order. Resolution of any one issue should not be conditional upon any other. These issues can and must be addressed simultaneously. Progress on any one of these fronts will facilitate resolution of the others. The inverse is also true. Failure to address any one of these issues diminishes the prospects for resolving all of them. Senator Lugar is correct to assert in his proposal that "if we help to produce a resolution of the Israeli-Palestinian conflict, fresh political winds would sweep through the region and new possibilities for political reform would flourish." A stable, secure and democratic sovereign Iraq would have a similar

effect. Each issue is an integral part of any credible initiative to promote permanent reform in the Middle East.

Today I speak before you as a person who for more than three decades has worked to foster reform through civil society. As a “Prince” this may sound contradictory. But this life-long journey started in 1970 when I founded the Scientific Society to promote technology transfer and education. The long list of other NGOs that I sponsored includes the Arab Thought Forum, the Institute for InterFaith Studies, the Hashemite Educational Society, El Hassan Youth Award. Currently, I am promoting the concept of an Islamic World Forum.

I am referring to all this not for immodest self-acclaim, but to say what a lonely task it has been. During these years, I often referred to “toothless declarations” and the “powerless lobby for the powerless.” That is why I welcome any conversation on reform in the Middle East whether from within or from without.

Let me now move from the general to the specific.

The Achilles’ heel of reform efforts and attempts to nurture civil society is the thin, and often invisible, dividing line between patronage and partnership. Society itself, the ultimate beneficiary of reform, can easily be tempted by the “patronage trap.” Short-term material gains can be more attractive than long-term institution building.

The key question is how to change attitudes and move from principles to instruments and mechanisms—to move from concepts to defining objectives and processes for implementation. The basic dilemma or contradiction is that society itself is both a target and an instrument of policy.

In the hard security field, governmental institutions in our part of the world are well developed. Perhaps too well developed in the military and intelligence field. Co-operation in the soft security field means building new partnerships with civil society and businesses. But, as we know, civil society institutions are only embryonic in our region. And the process should not end up unwittingly nurturing “sham” civil society institutions, like the oxymorons created by communist governments during the Cold War.

That is why I consider that the proposal for the Greater Middle East 21st Century Trust is a key component for the success of initiatives to promote reform in the Middle East. Let me explain why.

As we struggle to keep up with complex phenomena, the world has slipped during the last decade into a static approach in the face of mobile cultural, social, political and economic realities. The world requires imaginative leaps into non-traditional combinations of policies.

The concept of a “Greater Middle East 21st Century Trust” is one such imaginative leap. It is both timely and essential to achieve a better future in our region. It should promote the list of ideas of GMEI and at the same time promote other complementary initiatives from within the region. Self reliance is the ultimate objective, rather than looking to the United States as policeman, nurse maid and benefactor, to be blamed selectively when problems arise.

I totally agree with what Senator Lugar has recently said, and I quote:

The United States cannot feed every person, lift every person out of poverty, cure every disease, or stop every conflict. But our power and status have conferred upon us a tremendous responsibility to humanity. In an era afflicted with terrorism, the world will not be secure and just and prosperous unless the United States and talented individuals devote themselves to international leadership.

To win the war against terrorism, the United States must assign U.S. economic and diplomatic capabilities the same strategic priority that we assign to military capabilities. There are no shortcuts to victory. We must commit ourselves to the slow, painstaking work of foreign policy day by day and year by year.

The Trust should represent a new form of social compact to institutionalise the inclusion of civil society in project design. In doing so, it will avoid the “patronage trap.” In addition, it should have benchmarks to assess progress, and performance-based evaluations. A third key element is transparency and openness. Senator Lugar’s vision includes all these concepts in the Trust.

In the words of Senator Lugar, it is a vehicle for action rather than a set of programmes. I would add that it should stimulate the evolution of genuine civil society in our region because it goes beyond the primary development paradigm of growth, infrastructure and health. This is the area or rather the vacuum that many of the extremist organisations have exploited to engage the neglected elements of societies. The Trust should aim to deal with those neglected elements as partners. As a grant-

and investment-making body that could conform to Islamic financial principles, the Trust can be a culturally sensitive vehicle.

The Lugar Trust could begin with a regional conference of NGOs, Ministers of Development, Middle East opinion-makers and academics to map out a mechanism for funding meaningful development projects with broad impact. Working groups on education, infrastructure, free speech, human rights, entrepreneurship, government and fiscal reforms, technology, and poverty eradication should convene to weigh and recommend specific projects.

Meanwhile, regional reform should focus on issues of collective security, free trade, and free movement of goods, people and capital.

Others should be brought into the mix. The European Union and the OSCE could provide high-level capacity-building support to Middle East regional forums, in particular to explore regional declarations, such as the Alexandria Declaration, on security, democracy, human rights and development. NATO should develop its framework of cooperation with states in the Middle East, especially to prepare the ground for a system of regional security cooperation based on transparency, verification, and arms control. I have called for many years for a regional code of conduct. In fact the Treaty of Peace between Jordan and Israel calls for a CSCME (a Conference on Security and Cooperation in the Middle East).

It has become fashionable to talk about the lack of progress in the Middle East and the Islamic world. But, the Arab Development Report, and the Unified Arab Economic Report, known as the quadpartite report (issued by the Arab League, The Arab Fund for Economic and Social Development, the Arab Monetary Fund and OAPEC), contain many positive indicators. The challenge is to build on the progress realised so far and achieve a transformation in the economies of the region.

In the latest World Development Report (WDR), The World Bank considers that for the first time in human history it is possible to eradicate global poverty in our lifetime. It states that development is not just about money or even about numerical targets, as important as those are. It is about people. The WDR focuses on basic services, particularly health, education, water and sanitation, seeking ways of making them work for poor people. The objective should be to invest in and to empower people, and improve the climate for investment.

The revival of Muslim intellectual thought should be a priority in the Greater Middle East. A momentum has to be built for a Muslim movement for peace and a new humanitarian order. This is the aim of the Islamic World Forum (IWF) which I hope to launch. A wakeup call is urgently needed to lead to a number of programmes aimed at Muslim intellectual proactivism.

This effort will provide a platform for a centrist movement to bridge the gaps between non-Arab and Arab Muslims, as well as between different Islamic groups including Sunnis and Shiites.

With proper leadership this effort can reveal that violent extremists in our region are only Islamic in name. They are in fact as Islamic as the GDR (German Democratic Republic) was democratic.

For the last fifty years the centre of gravity of the Western Alliance has been Europe, but its future is moving to the East and South. The Alliance has to redeploy conceptually and materially to Central and South Asia, the Middle East and Africa.

The question is not whether the United States and the G8 can "fix" the Middle East. The real question is whether we in the Islamic world can redeploy our intellectual resources in partnership with the United States and the G8 so that the front lines are transformed into a meeting ground for security, cooperation and prosperity. The GME 21st Century Trust is a vehicle that can help us achieve that transformation.

Peace is real and durable only when the root causes of conflict have been eliminated. It is important to eradicate poverty to limit violence. The Trust answers the call of those working for reform in the region and will make their task less lonely and more productive.

There is a need for partners that can network. For four decades I have worked for concepts. I have come here to put those concepts into instruments. Yes, I believe in the power of ideas, and I have come here to work with you in this partnership to try to put this concept into a strategy. Ideas from within and beyond the region should be tabulated within a matrix that develops a strategy based on a vision. When one faces a closed door—one must open another.

Whereas the G8 is presenting a list of ideas, I would hope that the partnership concept of Senator Lugar would hone these ideas, strategise them and evolve the instruments for implementation. To succeed we must be positive on how to contribute to the partnership. We need a coherent and dynamic civil society; a network of think tanks. Hence the importance of ideas such as the Council on Foreign Relations' suggested Tri-Consortium. This is what I bring with me to the table. Sea Is-

land is about governmental cooperation at the highest level. People to people operation, citizens' conferencing can turn it to partnership.

I stand before you as an Arab who believes in the power of ideas. Arab intellectuals need to talk to governments about government deals. In my former position, I worked for 34 years in pioneering a Jordanian centrist policy alongside my late brother, King Hussein.

What we seek is cosmopolitanism and a broader based interdisciplinary strategy—not a policy of compulsion. I regard partnership as complementary to official responses. Complementary of the broader partnership—economic, social, cultural. Common humanity is the basis for promoting soft security.

I regard Europe as a possible role model given historic geographic proximity with the Arab world and in terms of pluralism.

We have to gently step up to the template of compliance with international norms because we are a region without a name—a noname region. West Asia and South Asia combined have a greater population than China.

Robert McNamara, who I knew as Secretary of Defence as well as President of the World Bank, contributed to the architecture for peace. My concern is for how wars end. In that context, I am grateful to members of the panel of the Middle East Commission of the 1970s—David Rockefeller, Jacob Javits as well as Robert McNamara.

Help us to help ourselves. Help us to come to terms with ourselves and to help promote the views that we share and end the stereotyping of each other. I call for a rule of law, not of power.

The time has come to ask for a bold breakthrough. Sadat went to Jerusalem; King Hussein concluded the Peace Treaty. The Palestinians partnered in Oslo. Nixon called on China, Reagan on the Soviet Union. The British Prime Minister visited Libya. Can we go the extra mile to avoid the inevitability of conflict? Can we move from politics to statesmanship?

What would you think of convening a meeting with the sherpas of the G8 for which I have been calling for years?

A number of concepts come to mind in considering what mechanisms exist or should be established to help develop new partnerships with governments, businesses and civil society to promote political, economic and social reform in our region. First come first served will not work (e.g. Casablanca). A matrix of regional and global initiatives is an important tool for deciding priorities. "The Greater Middle East 21st Century Trust" can partner and network extensively with a number of on-going efforts, that include the following examples:

(A) HUMAN RESOURCES

Human security has been defined by the Commission on Human Security that it complements state security, furthers human development and enhances human rights. It complements state security by being people-centred. It broadens the human development forces beyond "growth with equity." At the core is respecting human rights and promoting democratic principles. Early May, I hosted the Amman Roundtable on Human Security in the Middle East which considered organising a MECA (Middle East Citizens' Assembly) in Amman. We worked jointly with the Canadians and Norwegians on the Lysoen Declaration in 1998. The Swedish Government's "Fundamental Standards of Humanity" of 1992 were set on the basis of international law and human rights as well as cultural and ethical norms testifying to the growing awareness of the need for global action against flagrant violations.

Copenhagen produced a shopping list of ideas for the economic basket of the Middle East multilateral peace track. When we met in Casablanca for the MENA economic summit, Shimon Peres and I had a vision for a new Middle East, a vision based on earlier studies which included a zone of human, economic and natural resources.

"Governance in South Asia" is an ongoing study of the roots of misgovernance in that region and how to move towards a common minimum agenda for good governance that includes recognising the sovereignty of the citizen, social development and common culture.

Through co-chairing the Independent Commission on International Humanitarian Issues in the early 1980s, we looked at the challenge, the victims and the hope. We advised the UN on the need for a New International Humanitarian Order. We called for a new law of peace—the powerless lobby for the powerless.

WOCMES. I spoke three years ago in Mainz, Germany at the First World Congress for Middle Eastern Studies. This Congress brought together Middle East Studies associations from Europe and from the Middle East (all countries). The second of these Congresses will be held in Jordan in 2006.

At the end of June, together with colleagues from Turkey, a Parliament of Cultures will be inaugurated to promote understanding among different cultures in the world and to enhance dialogue between their thinkers and intellectuals. The first project out of the Parliament of Cultures, will, we hope be a School of Mediterranean Humanities to bridge the intellectual and cultural gap between Western and Eastern Europe and the Mediterranean, through a new curriculum of *terra media* studies.

Partners in Humanity is an idea preceding 9/11. This calls for a humanitarian outreach programme that would serve to improve understanding, build positive relationships and promote dialogue between the Muslim world and the U.S. We met in Boston and New York and last year we held our first roundtable in Amman.

A Middle East Citizens' Assembly. Similar to the Helsinki Citizens Assembly that arose out of the links of the 1980s between the Western peace movement and East European opposition groups. The aim was "détente from below." The Helsinki Assembly has been effective in transmitting ideas and proposals to governments and to institutions.

Human Values for Developing a Shared Consciousness. Extending a hand over the boundary. It is not the pipelines that matter but the people living next to the pipelines. e.g. Iraq post-war psychological reconstruction and development—to empower Iraqis to decide their own future. A Truth and Reconciliation Commission is one instrument.

University of Wisdom Studies. This is being established in the belief that humanity will only successfully deal with the challenges of the future if it is firmly rooted in the wisdom of the past. The cornerstone is the "new Alexandrian Library" of the Philosophical Research Society, comprised of over 25,000 volumes of texts and manuscripts of ancient Greek philosophers, ancient Hindu and Chinese masters, the esoteric traditions of Judo-Christianity, and the mysticism of Islam—all the traditions comprising what Huxley called the "perennial philosophy."

Script Writers. Interactive script writing for the media. Embedded scholars rather than (or as well as) embedded journalists.

(B) THE ARAB LEAGUE

The Arab League Summit in Tunis. The attitude is that you cannot address structural reform for the Middle East unless you address parallel political crises. These principles were conveyed to the United States and other partners. Tunis pointed out certain fears. The Alexandria Declaration certain opportunities. This is what I see being brought to the table.

The economic documents that were presented at the 1980 Arab Economic Summit, included some very important approaches, which are still valid such as the call to remove barriers to facilitate the free movement of goods, capital and labour.

However Arab divisions, especially the estrangement between Arab countries and Egypt after its signing the Camp David Accords, had led to a state of disarray in Arab structures, to moving the Arab League headquarters from Cairo to Tunisia, and to the disruption of several technical initiatives at the level of Arab institutions. Accordingly, Lebanese Prime Minister, Mr. Saleem Al-Huss, was commissioned, at the end of the 1980s, to head a working team to examine the condition of the Arab League. These concepts can be revisited.

Unfortunately, though, the existing Arab order has fallen short of appropriately employing these resources to interconnect the infrastructures of Arab countries or to come up with a shared vision. Perhaps "what-if scenarios" would help us envision the future, away from "short-termism" that has bridled us.

Are we addressing unilateralism or are we addressing multilateralism. If we want to talk of region, then it is a multilateral concept. Soft security, or what Professor Joseph Nye calls soft power, is the key.

If we talk of region, we must talk of South Asia and West Asia. Not only to talk about difficulties but about solutions. In terms of regional groupings in the Senate Foreign Relations Committee, you have got it right as our part of the world is covered by the Subcommittee on Near Eastern and South Asian Affairs.

(C) ARAB CIVIL SOCIETY

The Arab Thought Forum. Founded twenty-three years ago to promote exchange of ideas in the Arab world that include: reform of the Arab League; establishment of an Arab court of justice; an Arab parliament and an Arab security council. Its activities include:

- a. Sana'a Symposium on "Arab Conflict Resolution through Peaceful Means" was held in 1999.

b. The Kuwait Symposium “Prospects for Arab Cooperation between Regionalism and Internationalism”—proceedings published in 2002.

c. Next symposium will be on “Centrism” (or “enlightened moderation,” as President Musharraf calls it).

The meaning of the concept of “Belonging and Development” which has been upheld by the Arab Thought Forum since its foundation. The 1980 Economic Summit held in Amman was the first Arab summit to be totally devoted to Arab development. In-depth studies were prepared and discussed, such as “The Arab Development Strategy” and “The Decade of Arab Development.” Accordingly, that summit constituted a bridge between thought and policies, and between intellectuals and decision-makers. Now action is needed for the phoenix to rise from the ashes.

The Al Ahram Centre for Strategic Studies was established a few years ago and boasts a number of fine researchers.

(D) ENERGY

TREC: Trans-Mediterranean Renewable Energy Corporation, for development, climate stabilisation and good neighbourhood. The objective is to help transform the Mediterranean from a region of various divides and conflicts into a region of harmonised socio-economic development, cooperation and good neighbourhood.

From Larry Elliott’s article, *The Guardian* Monday 31 May, 2004—“The attack [Saudi Arabia] has some shock value for oil prices, but things may calm down again,” said Peter Gignoux, senior oil adviser at the New York-based GDP Associates. “This was a terrible act of terrorism, but it hasn’t had any impact on Saudi oil production or exports.” The effects of dearer crude are already being felt in the west, with inflation in the 12-nation eurozone rising from 2% to 2.5% in May, prices of unleaded oil in the UK moving above 90p a litre and US motorists paying a record \$2 a gallon for their fuel.

Oil prices ended last week at just below \$40 a barrel in New York, around \$2 a barrel lower than a week earlier amid optimism that OPEC would act to bring prices back down to the cartel’s \$22-\$28 range.

I wonder how can such thought be implemented in a wise, prudent and enlightened way? How can it spur people’s conscience? Perhaps the first step consists in defining the nature of issues and problems that form a common basis for Arab countries in every geographic region of the greater Arab Nation: the Arabian Peninsula, the Arab Mashreq and Maghreb, and the Nile Valley. Undoubtedly, the cluster consisting of the triad: (water—energy—human environment) furnishes the common ground, both subregionally and inter-regionally.

(E) GOVERNANCE

Towards a Universal Declaration on the Basic Principles of Democracy: From Principles to Realisation: Professor Cherif Bassiouni is working on the three paradigms of (i) the universality or relativity of democracy; (ii) democracy as a process or a condition; and (iii) democracy as methods and modalities or as substance and substantive outcomes.

Project Proposal relating to Problems of Implementation and Compliance in the field of International Humanitarian and Human Rights Law. This was presented to the UN in June 2000 by the UN Office for Coordination of Humanitarian Affairs and the Independent Bureau for Humanitarian Issues.

(F) ECONOMY

A Global Marshall Plan for a world-wide Eco-Social Market Economy: This Plan represents—

- First, a solid foundation for a new, sustainable, global increase in economic prosperity.
- Second, an especially intelligent and efficient way towards global sustainable development.

The CHAIRMAN. Well, thank you very much, Prince Hassan, for a very comprehensive statement drawn from your extraordinary experience over the years. As a humanitarian, you have been involved in all the issues you have discussed today, and many more.

Let me just say as preface for my question—and we will have another 7-minute round for questions—that prior to 9/11, many ob-

servers of American foreign policy, both here and abroad, have noted, if not quite a total lack of interest in the area we are discussing today, certainly less diplomacy and activity. After 9/11, things stepped up very substantially. We dropped sanctions on many countries that had inhibited our trade and likewise, we focused much more on our diplomacy. We became involved because we were at war. We were threatened.

Now, essentially in fairness to the administration and the proposal we have heard today from Secretary Larson, this is an attempt, at least by American statesmen, to try to say that we ought to be much more interested, a great deal more interested. As a matter of fact, American taxpayer funds, organizational elements of the State Department and our NGOs ought to get busy and ought to be involved in trying to address the root causes and fundamental problems, as you have talked about.

The dilemma of all this, of course, as you mentioned, is the patronage trap. In other words, the enthusiasm—and it is genuine and it is idealistic—strikes many in the area in a very different way. So our dilemma or our challenge today in this dialog is, how do we eliminate or get out of the trap, and back on to a plane of genuine idealism and commitment? You have illustrated a good number of attempts that have been made by international humanitarian individuals and groups over the years. Some of these reports and their implementation are still on-going. Others have been, unfortunately, forgotten, and ought to be revived. You have offered sort of a check-off list of causes and ideas that ought to be thought of by people who are serious about this.

The immediate political problem that I think that we have and that I ask your attention to turn to is, there are a good number of people in our country who are not extremely enthusiastic about foreign assistance at all. Each year this committee attempts to support budget requests by our State Department and by others. That was the case this year. Just to take a topical situation, the State Department requests by Secretary Powell were 8 percent up, not just for the Department but for what could be called broadly foreign assistance, international involvement. And that was as many of us would have requested.

Now, almost immediately, the Budget Committee of the Senate chopped \$1 billion just arbitrarily out of this, really without great discussion of the merits of any of this. Fortunately, Senators on the floor of the Senate worked and restored the billion dollars, but not for long. Our colleagues in the House of Representatives, as I understand their Budget Committee deliberations, promptly chopped \$4.5 billion out of the same request.

Whether we ever come to a budget in the Senate or the House or the Congress or not—and that is a problem for us just in a parliamentary way now—is illustrative of the dilemma, even as we discuss what the State Department might do, or what Mr. Larson might do as he goes to see the G-8. We face a practical political problem of simply implementing our own idealism.

Worse still, if there is a sense of a patronage trap about all this, that is even worse, because many Americans would say, well, this is just simply impossible. Not only are we being asked to con-

tribute, but those to whom we are contributing are unhappy, ungrateful, and may even indicate their dislike for us.

Now, some of us would argue there are reasons historically, long before we had this debate today, why this might be the case. Even if it is the case, even if the Pew polls and others show huge numbers of people in these countries saying they dislike America or they dislike the American Government, even if they like only some Americans or what have you, this is a situation that is difficult.

Now, I preface all this by saying you come here today as a person of good will, a friend not only of our country but of many countries and of all the people whom you are talking about. How do you propose, just as a mechanism, not just a public diplomacy for Americans, quite apart from public diplomacy; for those in the Middle East to supply. How should we go about this? How might we illustrate why the security of the world, peace, and some mitigation of terrorism are needed? It all depends upon getting it right, trying to implement things that people will know about, and in which people will have confidence that there is some degree of good will in the world, not just in this country, but also in the G-8, and in other countries that might come together.

Quite frankly, the reason that I offered this idea of this Trust fund was to try to escape the patronage trap, to say that essentially countries or people within countries who had ideas might come forward and present them as their ideas, and then we might applaud those ideas. I still think that probably is a better course than attempting to do it the old-fashioned way as we are inclined to do.

What appeal can you make, say, to Americans, leaving aside people in the Middle East, as to why we ought to be doing this? And in what manner can we be most successful even if we have a generous spirit?

Prince HASSAN. May I suggest, Senator, that 15 million people inhabiting Israel, Palestine, and Jordan living next door to 25 million Iraqis, 40 million people, could provide the nucleus for human and natural resources needed for a renewed democratic and prosperous Middle East?

I would like to suggest implicitly and explicitly that attending to the two political crises is essential at this time. In terms of Iraq, for example, it is obviously very important that neighboring countries to Iraq should not interfere in Iraqi affairs or, for that matter, in Lebanese or Syrian affairs. I think that the problem, with all due respect, is that a super power should not be playing Byzantine politics.

We should be all stepping up to the same template of a regional concept for the future of the region on the basis of an international conference for the region. Where and how this can be convened has yet to be decided or thought of, but unfortunately, the international conferences that are being held are either NATO conferences with a view to sending more troops into the region or, as you rightly said to Secretary Larson, if the G-8 is to be part of a process, what is the mechanism that is going to ensure that? So where is the partnership element?

I would like to emphasize that democracy is not the only issue here. Pluralism is as well. So the reference to the Arabs being a

minority in the concept of the Greater Middle East does not worry me at all if the Greater Middle East is also south Asia and west Asia. What worries me is that APEC, the Asia Pacific Economic Corporation, goes all the way to the borders of Turkey, and we, bristling with nuclear weapons and the possibility of dirty bombs, are not being pacified, let alone stabilized. And in that context, I think that sooner rather than later the sense of drift has to stop. There has to be a focus. Now, I do not know where that discussion group can be formed. Maybe the meeting of the shepherds of the G-8 is one way to do it.

But I do hope that the goal for exit strategies can be given more serious consideration. Obviously, the term is used by Prime Minister Blair with reference to Iraq by 2005. Today I do not know in terms of the exit strategy from the occupied territories how or what base it is going to move from, if at all.

I think there is a huge responsibility on the host and donor countries like my own to address the issue of integration, not necessarily the issue of assimilation. The late Prime Minister Rabin would say no to the right of return, and I would say yes to the right of return. You look good with your people and we look good with ours, but let us think of something creative in the future on the realistic assumption that those who would want to return may not be as large as the figures that we have spoken about in the past.

But today none of these crucial issues are being discussed. That is why I feel that a conference that does not address the key political issues is the reason for the absence of many key leaders from the region.

The CHAIRMAN. Without oversimplifying, then you, would put just for sake of argument, a line around Iraq, around Palestine and Israel. That would include Jordan in that group. In other words, you would concentrate your effort on about 40 million people, out of all the mass that we are talking about, because of the two large political questions that arise there, as well as humanitarian questions. You would suggest a conference of people of that area or of others who maybe want to be helpful. Perhaps you would define the issue more narrowly than the Greater Middle East, or whatever we are looking at.

Prince HASSAN. Exactly.

The CHAIRMAN. You made the point that probably there has to be some degree of peace, as well as a solution to these two major problems, for things to work satisfactorily, in terms of the public relations aspects and the other areas.

Prince HASSAN. Our region is bereft, Senator, of any crisis avoidance center or crisis avoidance capability. So crisis avoidance, crisis management, which is almost an oxymoron, a contradiction in terms, is basically through unilateral policies. But we have to involve everyone, and this is why I suggested that a high level American contact with Iran, for example, if properly finessed, might serve notice not only on Iran but on the region as a whole as to our seriousness in building peace on the basis of mutual respect.

The CHAIRMAN. A very important suggestion, which I think our members noted.

Senator Biden.

Senator BIDEN. Thank you very much, Mr. Chairman.

Your Royal Highness, I found your testimony fascinating and enlightening. I would like to ask a couple really just very, very basic questions.

You are very much accustomed to leading and attending meetings at the highest level with, as you would say, the elites of the world and the region, as well as your efforts with the numerous NGOs you have been involved with reaching out to, what we might say in this country, average people in the region.

The conundrum that many Americans look at is how to get the kind of help—and that is a broad, generalized term from economic assistance to education reform, access to intellectual creativity and activity—to “average” people—“town meeting” I think you referred to and why could you not in the Palestinian region have a town meeting. There is in most places in the Middle East from your country to Saudi Arabia to the Gulf States to Egypt, a requirement to essentially have to go through the governing body, and the governing body is presumed, even in your country, which is the most open, not to be welcoming to this kind of fora. Just the ability to engage in an open discussion with leading Arab intellectuals in open is not something that would be very welcome in Riyadh, might even have some difficulty in Cairo. Other parts of the Arab world may have some difficulty.

So the question I have, as just a plain, old politician doing this job for 32 years, is how do we embolden and enlighten or provide the accommodation for enlightenment for the populace of the Arab world—I am going to focus on the Arab world, not the whole Islamic world for a moment—without greater cooperation or initiative coming from the governments in the region?

Or put another way, if I can speak to Iraq, I am operating on the premise that a significant majority of Iraqis want a representative government, that they want something other than an Islamic state modeled on Iran and a strongman modeled on Saddam. They want something other than that that is more representative. If I am wrong about that, I might add, I think all of this is useless.

How do we get the—I realize “moderate” is not the appropriate adjective, but how do we get the—I do not even know the term—“average”? How do we get those people who are making a dollar a day in your country and \$3 a day in a position where they are able to sort of raise their head, where they are able to express their interests, their desires? What forum is there for that?

Prince HASSAN. I have had the privilege of knowing Vaclav Havel, Bonislav Geramek, Adam Michnik, all people from eastern European countries that had strong policing methods, and yet the chapters of the Helsinki Citizens Assembly, to address your first question, proliferate in eastern Europe. You have chapters in Turkey, Armenia, and Azerbaijan. And I say to people in our region, however the intensity of hatred, it is not unique. Turks and Armenians and Azeris are talking to each other.

So I do feel that in terms of this paralysis of the ability to talk—I have been to Indonesia as moderator of the World Conference for Religions and Peace, and to the Balkans. We say to the religious community leaders—and in the case of Iraq, they have met in Amman in May of last year, in Baghdad in August, in March again

in Amman, and last week actually in the United Kingdom—you are the servants of the community, and we are servants of the servants. How can we help you talk? And you almost get the answer: talk? What is that?

Senator BIDEN. Let me interrupt you there, if I may, Your Highness. Helsinki was a product of a negotiation, a long, drawn-out negotiation, which we were a part of, as you observed, that had heads of state and governments signing on. That is a very different circumstance than what we are talking about in the Middle East. That would require the heads of state of those various governments—you had Azerbaijan, you had everyone from Poland to Czechoslovakia, all signing on through a negotiation involving two super powers. And it produced, I think, some stunningly positive benefits. I would argue it hastened the demise of the Wall.

What is the forum though? How do you do that in your part of the world?

Prince HASSAN. I come to heads of state, and of course, I served alongside King Hussein for 34 years, and I think Jordan has been a pioneering country in terms of reform. Of course, my nephew, King Abdullah has been referred to on more than one occasion as a genuine reformer, and I would second this concept.

But I think that the spectrum of reform has to be enlarged because heads of state today and governments are on the defensive. The bin Ladens of this world sadly are on the offensive. I think that we can only resolve this problem by a double compact, the first between the people themselves and the second between the people and their rulers. I mean turning the power pyramid upside down, beginning to devolve power so that legitimate village democracy can be discussed at the village and rural level.

Senator BIDEN. I agree with that, but I become conflicted as to what our role is, the role of the United States in that effort. In other words, I have often stated that, with possible exception of your nephew, every world leader with whom I meet importunes me and the committee, because we have that opportunity. It is our function. We are viewed as the totality of their problem and the sole source of their solutions. I realize at least it is beyond my capacity and I think beyond my country's capacity, not that we are not the problem of many and not that we are not the solution for some.

But what you have just described, it seems to me, I am not sure how the United States or the G-8, for that matter, promotes exactly what you just said, turning that pyramid upside down so that you actually have village meetings where people can actually have an impact on what happens in their country.

What we seem to be debating here in this country among the intellectuals, left, right and center, in America ranges from we can go in and "impose" democracy which will in fact be welcomed by the people—we are seeing an example of that right now in Iraq in part—all the way to others concluding that we cannot do much of anything other than be responsive only when there is an indigenous movement.

For example, the comments made at the Arab League's summit in Tunisia. There were several no-shows and a dramatic Qaddafi early exit which is not surprising. The League did issue this Dec-

laration of Reform, but the Arab press did not seem particularly impressed with the document, using terms like “ridiculous,” “a failure,” “empty rhetoric,” “instantly forgettable.” The Lebanon Daily Star stated in an editorial, “the only good news is that the word ‘reform’ is now a matter of general concern across the Middle East.” The Economist retorted that “this expression of freedom to savage the kinds of Presidents for life who run the region was itself a better omen for reform than the verbiage of the communiqués.”

I will end with this. My dilemma is your point about partnership and paternalism. Almost anything we do—and I do not mean to imply that somehow we have the answers, nor that we have the capacity. But it seems to me that our greatest difficulty here, assuming that the better angels prevail here in the Congress in terms of moneys for foreign assistance and the like and assuming, as I hope will occur, that Senator Lugar’s initiative becomes the law, is passed here—I have such difficulty trying to determine at what part we can be a positive impact other than refraining from doing things that are negative, which would be a big help. But how we are going to be able to be in a position that we can generate some of the kind of change you suggested.

I was very impressed with your point—I happen to agree with it. Maybe that is why I was impressed with it—that there is no chronological order to tackling the problems that you list. To use a slang expression in this country, we ought to be able to walk and chew gum at the same time. We ought to be able to do more than one thing or work on more than one thing.

But I am in a quandary as to how to work out this distinction between paternalism and partnership and what prospect is there for there to be more spontaneous, internal calls for change within the Arab world and short of your country, how welcoming are those ideas and what is the forum for them internally.

Assume the United States were lifted up and taken to Mars and dropped on Mars. There is no United States. The whole North American Continent is gone. It is sitting up on Mars. The ocean extends from Japan to England. What do you all do?

Prince HASSAN. Well, first, I would like to say that the values of the United States, not least of all “We, the people,” are very much my values and the values of many, many people who have come over here to make a better life, millions of them from our part of the world.

The quandary for us is that if you hold elections, then the Islamists will win. So the theocons will win. My point of view is that you hold elections and you live with the results until that process is repeated and they possibly leave office. But to wait until economic conditions are ideal or the political winds are favorable and not hold those elections belies the sincerity of the democratic initiative that we are talking about.

Senator BIDEN. I agree with you completely.

Well, I thank you. I see our colleague, Senator Brownback, is here and I will yield to him.

The CHAIRMAN. Thank you very much, Senator Biden.

Senator Brownback, do you have a question for Prince Hassan?

Senator BROWNBACK. If I could, Mr. Chairman. Thank you for holding the hearing.

I apologize for not getting here for your direct testimony. But I wanted to catch on a particular issue. I was actually encouraged by the recent meetings of the Arab League and the discussions that are taking place. These are difficult things to talk about and difficult topics to address.

I am curious. In your country, if elections were held within the next year or so, what would be the results of those elections, would you speculate?

Prince HASSAN. Elections were held only last year and we have a new parliament in session at the present time. But I think again, if we are going to talk about issues, there was a phenomenon—and I do not want to sound critical of the mechanisms of Israel, which is always held up in democratic terms as being the only democracy in the region, but for a Prime Minister to come here, to commit himself to withdrawal and then to poll his own party rather than polling the Israeli people came as quite a shock to people in our part of the world.

So today, unfortunately, national elections are not going to be held on domestic issues alone. Today, as His Majesty King Abdullah said I think before this committee, we are caught between a rock and a hard place. I think that people have legitimate concerns about Finlandized Jordan. We have always looked at the Helsinki process because Finland had troublesome neighbors. I once said to Shimon Peres—he said, we have difficulty with our neighbors. I said, you think you have a problem. We have difficulty with our friends.

So I would just like to point out that we can hold elections and parliamentary participation in public life is strong and vibrant. But the issue of regional questions that we are asking around this table has to be addressed by leadership, convincing leadership, and this is why I would hope that in the coming period, we can move from politics to policies. This is why I am setting up a Center for Policy Dialog in Jordan because I have no ax to grind, and I think that objectivity of rediscovering the public realm is so important for all of us.

Senator BROWNBACK. Do you anticipate within the next 5 to 10 years that elections for all positions throughout most Middle Eastern countries will begin to take place? I would sincerely hope so. The alternative would be the fragmentation of the region into untenable ethnic and sectarian groupings, balkanization if you will, and in that event, you will be talking about autonomous realities which are really unmanageable. I think this is the last opportunity, this Greater Middle East Initiative, or whatever we call it at the end of the day. I hope that something comes from the region that is convincing, of course, but this is the last opportunity to stabilize a region which is fraught with dangers, weapons of mass destruction in Pakistan and India. I am interested to see that Mr. El Baradi of the IAEA is now visiting Israel, which at least is a step in the right direction. But the sooner these issues are put on the table and discussed in terms of securing the region, the less likely it will be that we will face some major catastrophe.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Brownback.

Thank you again, Your Highness. We appreciate your testimony and your coming here and the wisdom of your presentation.

Prince HASSAN. Thank you very much, indeed.

The CHAIRMAN. The chair would like to call now Dr. Patrick Cronin and Dr. Alan Richards to the witness table.

Gentlemen, we thank you for coming before the committee today. I will ask that you testify in the order that I have introduced you. That would be, first of all, Dr. Cronin, and then Dr. Richards. I would state that your full statements will be made a part of the record in full, and you may proceed as you wish. Dr. Cronin.

STATEMENT OF DR. PATRICK M. CRONIN, SENIOR VICE PRESIDENT AND DIRECTOR OF STUDIES, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Dr. CRONIN. Well, thank you very much, Mr. Chairman, for this opportunity and for your leadership. Our country is well served by having you here as the chairman of this committee.

The CHAIRMAN. Thank you.

Dr. CRONIN. I think next week's G-8 summit at Sea Island provides a timely opportunity to review where we and other countries stand with respect to reform and freedom in the Middle East and beyond.

For me, it is impressive to note how the issue of promoting internal reform in the Middle East has risen over the past few years on a lot of agendas, not just our own. European leaders have been talking about promoting reform in the Mediterranean Basin for almost a decade as part of the Barcelona Process, and I was in the administration and we were talking about these issues every day after 9/11 and we continue to talk about them now 3 years later.

Some of the most impressive and impassioned debates have come from the Arab world itself. The first Arab Human Development Report, issued in September 2002, represented an unprecedented Arab critique of their own societies, citing major deficits of freedom and justice and opportunity. It was a blunt assessment. It was clear in its urgency, and the second report, that was issued the following spring, was very much along the same lines of reasoning.

We have seen an impressive summit in Alexandria last March, which brought together nongovernmental activists from around the Arab world to lay out urgent and practical steps to lead the region forward, and then last month the Arab League also embraced reform.

What I want to highlight here in my preface is simply that we are seeing not a U.S. phenomenon, not a European phenomenon, not an Arab phenomenon. We are seeing a growing consensus not only about the need to address this issue, but also about what our goals should be. The consensus is much less clear on how we can reach those goals, and that is where the sort of coordination the United States is seeking at Sea Island—and will surely seek elsewhere as well—is so vitally important.

I am not an expert on the Middle East, but I have thought a great deal about aid programs, including as the No. 3 official at USAID and as someone who helped to set up the Millennium Challenge Corporation in recent months. I want to really focus my testimony around three points with respect to structuring aid programs.

I first want to be clear that we have to be realistic about what we are hoping to achieve with development assistance or foreign aid in general. Foreign aid is a very limited, if still useful, element of foreign policy. In fact, what matters the very most is the recipient country's policies. It is the environment in which you are putting that aid. I think you know that, Mr. Chairman. It produces the best results when it is focused on achievable objectives that do not contradict other goals like security goals that we are trying to achieve. It works best when you have adequate resources not spread out everywhere but focused, concentrated. And they are being implemented through partners on the ground who have both capacity and most importantly the political will to see through successful implementation.

I think the purposes associated with the Greater Middle East Initiative have generally vacillated really between two overlapping, yet different objectives. So we really are talking about one conversation with two purposes. Some of us are talking about democratization, and some of us are talking about development. There is a middle way here. We can bridge these gaps, but there are still, at the end of the day, two discussions going on at the same time. One goal is about political reform. The other one concentrates on basic socioeconomic shortcomings in a lot of these countries. Either goal, though, will take leadership and support from within the region, within the countries. It will take decades of sustained commitment from a variety of actors, and we cannot hope to go from Sea Island to sea change overnight.

The most realistic goals will be those that are locally grown and enjoy a strong degree of ownership on the ground. In these cases, we can use funds opportunistically to foster reform and change. Although more difficult, we will still have opportunities to use firm diplomacy to push for opening political space. We must remember at the outset that the diplomatic discipline necessary to open political space in the Middle East in particular can quickly get lost amidst the myriad competing security and political objectives we must simultaneously pursue.

When it comes to funding specific programs or projects, Members of Congress and the public will want to know that the initiatives represent a serious plan to achieve tangible results, with clear benchmarks to help measure progress. Such oversight is justified and indeed desirable. Third-party independent auditing would help avoid corruption and provide a level of accountability we do not see, Mr. Chairman, for instance, in the multilateral development bank projects today. They do not have independent third-party auditing. And we should do that with respect to whatever grants we eventually support.

A second point I want to make is that we need to think carefully about the role and utility of money and resources with respect here to our countries in the Middle East. Money is a limited lever, especially in this region, I would argue, even if we were to contemplate a very vast Marshall Plan-like opportunity for the Greater Middle East.

We already spend more than \$1 billion of nondefense foreign aid in this region, although the bulk of it has tended to go to Egypt and Israel in support of very real, important strategic goals and

peace and stability, such as supporting the Camp David Accords of 1979. This has perhaps, though, created over time a sense of entitlement, a set of expectations of what the United States will be giving to the region. And it is politically difficult and costly to alter. When we launched the Middle East Partnership Initiative in December 2002, it was criticized by many in the region as a mere token, representing such a small percentage of aid to the region, especially relative to the increased numbers we were talking about, say, with respect to the Millennium Challenge Account of \$5 billion, and here we are talking about \$25 million or \$100 million for the Middle East Partnership Initiative. So even a well-intentioned U.S. program can be portrayed as a snub, and in these situations, international coordination again can be very helpful for U.S. diplomacy to be more effective.

We have to tailor our approaches to individual countries. They are all different. The gulf countries bear little resemblance to some of the least developed countries we see in sub-Saharan Africa where the prospect of a \$200 million, 3-year grant can really have an impact on reform, but in countries that have such vastly larger GDPs, it is, again, much more difficult to think about the impact of that grant on reform and government change.

The Middle East is also home to some of the wealthiest governments in the world. We have little ability to use money as an incentive since there are so many opportunities for profit through business ventures, personal subsidies, and government grants. The dependence of populations upon their governments, instead of the government's dependence on their populations, makes nurturing democracy there difficult. For many in government, business, and the military, no reasonable amount of money is enough to induce them to embark on changes that could bring down the whole system from which they profit.

So money in the Middle East may be better understood, frankly, as an analgesic not an incentive. By itself, it is insufficient to induce change, but if combined with other tools, it can make change more acceptable. The pain-killing effect may make it easier for governments and other local leaders to create the political space for reform for those interested in pursuing different types of reform and activities: political reform by strengthening political and judicial institutions, civil society and independent media; knowledge acquisition and the exchange of ideas by investing in primary and higher education, vocational training, educational changes, and the leveraging of information technology; and economic reform and socioeconomic opportunity by seeking economic growth, trade capacity building, and employment, as well as supporting basic infrastructure or a healthy work force. In this sort of indirect manner, such investments, if appropriate to a particular country in the Middle East, might further pave the way toward larger national reforms over time.

But we have lost the strategic point the moment we think this is primarily about resources. It is not. Our economic carrots are unlikely to have as much leverage in the Middle East as they may have in Africa, and in this region we run the moral hazard of poisoning our friends with our carrots because they may be seen as tainted with U.S. policy.

Now, my third and final point, Mr. Chairman, is that as we think about specific structures for providing assistance, I believe very strongly we should borrow heavily from our lessons of recent experience, both with respect to the Global Fund for AIDS, Tuberculosis and Malaria and certainly the Millennium Challenge Corporation. I think these models provide the attributes that we are seeking here, a transparent, locally owned partnership arrangement where there is competition, there is inclusivity, there is a results-based approach around which we could build a very broad consensus.

Calls for attacking illiteracy in the region where half the women and a large plurality of men are illiterate can only be welcome. Supporting microfinance is a way to provide greater equity and hope to those lacking even modest sums to invest in a business. A regional development bank could help to make wise investments in larger infrastructure projects on which economic growth may hinge. And a democracy foundation could help to foster greater dialog for good governance and political reform. I assume Under Secretary Larson talked about all of these useful initiatives this morning.

But of all the proposals, the one that really strikes me as the most important and promising is the one, sir, that you have put forward, the Greater Middle East Trust for the 21st Century. I think it is a sound idea because, as with the Global Fund, it could be international in scope. So it removes the U.S. footprint from being the dominant issue. It instantly internationalizes it. It could provide a basis of making grant decisions that is beyond reproach because as with the Global Fund, they use technical reviews that are not politicized. They are literally out there trying to provide on the technical merits of the proposals recommendations as to whether these grants should be approved or not.

I think like the Millennium Challenge Account, it could introduce a very healthy domestic competition because the proposals would be coming from within countries to this Trust and it could be still done in an inclusive process as the Millennium Challenge Account assumes as well where you ensure that civil society, business, and the government are all part of that mix competing for these grants. It could lead, therefore, to creative homegrown solutions with clear benchmarks and a focus on closely monitored results, which is again a hallmark of the Millennium Challenge Account approach, making sure that we understand how this money is being spent.

And finally, the Trust could pool resources and provide a common mechanism for providing grant assistance to these countries rather than adding to the confusion created elsewhere by multiple donors imposing so many competing approaches to assistance.

I do think there is one difference between this Trust concept and the Millennium Challenge Account, however. It may be tempting to want to run a regional Millennium Challenge Account competition, so judging the Greater Middle East countries by the three categories of ruling justly, investing in people, and economic opportunity. That competition already exists on a global basis, and a country like Morocco may well be successful in the second round of a Millennium Challenge Account. So you take away the incentive for some of that.

Meanwhile, the intended reform effect of the Millennium Challenge Account in this Greater Middle East might be lost on the countries of the region for the reasons I have already laid out. The reforms really have to start in the region, supported by realistic and firm diplomacy, and then supported by effective targeted assistance, financial assistance, development assistance. That is really the best recipe for ensuring that we are actually going to yield some sustainable and helpful results here. If we expect foreign aid to be the catalyst for change in Egypt that it may be in Mozambique, for instance, I think we are destined to be frustrated.

Last month's Arab League summit in Tunisia suggests that there is both interest in reform, and as seen by the inability to agree on establishing an oversight body, there are limits to the likely depths of such reform in the region. Analogous efforts in other regions have fared little better. We have to be blunt here. This is not just the Middle East lagging behind. The New Economic Partnership for African Development, NEPAD, and even the Association for Southeast Asian Nations have been disappointing to those of us who expected such regional groupings to tackle corrupt governance head on, whether in Zimbabwe or in Burma, for instance.

Grants from a trust, however, could provide a vehicle for engaging the region on the basis of partnership and merit, but not so directly as to confuse suspicions about donors with national interests and their own development. The details of the Trust proposed by the chairman can be best worked out in multilateral consultations with a variety of partners, perhaps also in the form of international conferences that we have just heard about by our previous speaker today.

I think through such relatively modest investments, as part of a larger comprehensive set of policies and diplomacy, the United States may sow the seeds of a new generation of progress and peace in the Middle East. If we are to do so, we will have to rely on our own example, as you have said, Mr. Chairman, as well as our adroit use of both hard and soft power, tough love diplomacy and generous and smart assistance. Through all these means, with sufficient time, we can buttress good governance in these countries. We can strengthen political and economic institutions that allow for transformation of the lives of young men and women who are educated but unemployed. And we can reinforce the reality that the United States stands in partnership to help these people rather than as part of the problem.

I will stop there, Mr. Chairman. Thank you very much.

[The prepared statement of Dr. Cronin follows:]

PREPARED STATEMENT OF DR. PATRICK M. CRONIN

Thank you, Mr. Chairman and Senator Biden, for this opportunity to testify. Our nation is well served by your leadership, and it is a privilege to be here today before you and other distinguished members of the Committee.

Next week's G-8 summit at Sea Island, Georgia provides a timely opportunity to review what the United States and other major powers are doing to support stability, prosperity and freedom in the Middle East and beyond.

It is impressive to note how the issue of promoting internal reform in the Middle East has risen on agendas all over the world. The President and many senior members of his administration have spoken out clearly since September 11 on the need to promote reform in the Middle East not only for the sake of people there, but also for the sake of our national security. Individuals from across the U.S. government

have been working for more than two years to turn this idea into a reality. European leaders have been talking about promoting reform in the Mediterranean Basin for most of a decade, seeking to use the European Union's so-called "Barcelona Process" to promote economic growth and political openness.

Some of the most impressive and impassioned debates have come from the Arab world itself. The first Arab Human Development Report, issued in September 2002, represented an unprecedented Arab critique of their own societies. It was blunt in its assessment and clear in its urgency. The second report, issued last spring, strongly followed the precedents of the first.

We have also seen an impressive summit in Alexandria last March, which brought together nongovernmental activists from around the Arab world to lay out urgent and practical steps to lead the countries in the region forward. The Arab League, in its meeting last month, also embraced reform in the region.

What I want to highlight here is that what we are seeing is not a U.S. phenomenon, a European phenomenon, or an Arab one. We are seeing a growing consensus not only about the need to address this issue, but also about what our goals should be. The consensus is much less clear on how we can reach those goals, and that is where the sort of coordination the United States government is doing in Sea Island—and will surely do elsewhere as well—is so vitally important.

I am not an expert on the Middle East. I have thought a great deal about how to structure aid programs, however, and it is to that topic that I would like to devote the rest of my brief testimony.

First, we have to be clear and realistic about our goals. Foreign aid is a limited if useful element of foreign policy. It produces the best results when it is focused on achievable objectives that do not contradict other, usually security, goals we are trying to obtain at the same time. Aid works best when adequate resources are provided to implementing partners with sufficient political will and capacity.

The purposes associated with a Greater Middle East Initiative have generally vacillated between two overlapping yet different objectives: democratization and development. The former goal focuses on political reform; the latter concentrates on basic socio-economic shortcomings. Either goal will take leadership and support from within the region, and decades of sustained commitment from a variety of actors. Either way, we cannot hope to go from Sea Island to sea-change overnight.

The most realistic goals will be those that are homegrown and enjoy a strong degree of local ownership. In these cases, we can use funds opportunistically to foster reform and change. Although more difficult, we will have some opportunities to use firm diplomacy to push for opening "political space." We must remember at the outset, however, that the diplomatic discipline necessary to open political space can quickly get lost amidst the myriad competing security and political objectives we must simultaneously pursue in the greater Middle East.

When it comes to funding specific programs or projects, members of Congress and the public will want to know that the initiative represents a serious plan to achieve tangible results, with clear intermediate benchmarks to help measure progress. Such oversight is justified, and indeed desirable. Third-party, independent auditing would help avoid corruption and provide a level of accountability of U.S. tax money not present in most aid programs. Over time, independent evaluations could offer serious analysis of whether investments are starting to achieve the desired outcomes.

Second, we need to think carefully about the utility of money and resources in the Middle East. Money is a limited lever in this region, even if we were to contemplate a "Marshall Plan" for the great Middle East.

The United States already spends more than \$1 billion in non-defense foreign aid to the region, but the bulk of it has tended to go to Egypt and Israel in support of the 1979 Camp David Peace Accords and regional stability. One could argue that that money has been well spent if it has indeed helped to provide regional peace and security. This has perhaps created a sense of entitlement and a set of expectations that are politically costly to alter. When the Middle East Partnership Initiative was launched in December 2002, many in the Middle East criticized the program because it was a "mere" \$100 million/year, thereby representing such a small percentage of aid to the region and an even smaller percentage of increased aid to other regions. Thus, even a well-intentioned U.S. program was portrayed as a snub. In these situations, in particular, international coordination can be helpful.

We must tailor our approaches to individual countries. The Gulf countries in particular bear little resemblance to some of the least developed countries we see in sub-Saharan Africa, where the prospect of a \$200 million, three-year Millennium Challenge Account grant can provide a real incentive for undertaking additional re-

forms. In this region, however, a potential grant, even a relatively large one, might as easily be seen as an insult, a threat, or an invasion of sovereignty.

In addition, the Middle East is also home to some of the wealthiest governments in the world. We have little ability to use money as an incentive, since there are so many opportunities for profit through business ventures, personal subsidies and government grants. The dependence of populations upon their governments, instead of the governments' dependence on their populations, makes nurturing democracy there difficult. For many in government, business and the military, no reasonable amount of money is enough to induce them to embark on changes that could bring down the whole system from which they profit.

Money in the Middle East may be better understood as an analgesic, not an incentive. By itself, it is insufficient to induce change, but if combined with other tools it can make change more acceptable. The painkilling effect may make it easier for governments to create the political space for local reformers interested in pursuing different types of activities: (1) political reform by strengthening political and judicial institutions, civil society and an independent media; (2) knowledge acquisition and the exchange of ideas by investing in primary and higher education, vocational training, educational changes, and the leveraging of information technology; and (3) economic reform and socioeconomic opportunity by seeking economic growth, trade capacity building, and employment, as well as supporting basic infrastructure and a healthy workforce. In this indirect manner, such investments, if appropriate to a particular country in the Middle East, might further pave the way toward larger, national reforms.

But we have lost the strategic point the moment we think this is primarily about resources. It is not. Our economic carrots are unlikely to have as much leverage in the Middle East as they may have in Africa, and in this region we run the moral hazard of poisoning our friends with our carrots because they are tainted by a U.S. policy agenda.

Thirdly and finally, as we think about specific structures for providing assistance, we should borrow heavily from recent experience in establishing new entities such as the Global Fund for AIDS, Tuberculosis and Malaria and the Millennium Challenge Corporation. These models provide attributes for a transparent, locally-owned, competitive, results-oriented assistance program around which we could build a broad consensus.

Calls for attacking illiteracy in a region where half the women and a large plurality of men are illiterate, can only be welcome. Supporting microfinance is a way to provide greater equity and hope to those lacking even modest sums to invest in a business. A regional development bank could help to make wise investments in larger infrastructure projects on which economic growth may hinge. And a democracy foundation could help to foster greater dialogue for good governance and political reform.

But of all of the proposals, the one that resonates with me is the Trust for the 21st Century proposed by Senator Lugar. The idea is sound because, as with the Global Fund for AIDS, Tuberculosis and Malaria, it could be international in scope and base grant decisions on the expert technical review of proposals emanating from each country. Like the Millennium Challenge Account, it could introduce a healthy domestic competition that leads to creative, homegrown solutions with clear benchmarks and a focus on closely monitoring results. Finally, the Trust could pool resources and provide a common mechanism for providing grant assistance to these countries, rather than adding to confusion created by multiple donors imposing so many competing approaches to assistance.

At the same time, there is at least one fundamental difference in my mind between a Trust and the MCA. It may be tempting to run a regional MCA contest in which countries of the region would be measured by objective criteria of ruling justly, investing in people, and economic freedom. However, that competition already exists on a global basis, and a country like Morocco is a good bet to qualify in the second round on its own merits. Meanwhile, the intended reform effect of the MCA would be mostly lost on the countries of the region. As mentioned before, reforms will have to start in the region, be supported by realistic diplomacy, and then backstopped where helpful with assistance. If we expect foreign aid to be the catalyst for change in Egypt that it may be in Mozambique, for instance, I think we are destined for frustration.

Last month's Arab League summit in Tunisia suggests that there is both interest in reform and—as seen by the inability to agree on establishing an oversight body—limits to the likely depths of such reform. Analogous efforts in other regions have fared little better. The New Economic Partnership for African Development (NEPAD) and even the Association for Southeast Asian Nations (ASEAN) have been

disappointing to those who expected such regional groupings to tackle poor or corrupt governance head on—whether in Zimbabwe or Burma, for instance.

Grants from a trust, however, could provide a vehicle for engaging the region on the basis of partnership and merit, but not so directly as to confuse suspicions about donors with national interests and development. The details of the Trust proposed by the Chairman can be best worked out in multilateral consultations with a variety of partners.

Through such relatively modest investments, as part of a larger comprehensive set of policies and diplomacy, the United States may sow the seeds of a new generation of progress and peace in the Middle East. If we are to do so, we will have to rely on our example, as well as an adroit use of both hard and soft power, tough love diplomacy and generous and smart assistance. Through all these means, with sufficient time, we can buttress good governance in these countries; we can strengthen political and economic institutions that allow for transformation of the lives of young men and women who otherwise may join the tens of millions of educated but unemployed; and we can reinforce the reality that the United States stands in partnership to help these people rather than as part of the problem.

Senator Lugar has said eloquently that our long-term strategy is to replace the region's pervasive repression, intolerance and stagnation with freedom, democracy and prosperity: but in the absence of any easy nostrum for effecting that transformation, we would be wise to listen to our friends in the region, Europe and elsewhere, even while we signal a willingness to make our commitment to the region both tangible and enduring.

The CHAIRMAN. Thank you very much, Dr. Cronin, for that very helpful testimony.

Dr. Richards, would you please proceed.

STATEMENT OF DR. ALAN R. RICHARDS, PROFESSOR OF ECONOMICS AND ENVIRONMENTAL STUDIES, UNIVERSITY OF CALIFORNIA, SANTA CRUZ

Dr. RICHARDS. Thank you very much for the invitation to comment here on the concept of the Greater Middle East 21st Century Trust proposed by Senator Lugar.

As someone who has been studying the development problems of the Middle East for the past 35 years, it seems to me that Senator Lugar's proposal has at least seven quite positive elements.

First, the proposal's overall perspective seems entirely correct. We simply cannot successfully combat the violence emanating from the region through military force alone. We must, therefore, formulate a long-term strategy to help regional political actors manage the profound social, economic, and political challenges which they face.

Second, the proposal recognizes the complexity of the problems facing the region. These societies are now enmeshed in an absolutely huge crisis, with social, economic, political, and cultural dimensions. No single country, least of all the United States, can control these tumultuous changes. The proposal appears to recognize this complexity.

Third, there is a very healthy stress on the absolute necessity of international cooperation, for the involvement of the G-8 countries, and for serious ownership of the process of change in the region.

Fourth, the proposal seeks to engage with broad elements of the societies in the region. It does not pretend that a better approach can come from existing governments alone.

Fifth, it explicitly recognizes that change cannot be imposed from the outside. This is a crucial fundamental point, which we Americans, with our impatience and inattention to history, regrettably forget far too often.

Sixth, the proposal forthrightly and correctly, in my judgment, recognizes how the ongoing violence and lack of a political settlement between the Israelis and the Palestinians poisons any attempt by the United States or of the G-8 to help manage the broader problems facing the region. The concept of extending the Quartet to include Egypt and Saudi Arabia seems to me to be a particularly interesting idea.

Seventh, the three specifics of the proposal of the Trust that I have seen seem quite sound. The stress on a partnership between the G-8 and the regional donors, the focus on broad, mutually negotiated goals rather than on specific projects, and the plan's openness to conforming with the norms of Islamic finance—all three of these features are consistent with the proposal's broader aim, as I take it, of a truly cooperative approach.

These are all highly positive features. Let me now sound a few cautionary notes.

Senator Lugar's proposal, at least in the Brookings speech that I have read, cites the Arab Human Development Reports some nine times, and we have heard that report cited repeatedly today this morning. Three weeks ago, I was invited to join a readers' group held at UNDP headquarters in New York to discuss a draft of the 2004 report, which will be devoted exclusively to the questions of democracy and freedom. These reports are, of course, written by the friends of political liberty and of democracy in the region. The authors share our values and they hope for fundamental political change in their homelands. I regret to tell you, however, that at this time they are also absolutely furious at the Government of the United States, for our policies toward the Palestinian issue and for our invasion and occupation of Iraq. If such people who share our values are this viscerally angry, it takes little imagination to realize what a daunting task any proposal for American leadership for change in the region will face.

The sad reality today is that the United States is almost universally perceived as a neo-colonial power throughout the Arab world and in many other circles of the Greater Middle East. Our reputation has sunk to an all-time low throughout the region. For example, my good friend and co-author, John Waterbury, now President of the American University of Beirut, wrote to me a few days ago: "In the 44 years I have been dealing with this part of the world, I have never seen relations between the U.S. and the Arab world remotely as bad. The most worrisome shift is that the old distinction of opposing U.S. policies is now sinking into dislike for Americans as individuals and as a people." So long as such perceptions persist, any proposal for international cooperation to effect positive changes for governance in the region will face the greatest difficulties.

This is one reason why I think that the proposal's concept of linking the Trust with moving vigorously toward trying to resolve the Israeli-Palestinian conflict is such an excellent idea. However, it seems to me it is equally true that very sensitive proposals, such as Senator Lugar's Trust, will be hobbled so long as the United States is so widely perceived as an illegitimate occupying power in Iraq. Our behavior in Iraq over the past month seriously compromises the laudable goals of the Trust proposal. After all, with

more than 130,000 troops in Iraq, few people in the region believe us when we say that we know we cannot impose change on the region. An early exit of American military force from Iraq is a necessary condition for the success of helpful proposals such as that of Senator Lugar.

We Americans say that we want to promote democracy in the region. We may actually believe this. But given the history of the region, it is hardly surprising that we are widely disbelieved. The proposal correctly and forthrightly states that the governments in the region continue to block the transition to democracy. Many long-term students of the region, including me, also think that our own government's actions too often create additional obstacles to democratic change. We continue to support authoritarian states throughout the region, particularly if they help us hunt for the fanatics and militants of al-Qaeda. Part of the problem remains the clash between our perceived strategic goals and the fact that democracy is inherently unruly and unpredictable.

Let me elaborate this last point very briefly. For more detail, you can see my written comments.

It seems to me that a necessary condition for a democratic transition is for both government and opposition politicians to play by new rules and for each to control their more radical elements whether outside the government in opposition or inside the government. In many countries, indeed probably in most countries, of the Greater Middle East, the best organized opposition forces today and for the foreseeable future are those of political Islam. The Islamist movement is huge and diffuse, with many national and local variations. Increasingly, what we used to call secular nationalists in opposition have either joined Islamist movements or are cooperating with them politically.

If we are really serious about promoting democracy in the region—and we certainly should be—then we simply must learn to distinguish among the different types of political Islam. There will be no democracy and no stability without their participation in the politics of the region. If we are serious, we must recognize that future democracies of the Greater Middle East will often have lukewarm, sometimes testy, and occasionally frigid relations with the United States.

A half century ago, some Americans believed that we could play a central role in shaping the modes of governance in China. We discovered that this was impossible. A generation ago, many Americans hoped that we could bring democracy to the countries of Indo-China. We found, much to our cost, that we were incapable of doing this. A decade ago, some Americans thought we could transform Russia into a market economy all at once. Again, history intruded and the results of our efforts were far more complicated than we had initially imagined.

In China, in Southeast Asia, in Russia, and in the Greater Middle East, the United States can, at best, facilitate indigenous change. To believe that we can do anything else is, in my view, dangerous, a-historical hubris. Since Senator Lugar's Trust proposal appears to avoid this delusion, it could make a real contribution to a safer and more prosperous world. It is vital that we not pretend that we can do more than is possible, and it is essential

that our actions conform to our stated intentions and to our most deeply held values.

Thank you.

[The prepared statement of Dr. Richards follows:]

PREPARED STATEMENT OF DR. ALAN RICHARDS

Thank you very much for the invitation to comment here today on the concept of the Greater Middle East 21st Century Trust proposed by Senator Lugar.¹ I am happy to do this.

As someone who has been studying the development problems of the region for 35 years, it seems to me that this proposal has at least seven quite positive elements.

First, the proposal's overall perspective seems entirely correct. We simply *cannot* successfully combat the violence emanating from the region through military force alone. We must, therefore, formulate a long-term strategy to help regional political actors manage better the profound social, economic, and political challenges which they face.

Second, the proposal recognizes the complexity of the problems facing the region. These societies are now enmeshed in a *huge* crisis, with social, economic, political, and cultural dimensions.² No single country—least of all the United States—can control these tumultuous changes. The proposal appears to recognize this complexity.

Third, there is a very healthy stress on the absolute necessity for international cooperation, for the involvement of the G-8 countries, and for serious ownership of the process of change by countries of the region.

Fourth, the proposal seeks to engage with broad elements of the societies in the region—it does not pretend that a better approach can come from existing governments alone.

Fifth, it explicitly recognizes that change cannot be imposed from outside. This is a crucial, fundamental point, which we Americans, with our impatience and inattention to history, regrettably forget far too often.

Sixth, the proposal forthrightly and correctly recognizes how the on-going violence and lack of a political settlement between the Israelis and Palestinians poisons any attempt of the US or the G-8 to help manage the broader problems facing the region. The concept of expanding the “Quartet” to include Egypt and Saudi Arabia seems to me a particularly interesting idea.

Seventh, the three specifics of the proposal for the Trust seem sound. The stress on a partnership between the G-8 and regional donors, the focus on broad, mutually negotiated goals rather than on specific projects, and the plan's openness to conforming to the norms of Islamic finance—all three of these features are consistent with the proposal's broader aim of a truly cooperative approach.

These are all highly positive features. Let me now sound a few cautionary notes. Senator Lugar's proposal cites the *Arab Human Development Reports* some nine times, by my count. Three weeks ago I was invited to join a “Readers' Group” at UNDP headquarters in New York to discuss a draft of the 2004 report, which will be devoted exclusively to the questions of democracy and freedom. These reports are, of course, written by the friends of political liberty and democracy in the region. The authors share our values, and they hope for fundamental political change in their homelands. I regret to tell you, however, that they are also absolutely furious at the United States government—for our policies toward the Palestinian issue and for our invasion and occupation of Iraq. If such people—who share our values—are this viscerally angry, it takes little imagination to realize what a daunting task any proposal for American leadership for change in the region will face.

The sad reality today is that the United States is almost universally perceived as a neo-colonial power throughout the Arab world and in many other circles in the Greater Middle East. Our reputation has sunk to an all-time low throughout the region.³ So long as such perceptions persist, any proposal for international coopera-

¹Senator Richard Lugar, “A New Partnership for the Greater Middle East: Combatting Terrorism, Building Peace”, speech at Brookings Institution, Washington, D.C., March 29, 2004.

²For a sketch of some key dimensions of the crisis, see Appendix 1.

³My friend and co-author, John Waterbury, President of the American University of Beirut, wrote on May 27: “In the 44 years I have been dealing with this part of the world I have never seen relations between the US and the Arab world remotely as bad. The most worrisome shift is that the old distinction of opposing US policies is now slipping into dislike for Americans as individuals and as a people.” (Personal communication)

tion to effect positive changes in governance in the region will face the gravest difficulties.

This is one reason why I think that the proposal's concept of linking the Trust with moving vigorously toward resolving the Israeli-Palestinian conflict is such an excellent idea. However, in my judgment, it is equally true that sensible proposals such as the Trust will be hobbled so long as the U.S. is so widely perceived as an illegitimate, occupying power in Iraq. Our behavior in Iraq over the past months seriously compromises the laudable goals of the Trust proposal.⁴ With more than 130,000 troops in Iraq, few people in the region believe us when we say that we know that we cannot impose change on the region. An early exit of American military force from Iraq is a necessary condition for the success of helpful proposals such as that of Senator Lugar.

We Americans say that we want to promote democracy in the region. We may actually mean this, but given the history of the region, it is hardly surprising that we are widely disbelieved. The proposal correctly and forthrightly states that governments in the region continue to block the transition to democracy there. Many long-time students of the region, including this one, think that our own government's actions too often create additional obstacles to democratic change. We continue to support authoritarian states throughout the region, particularly if they help us hunt for *al-Qaeda* militants. Part of the problem remains the clash between our perceived strategic goals, and the fact that democracy is inherently unruly and unpredictable.

Let me elaborate this last point very briefly.⁵ A necessary condition for a democratic transition is for both government and opposition politicians to "play by the new rules" and to control their more radical elements. In many countries of the Greater Middle East, the best organized opposition forces today and for the foreseeable future are those of "political Islam". The Islamist movement is huge and diffuse, with many national and local variations. Increasingly, what were formerly called "secular nationalists" in opposition have either joined Islamist movements or are co-operating with them politically.

The logic of transition to democracy implies that moderates within the Islamist (and nationalist) camp must be willing to play by democratic rules, convince reform elements within the state of their sincerity, and maintain control over their radical allies. Likewise, reformers in government must be willing to allow the full participation of Islamist forces in the political process.

If we are really serious about promoting democracy in the region—and we certainly should be—then we simply *must* learn to distinguish among the different types of political Islam. *There will be no democracy, and no stability, without their participation in the politics of the region.* If we are serious, we must recognize that future democracies of the Greater Middle East will often have lukewarm, sometimes testy, and occasionally frigid relations with the United States.

A half-century ago some Americans believed that we could play a central role in shaping the modes of governance in China. We discovered that this was impossible. A generation ago, many Americans hoped that we could bring democracy to the countries of Indo-China. We found, much to our cost, that we were incapable of doing this. A decade ago some Americans thought that we could transform the Russian economy, all at once. Again, history intruded, and the results of our efforts were far more complicated than we had initially imagined.

In China, in Southeast Asia, in Russia, *and* in the Greater Middle East, the United States can, at best, facilitate indigenous change. To believe that we can do anything else is, in my view, dangerous, a-historical hubris. Since the Trust proposal appears to avoid this delusion, it could make a real contribution to a safer, more prosperous world. It is vital that we not pretend that we can do more than is possible, and it is essential that our actions conform to our stated intentions and to our most deeply held values.

Thank you.

⁴The lead author of the *Arab Human Development Reports* writes: "To those Arabs who dream at freedom at the hands of the Americans, I have this to say: Look at what is happening with the Iraqis". Nader Fergany, "Ghosts of Abu Gbraib" *Al Ahram Weekly On Line*, No. 691, 20-26 May, 2004, <http://weekly.ahram.org.eg/2004/691/op65.htm>

⁵For greater detail, see Appendix 2.

APPENDIX 1

A PRIMER ON MIDDLE EASTERN POLITICAL ECONOMY

Overview:

- The countries of the Greater Middle East face a daunting complex of challenges. These challenges are demographic, social, economic, and political.
- There is no “easy fix” for any of the problems outlined here. Confidence in the efficacy of the “Washington Consensus” has eroded both intellectually and politically (although this may be least obvious inside the Beltway).
- Many of the relatively easy changes have already been made.
- The same political forces that blocked change altogether in the 1980s slowed change in the 1990s. There were, and are, good political reasons for such gradualism, but the difficulties continue to mount.
- One element of the Washington Consensus remains: *better governance will be essential for coping better with these challenges.*
- Contrary to currently popular political rhetoric and actions, outsiders, particularly including the U.S., are singularly poorly placed to foster more legitimate, accountable governance structures.
- It is delusional to think that outside intervention—especially, military intervention—can improve the quality of governance. Change must come from within. Outsiders can help, but only if they are credible. Today, the US lacks such credibility.

TEN KEY CHALLENGES:

An Overview

1. Restoring Economic Growth
2. Restraining population expansion
3. Providing jobs
4. Alleviating poverty
5. Educating the young, especially, young women
6. Coping with urbanization
7. Saving water
8. Obtaining food
9. Slowing environmental destruction
10. Attracting money for investment, both from foreigners and (more importantly) from domestic savers

1. RESTORING ECONOMIC GROWTH

- For the past two decades, the economies of the region have essentially been “running faster to stand still”.
- During the 1980s, output per person (GDP per capita) essentially stagnated.
- The performance during the 1990s was only marginally better: output growth rose from 2.4% per year (1981-1990), to 3.1% per year (1991-2000), and has remained at roughly the 1990s level during the last few years. Since population growth rates have fallen to about 2%, output per person has grown at slightly more than 1% per year since the first Gulf War.
- GDP per capita is no greater today than it was in 1980.
- Only sub-Saharan Africa has done worse.
- Such numbers are, of course, based on conventional national income accounting. Such data fail to include two very important phenomena:
 - 1) The informal or underground economy, which would make the above picture look better; and
 - 2) The costs of resource depletion and environmental degradation, whose inclusion would make the situation look considerably worse—the growth rates would almost certainly become negative.
- There are considerable differences among countries’ growth performances.
- Reducing unemployment and raising real wages even modestly would require growth rates of GDP of between 6% and 7% per year. *No country in the region has achieved anything like this performance.*

2. RESTRAINING POPULATION EXPANSION

- The population of the region was slightly greater than 300 million in 2000; it is expected to increase to about 400 million by 2015 (US Census Bureau)
- The population of the region is now growing at about 2% per year (according to World Bank), or at 2.3% (UN Population Division).
- Only sub-Saharan Africa has a faster rate of population growth.
- Population growth rates have fallen quite sharply in many countries during the past 10 years (from some 3.2% in the mid-1980s to 2.7% in the early 1990s, to 2-2.3% today).
- Sharp fertility declines caused this change; there are reasons to expect further falls.
- However, fertility (TFR ~4.2) remains well above replacement levels and past rapid growth means that an unprecedentedly large generation of young women will soon enter their child-bearing years.
- This overall picture masks significant national differences. Fertility has fallen sharply in Egypt, Iran, and Tunisia, for example, but have remained stubbornly high in Gaza, the West Bank, Yemen, and Saudi Arabia, whose rates (over six children per woman) are among the highest in the world.
- Thanks to these demographic phenomena, most people in the region are young: half of all Arabs, Iranians, and Pakistanis are younger than 20 years of age. Two thirds of all Middle Easterners are younger than 30.
- A large literature in political sociology confirms that the experiences people have while they are young have long-lasting consequences for their political views. (Consider, for example, the impact of their disparate experiences during the Vietnam War on the Baby Boom generation of Americans).
- This implies that American actions in the region, now, will have deep and longlasting consequences for the future.

3. PROVIDING JOBS

- Current levels of unemployment are high. Methodologies for estimating unemployment vary widely, but a consensus figure is that unemployment stands at some 15-20% of the labor force.
- Real wages have stagnated for two decades.
- Three forces explain this dismal—and politically highly destabilizing—phenomena:
 - 1) The demand of labor has grown slowly, due to sluggish growth.
 - 2) The supply of labor has grown very rapidly thanks to population expansion.
 - 3) Government policies have created relatively inflexible labor market institutions in the urban, formal sector.
- Labor force growth in the region is the most rapid in the world: 3-4% per year, twice as high as in the rest of the Global South. The region needs to provide an additional 4 million jobs every year, just to keep up with additions to the labor force.
- The problem would become still more difficult should large numbers of young women enter the labor force.
- Unemployment is particularly high among the young and relatively educated.
- *Arguably, this is the most politically volatile problem produced by faltering political economies.*

4. ALLEVIATING POVERTY

- The conventional wisdom holds that poverty in the region is lower (head count measure) than elsewhere in the Global South.
- However, poverty rates are quite sensitive to the choice of a poverty line. Large numbers of people live on incomes close to the line: in Egypt, for example, although some 23% of the population live on less than \$2 per day, another 37% live on less than \$2.60 (only 30% more than the poverty line). They are, therefore, highly vulnerable to falling into poverty.
- There is consensus that aggregate poverty rates in the Middle East fell during the years of the oil boom (from the mid 1970s to the early to mid 1980s), but started to rise after that. Poverty has been increasing during the past decade, in some cases, dramatically (e.g., Yemen: from 15% in 1990 to 45% in 1998).

- Three factors are plausibly the key drivers of the rise in poverty.
 - 1) Unemployment is high and rising;
 - 2) Most job creation has occurred in the low wage informal sector, not in higher paying formal sector employment.
 - 3) Real wages in formal sector urban employment are falling. (One might add that in some countries, including Egypt, real wages in agriculture have also fallen).
- On the other hand, , FAO data suggest that the share of undernourished people in the total population declined over time (from 8.8% in 1979/81, to 7.2% in 1990/92 and 6.9% in 1997/99). (Because of population growth, the absolute numbers grew by about 25% to some 26 million).
- Government policies of consumer subsidies and public sector employment have prevented poverty from rising further. The latter policy also contributes to slow growth and other difficulties.
- Persistent poverty undermines the legitimacy of regimes, particularly among the young.

5. COPING WITH URBANIZATION

- Urbanization has increased rapidly during the past generation: the number of urban Middle Easterners has increased by about 100 million in the past 35 years.
- Over half (56%) of all Arabs now live in cities. In only 4 countries (Egypt, Somalia, Sudan, and Yemen) do most people live in rural areas.
- The number of urban dwellers is expected to rise from its current level of over 140 million to over 350 million by 2025.
- Public services and utilities are already overwhelmed: in Jordan and Morocco, for example, one-third of the urban population lacks adequate sewerage services. Urban water supplies are often erratic at best.
- Governments attempt to provide urban services through heavy subsidies, subsidies which are largely captured by the relatively better off urban residents. Such policies strain government budgets, and thwart the necessary investments to extend and to improve services.
- Housing problems are severe: for example, more than a half million Cairenes live on rooftops, and well over one million live in and around the tombs of the City of the Dead. New construction has lagged slightly behind new households so that the gap remains vast.
- Such problems are both cause and effect of governance deficiencies. Few cities have much independent tax authority, thanks to the typical pattern of fiscal centralization in most countries in the region. At the same time, macroeconomic austerity has deprived many municipalities of the funds needed to cope with urban problems.
- Rapid urbanization and its attendant problems strains budgets, legitimacy, and governance, while swelling the ranks of regime opponents.

6. EDUCATING THE YOUNG

- Literacy rates remain relatively low in many Arab countries. In only two countries (Jordan and Lebanon) can more than four out of five adults read and write (which, in practice, means “read and write at the fourth grade level”). More than $\frac{3}{4}$ of adults are literate in Kuwait, while adult literacy stands at between $\frac{1}{2}$ to $\frac{2}{3}$ in Algeria, Iraq, Libya, Tunisia, Saudi Arabia, and Syria. Only about half, or fewer, of adults are literate in Egypt, Morocco, Sudan, and Syria.
- Literacy rates in Iran, Israel, and Turkey are considerably higher. The rapid increase in literacy in Iran since the Revolution is especially notable.
- By comparison, the average literacy rate for lower middle income countries (similar to most countries of the Greater Middle East) is nearly 90%.
- The comparatively low levels of literacy contributes to high fertility rates, low foreign direct investment, and low international competitiveness.
- Adult illiteracy is concentrated among women. In only seven counties of the region can a majority of adult women read and write.
- The past generation has seen a dramatic increase in school enrollments of both boys and girls. Nearly all boys are enrolled in primary school in most countries.

- Nearly all girls, are enrolled in primary school in Algeria, Egypt, Jordan, Lebanon, Libya, Syria, and Tunisia.
- The picture is less rosy in countries like Saudi Arabia, Sudan, Oman, Morocco, and Yemen.
- The waste of human resources continues to be appallingly vast.
- Despite these weaknesses, the region's social structures continue to be transformed: increasingly, most residents of the region are urban, with some education, and with increasing access to information about the wider world.

7. SLOWING ENVIRONMENTAL DESTRUCTION

- The costs of environmental neglect may be about 3% of regional GDP.
- Deforestation and soil erosion are particularly serious in parts of Algeria, Morocco, Tunisia, and Yemen. According to the FAO, for example, over 60% of the cultivated land in Morocco is "severely degraded".
- Air pollution adversely affects the health of 60 million urbanites, about 40% of all city dwellers. These numbers could rise to 160 million in ten years, if "business as usual" prevails.
- Some countries, notably Egypt, could be severely impacted by global warming; the country could lose 60% of its cultivated area as sea levels rise by 2050.
- Water pollution is a serious problem. For example, Damietta, Egypt, a city of nearly one million people, has no sewerage system. The city depends entirely on the Nile, which is heavily polluted. Up to 40% of the population in the governorates of Damietta and neighboring Daqahuiyya may be suffering from liver and kidney ailments as a result of such pollution.
- As educational levels rise, people elsewhere in the world have become increasingly sensitive to environmental questions, and have become much more demanding of environmental quality. It seems highly unlikely that NESA residents will be any different.
- Suppression of NGOs (the usual advocates for such demands) and restrictions on press freedom simply guarantee still worse environmental problems. As with famine, so with environmental disaster: freedom of the press, and of association, are good for you, as the Nobel Award in economics, Amartya Sen, has amply documented. The parallels of the region with the former Soviet Union are obvious: *Unaccountable, corrupt governance is helping to destroy the region's natural resource base and ambient environmental quality.*

8. SAVING WATER

- Water scarcity continues to rise in the region. Annual renewable water resources per capita today (about 1,250 m³) are less than ½ of what they were in 1960. By 2025, the number will probably fall to less than 650 m³ (compared to a global average of 4,780 m³ per person per year).
- Water use in ten countries—and Gaza—already exceed 100% of renewable supplies.
- Water quantity problems are exacerbated by water quality problems. The latter become increasingly serious as nations seek to solve the "water quantity" problem through the reuse of water. Technologies exist to do this safely, but they require extensive funds and careful management. Neither are abundant in the region.
- As everywhere in the world, groundwater over-pumping is a serious problem. In Yemen, for example, water pumping stands at over 130% of renewable supplies. The region is "mining" fossil groundwater.
- Powerful interest groups block reallocation and restructuring of the rules of allocation of increasingly scarce water supplies.
- Government water management systems suffer not only from lack of money, but also from managerial cultures which were geared to a situation of relatively abundant water.
- Most water resources in the region are rivers and aquifers which cross international frontiers. There is a sharp clash between economic/engineering logic, which would favor managing a river basin as a unit, and political considerations, marked by fear and distrust of neighboring countries.

9. OBTAINING FOOD

- The Middle East and North African region is the least food self-sufficient region in the world.
- Regional agricultures used more land, water, fertilizer, machines, and labor—all just to keep up with population growth during the past two decades.
- Concerns—often obsessions—with food security have driven policy in this sector for over a generation.
- Food security has often been conflated with food self-sufficiency.
- Policies to achieve the latter have often had disastrous environmental consequences.
- Water constraints doom dreams of self-sufficiency, a fact which is becoming increasingly apparent.
- There is, consequently, no alternative to increased reliance of “virtual water”, or food imports to meet future increased demand for food.
- Managing such a strategy requires robust non-food exports, which, in turn, requires significant policy changes.
- Although the burden of food imports fell in most countries during the past decade, serious further challenges lie ahead.

10. ATTRACTING MONEY FOR INVESTMENT

- Huge sums of money are required to cope with these problems.
- To create enough jobs to keep up with the growing labor force over the next fifteen years will require about:
 - Algeria: \$25 billion
 - Egypt: \$14 billion
 - Iran: \$31 billion
 - Morocco: \$30 billion
 - Tunisia: \$12 billion
- To meet the increasing demand for education in the region as a whole for the next fifteen years may require some \$26 billion per year. Spending on education needs to increase by about 20%.
- Very large sums of money are held “off-shore” by regional residents. Estimates are notoriously unreliable, but reasonable guesses range from a minimum of \$100 billion to over \$800 billion.
- The region has captured only a very small fraction of global FDI (foreign direct investment).
- The efficiency of investment has fallen during the past 25 years (1975-2000).
- All three phenomena—the very large off-shore holdings, the reluctance of foreign firms to invest in the region, and the declining efficiency of investment, are plausibly explained by poor governance, particularly the absence of accountability of governments, and the weakness—or non-existence—of the rule of law.

WHAT IS TO BE DONE?

- The conventional remedy to all of these problems has been, for at least 15 years, the policies of the “Washington Consensus”.
- As a generalization, macroeconomic “policy reform” has been the most successful, as measured by variables such as government deficits as a % of GDP, inflation rates, and (in some cases), real exchange rate over-valuation.
- Sectoral and microeconomic policy change has proceeded more slowly.
- The governance structures created after independence and during the oil boom of the 1970s—state controlled industries, extensive, arbitrary controls, and relative inward-looking trade pictures—remain in place today.
- It is unclear whether changes in such governance structures would, in fact, actually be able to cope with the challenges enumerated earlier. Such changes seem to provide the best management strategy, but there is no guarantee of success.*
- The institutional changes which would be necessary can only come from within societies, because the changes require a strong domestic constituency, and solid domestic legitimacy.

- *It is delusional to think that outside intervention—especially, military intervention—can enhance the quality of governance.* Our historical record in promoting more accountable governance in this way has been poor, and there are strong regional reasons to doubt that the political economy of Middle Eastern countries provides a favorable environment for such externally-driven reform. (See Appendix 2).

*For a detailed argument along these lines, see my “Economic Reform in the Middle East: The Challenge to Governance”, in Nora Behsahel and Daniel L. Byman, eds, *The Future Security Environment in the Middle East*. Santa Monica: RAND, 2004, pp. 57-128.

APPENDIX 2

DEMOCRACY IN THE ARAB REGION: GETTING THERE FROM HERE ¹

Introduction

Successive *Arab Human Development Reports* have extensively documented the “freedom and good governance deficit” in the Arab region. There is likewise consensus that a “democracy deficit” both exists and contributes to the other deficits which have been the focus of previous reports. Although democracy is no panacea for the problems of the Arab region (or of any other region), there are excellent reasons to suppose that more accountable governance would certainly help, and there are firm grounds to support transitions to more democratic governance simply for their own sake.

A “democracy deficit” contributes very strongly to the “freedom deficit”, although, as we all know, democracies can also repress dissent and behave intolerantly. After all, freedom, however conceived, may be threatened not only by the actions of a repressive state apparatus, but also by strong demands for conformity from civil society. A transition to democracy would very likely reduce the first threat to freedom, which would be a huge contribution to the peoples of the region and, indeed, to everyone in the world.

It also seems clear that a democratic transition would make a significant contribution to “development as freedom”, as Nobel Laureate Amartya Sen² has called it. By enhancing accountability, democracy would also very plausibly improve economic governance and stimulate investment. It could, for the same reason, likewise improve environmental protection, and the sustainable growth of the “wealth of nations”. It would almost certainly be an improvement over the current scene, in which corrupt elites enrich themselves while plundering natural capital, neglecting human capital formation by the poor, and impeding physical capital formation by less privileged economic agents.

Students of democracy employ various perspectives on democratization. Some focus on the meaning of fundamental principles such as freedom, equality, participation, and legitimacy. Others concentrate on the institutional structures which are needed, such as an independent judiciary, a functioning parliament, and human rights laws. Still others examine the role and functioning of “civil society” in stimulating the demand for democracy and freedom. Those electing to study “civil society” typically try to explain what the concept means, why it matters, how it is now faring, and what can be done to strengthen it now and in the immediate future. All such studies are very valuable for helping us better to understand democratic institutions. They tell us much about the question, “What is democracy?” They also tell us something about “Who wants democracy?”

They tell us rather less, however, about two other, critical questions: “Who will effect a transition to more democratic governance?” and “How will this transition happen?” They tell us little, in short, about how and by whom democracy is supplied. Now, in an important sense, such questions *cannot*, indeed *should not*, be answered *a priori*, least of all by outsiders. They *cannot* be answered in general, for the region as a whole, simply because of the specificity of national experiences, and because of the vast complexity of events such as democratic transitions. Large scale historical changes of any kind are the product of “conjunctures”—the simultaneous occurrence of many disparate forces. The complexity and indeterminacy of such changes is well-reflected in the fact that historians and political analysts continue to debate, for example, the causes of the French, Russian, Mexican, and Iranian revolutions. They likewise dispute, and will continue to contest, why and how democ-

¹ Alan Richards, Professor of Economics and Environmental Studies, University of California, Santa Cruz, USA. An earlier draft of this appendix was prepared as a background paper for the UNDP’s *Arab Human Development Report*, 2004, at the request of UNDP.

² Amartya Sen, *Development as Freedom*, NY: Anchor Books, 1999.

racy came to Eastern Europe, Korea, Chile, and so on. Such questions also *should not* be answered in advance, because, after all, the self-selection of “who” undertakes democratic transitions, and how they do this, is itself part of the democratic process itself. Such a process, by its very nature, can only unfold with the freely given participation of the relevant social actors.

Nevertheless, there remains a place for analyzing both the questions of “Who?” and “How?” One can sketch some broad answers to these questions without presuming to provide definitive answers, or to pre-empt the actual political process. One may simply point to a few important forces and issues which, in the analyst’s judgment, require the attention of the relevant social actors who, alone, can effect the transition to democracy in any country. This brief paper tries to do this.

The Concept of “Pacted Transitions”

Several insights from the literature on democratic transitions may help us to understand both what forces have impeded democratization in the region, and how more accountable governance may be enhanced. One prominent analysis³ distinguishes between two phases of the transition, “extrication from authoritarian rule”, and “constitution of a democratic one”. When the repressive powers of the state are intact during the transition (e.g., Chile, South Korea), the first process dominates. When these institutions have shattered, typically thanks either to military defeat (e.g., Argentina, Greece) or to strong civilian-party control of the repressive apparatus (Eastern Europe), the second process is “unencumbered by extrication”, which removes (in theory) at least one barrier to success. From a regional perspective, however, one should note that in both the Greek and Argentine cases, the military defeat shattered the legitimacy of the dictatorship, and was not followed by any occupation by foreign forces. The salutary benefits of defeat in war for democracy are easily lost if these two features are absent, as the current Iraqi situation suggests.

Especially for a transition which requires a simultaneous extrication from authoritarianism and a transition to democracy, three features are necessary: 1) a sufficiently large number of reformers within the existing regime must reach an agreement with moderate opponents of the regime; 2) these reformers must persuade military/security “hardliners” within the regime to cooperate with institutional change; and 3) moderates in opposition must contain their allies, more radical opponents of the regime. Only if *all three* conditions are met will it be possible for a large enough set of social actors to believe that a “credible commitment” has been made by *both* current power-wielders *and* their opponents to follow a set of “rules of the game” in which “defeat at the polls” does not mean annihilation. The literature describes (infelicitously, alas) such coalitions and their fruits as “*pacted transitions*”, so called because a tacit agreement or “pact” between moderates inside the government and in opposition is necessary for a transition toward democratic rule.

On the Political Economy of Autocracy in the Arab Region

Several historical forces have conspired to impede such transitions in the Arab region. One major historical force is the dominant position of the military and security apparatuses in Arab polities—many of whose members are “hardliners”. The social formation often known as the “*Mukhabarat State*” is itself very much the product of the struggle against European colonialism and the intersection of that struggle with the Cold War between the US and the USSR. For at least the first two-thirds of the twentieth century, Arabs governments unsurprisingly believed that they needed to be militarily strong to protect their often hard-won independence. (The Anglo-American invasion and occupation of Iraq has revived these fears.) The continued conflict with Israel was and is understandably perceived as an extension of this struggle. And, during the Cold War, an authoritarian military regime could always count on support from one superpower, provided that such an Arab regime made suitable political moves against the other superpower. In short, the fact that the often violent struggle for independence was followed by a half-century of conflict with Israel, in a context of global Cold War, greatly strengthened authoritarianism.

A second critical barrier to transition has been the “low dependence of states on citizens”⁴. This is a variant, of course, of the “*rentier state*” argument⁵. Although

³Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America*. Cambridge: Cambridge University Press, 1991.

⁴E.g., Mick Moore, “Political Underdevelopment”. Paper presented at the 10th Anniversary Conference of the Development Studies Institute, London School of Economics, *New Institutional Theory, Institutional Reform and Poverty Reduction*, London, 7-8 September, 2000. [http://www.ids.ac.uk/ids/govern/pdfs/PolUnderdevel\(refs\).pdf](http://www.ids.ac.uk/ids/govern/pdfs/PolUnderdevel(refs).pdf)

⁵E.g., Kirin Aziz Chaudhry, *The Price of Wealth: Economies and Institutions in the Arab World*. Berkeley and Los Angeles: University of California Press, 1999.

it was first formulated in the context of oil rents, it has and should be extended to include what we might call “strategic rents”, as the preceding paragraph suggests. So long as authoritarian governments have sufficient resources, whatever their other failings, they may have little incentive to reform. Oil and strategic location from a Superpower perspective have provided—and continue to provide—important barriers to “pacted transitions” away from authoritarian rule in the region.

The decline in oil prices in the 1980s and 1990s led to much discussion of the weakening of the “authoritarian social contract” (a presumed tacit agreement, in which the state supposedly supplied social services to the citizens, while citizens reciprocated with loyalty and obedience). Some Arab democrats hoped that softer oil prices would weaken autocrats sufficiently that they would expand the social space for political participation and foster greater accountability in governance. Unfortunately, however, such a change did not occur on any wide scale; further, the current up-tick in oil prices—which many economists think will persist for some time—does not bode well for any further weakening of the “rentier state”.

The Prospects for “Pacted Transitions” to Democracy in the Arab Region

A necessary condition for a “pacted transition” is the willingness of reformers within the state to trust that key regime opponents will both “play by new rules” and control their more radical allies. The problem is fully symmetric: moderate reformers need to know that reformist elements within the state apparatus can and will restrain hardliners. *Understanding the conditions under which such a situation can come about seems essential for understanding how and by whose agency democracy might come to the Arab region.*

In many Arab countries, the best organized opposition forces are those of “political Islam”. The Islamist movement is huge and diffuse, with many national and local variations. Increasingly, what were formerly called “secular nationalists” in opposition have either joined Islamist movements or are co-operating with them politically. The logic of transition to democracy implies that moderates within the Islamist (and nationalist) camp must be willing to play by democratic rules, convince reform elements within the state of their sincerity, and maintain control over their radical allies. It seems highly probable that such a process will be a protracted and complex one, with advances as well as reversals along the way.

Islamists now participate in elections in Bahrain, Jordan, Lebanon, Kuwait, Morocco, Palestine, and Yemen. They have tried to do in Egypt (under the banner of the *Hizb al-Wasat*), where the Muslim Brotherhood has made many statements confirming its support of fundamental democratic changes, such as fair and free elections, the amendment of the laws on political parties and on professional syndicates, and the lifting of the Emergency Law. Such changes are called for by all Egyptian democrats, regardless of other ideological differences. Further afield, Islamists have participated in elections in Bangladesh, Malaysia, Pakistan, and Indonesia. Most pertinently here, the current governing party of the Turkish Republic is Islamist. Many outside observers (e.g., Olivier Roy and Graham Fuller) have noted that there exist strong democratic trends within the (still broader) movements of “political Islam”. One of them (Fuller) has gone so far as to remark, “The charge, ‘One man, one vote, one time’ is no more than a slogan wielded by authoritarians and Westerners who fear Islamist power at the ballot box”.⁶

Nowhere in the world has the transition from authoritarianism toward democracy been simple; the Arab region is likely to be no exception. Vibrant debates over the relation between cultural authenticity and democracy have been going on for some time in the Arab region. Yet precisely because Arab authoritarians have remained stronger than their counterparts in some other Muslim majority countries, an even livelier debate has emerged in Indonesia, Iran, Malaysia, Pakistan, and Turkey. Friends of Arab democracy have much to learn from these discussions.

These debates are particularly revealing concerning questions of the relationship between interpretations of Islam and various forms of democracy. There is no doubt that for Islam, as for other religions, (e.g., Roman Catholicism), religious texts may be interpreted to prohibit democracy. The fact that some prominent Islamic opposition movements (e.g., some *Salafis*) oppose democracy as an alien importation is unsurprising—and hardly decisive. After all, the Roman Catholic Church vociferously opposed democracy throughout the late 19th and early 20th centuries, yet Catholic Europe is today entirely democratic, as is most of largely Catholic Latin America. As noted earlier, Islamist thinkers are now finding ways to ensure that democracy in Muslim majority countries is culturally authentic. In short, despite the deplorably belligerent rhetoric now fashionable in some American circles, there is little reason to suppose that the “culture” of the Arab region constitutes a barrier

⁶Graham E. Fuller, *The Future of Political Islam*. NY: Palgrave Macmillan, 2003, p. 138.

to the transition toward democracy. The political economy model sketched above seems far more parsimonious, and therefore, to many analysts, far more persuasive an explanation of the absence of democracy in the region than ponderous (and often ill-informed) theological pontifications.

Nor is it reasonable to argue that Arab countries are somehow “not ready” for democracy thanks to their current “level of development”. The correlation between democracy and economic development was always rendered suspect by the fact that the world’s largest democracy, India, was also desperately poor. Current levels of literacy, education, and urbanization in the Arab region are certainly high enough to guarantee a vibrant democracy—if the critical political barriers can be overcome.

Although much attention has—rightly—been paid to the question of whether many opposition forces are willing to play by the rules of the democratic game, rather less focus has been directed to the other side of the equation: why and how moderate reformers within the regime can restrain the hard-liners of the *mukhabarat* and armed forces. There are two broad reasons why those in power resist democratization: simple material *self-interest*, and deeply held *ideology*. After all, wielding the levers of power in an autocratic state permits one to garner substantial rents; bluntly stated, tyrants become rich *rentiers*. The hard-liners ask, “Why should we give up our special privileges, our wealth, and our incomes?” One possible response by would-be democratizers could be to show a significant portion of these *rentiers* that democracy threatens their material comfort rather less than they imagine. After all, the knowledge and connections which such people enjoy will continue to be valuable in a democracy. Such a conclusion, after all, seems to have been that drawn by many of the former Soviet *nomenklatura*.

Economic and status benefits do not fully explain autocrats’ reluctance to forge a pacted transition, however. Ideology also matters. The ideological opposition to sharing power which emanates from government circles is usually framed in nationalist terms. Here too, however, Arab democrats have opportunities. After all, autocrats have done rather poorly in defending Arab rights in the international order. The argument that democracy holds out considerably greater hope for whatever genuine national autonomy remains possible in today’s globalized, interdependent world may find a friendly hearing among forward-looking military officers. After all, for nearly all of these men, patriotism runs very deep. It is at least possible that an Islamist-nationalist opposition could forge a “pact” with patriotic reformers within government. The devil, as always, will be in the details of the pact, the levels of trust of the respective parties, and the conjuncture within which the pact is negotiated. But such a pact seems to offer the best prospects for a transition to an authentically Arab democracy.

The Difficult Conjuncture of the First Years of the 21st Century

The key point is that *the barriers to a transition away from authoritarianism toward democracy in the Arab region are fundamentally political*. Unfortunately, current developments are far from encouraging here. The continued, increasingly brutal Israeli occupation of the West Bank and Gaza has not only destroyed whatever nascent democracy may have been emerging in Palestine, but has also greatly increased the nervousness of Arab security services and militaries everywhere. The fact that the world’s sole superpower simply refuses to restrain the Israeli government helps to ensure that the conflict will get worse, not better. Such a situation, in addition to being a grave and on-going human rights disaster, impedes “pacted transitions” toward democracy by encouraging both hardline authoritarians within governments and extremists in opposition. The American invasion and occupation of Iraq has further increased the already high level of nervousness among Arab military and security elites, while greatly strengthening the popular appeal of the arguments of anti-democratic radicals such as those of *al-Qaeda*.

The American reaction to the events of September 11, 2001 has also provided a poor environment for “pacted transitions”. From a political economy perspective, the main result of the post 9/11 policy shifts in the US has been to ensure that any authoritarian who resolutely pursued violent enemies of the US could depend upon US support. Such a policy stance, of course, further bolsters hardliners within authoritarian regimes, giving them fewer reasons than before to seek accommodation with opposition elements.

The final barrier, then, to a transition to democracy in the Arab region is that the world’s sole superpower does not really want it to happen, pious neo-conservative rhetoric notwithstanding. As Talleyrand famously remarked, “Nations do not have friends, they have interests”. So long as “American interests” in the Arab region are defined as they are currently, namely, 1) support for Israel, regardless of her occupation policies in the West Bank and Gaza, 2) opposition to any single state having even short-run market power over oil prices, and 3) opposition to any regime

which might harbor terrorists, US policy actions (as opposed to rhetoric and marginal activities, such as some support for some NGOs) are likely to undermine “pacted transitions”.

This is fundamentally the case because the opposition in nearly all Arab countries is dominated by the forces of political Islam. Would the US really welcome a “pacted transition” in which, say, moderate Muslim Brothers and reformist, patriotic generals in Egypt agreed to share power? Even assuming that the thorny internal problems of “credible commitment to the democratic rules of the game” had been surmounted, wouldn’t the US oppose such a government—a government which would certainly vociferously oppose current American policy in Palestine and Iraq, for example? Given the current balance of forces in the world today, wouldn’t that opposition endanger the transition?

The situation in the Arab region today resembles that of Latin America during the Cold War, when American paranoia about Marxism undermined existing democracies and blocked nascent “pacted transitions”. As in today’s Arab region, the internal and external obstacles to a democratic transition helped to create and reinforce one another; the US strengthened hardliners (and, therefore, also radicals in opposition), partly because it feared that Marxists would not play by the democratic rules of the game if they won elections. Moderates in opposition were weakened, because radicals could plausibly argue that winning an election would be meaningless, since the hardliners, with US help, would engineer a coup to overthrow an elected opposition government. Substitute “Islamist” for “Marxist”, and you have a reasonable picture of the key dynamics currently thwarting a transition to democracy in the Arab region.

Friends of such transitions, in the Arab region and in the US, will have much work to do in the months and years ahead. Some of us hope that the recent Turkish election may set a standard of an elected, truly democratic, Islamist government. If hardliners in the Turkish military, radicals in the Turkish opposition, and the US government can all refrain from undermining the current government, the Turkish case could set an important precedent for the Arab region. If so, progress toward closing the “democracy deficit” may accelerate.

It would also greatly help, of course, if the world’s only superpower reversed its current declared policy of unilateral military intervention, as well as modified its opposition to the accession to power—democratically—of the forces of political Islam. Unfortunately, current political and cultural trends in the United States are not encouraging in this regard. Until these trends are reversed, democratization in the Arab region will continue to face difficult obstacles. In these grim times, however, it may be helpful to remember how quickly historical tides may shift. We can only hope that such a shift may be forthcoming, and soon.

The CHAIRMAN. Thank you very much, Dr. Richards.

Let me state at the outset that I appreciate the work that Dr. Cronin has done on the Millennium Challenge idea. Clearly I referenced that as a model of how our own efforts are proceeding. I think you have offered, Dr. Richards, some very, very important thoughts about the Millennium Challenge if we are anticipating intrusion or attempting to wring out results from many of the countries in the Middle East that we are talking about today. Indeed, we were attempting to avoid the patronage trap that Prince Hassan mentioned earlier on simply because, as a practical matter, it really will not work. Unfortunately, as you point out from your recent conference, the Pew Foundation and others have found very, very deep resentment of our country, well beyond that perhaps, in the expressions of a few.

As you say, it is a daunting task to be talking about how some changes in which we are involved might occur. I tried to point out in my dialog with Prince Hassan that Americans are interested in change, both from a humanitarian standpoint and from a political one. I suppose, with some optimism, that the American people, hope to foster the expression of democratic sentiments, freedom of the press and speech and so forth. These are likely to make the world safer in due course, although maybe not initially. Both of you

point out that democratic governments in the area that we are talking about might be very hostile to us also. There may be expressions of people in that democracy who are not finding what we are doing to be any more compatible than those that are not so.

Let us say that we, just for sake of argument, had a Trust fund and the United States has made a generous contribution to the fund. Likewise, some of the members of the G-8 decide to make contributions. Maybe, as I suggested, Saudi Arabia might, too, although this is simply a hypothetical case. But there could be other countries in the area who have some wealth that would find this to be a useful vehicle. If so, that would make the dialog among those that were setting up either criteria for objectives, or who gets the money, more meaningful, I suppose, the more cosmopolitan and wider the group.

What sort of proposals are likely to come from any nation at this point? In other words, for the thing to work, the Trust fund is set up and the money is there. The assumption is that often with trust funds people are brimming with ideas of candidates for change. They are eager to compete for the resources.

But is this so? Is it likely that there would be a line of potential recipients who would want to make use of this? There are some skeptics who would say that there is not going to be much of a line as a matter of fact. You are waiting for countries to come to the Trust fund and suggest ways that they might do things. We heard earlier today about microbanking and loans of this sort, certain literacy projects, maybe even humanitarian health objectives. But that is not exactly why we are headed into this fund. There are other funds that handle these sorts of things, although this one might be well advised to head down that path to buildup some trust.

Do either of you have any idea of who the potential recipients might be? Why would anybody would be interested in the concept, and would anybody come to the party?

Dr. CRONIN. Thank you, Mr. Chairman. I think there would be people interested in receiving these grants from a Trust fund. Obviously, the context does cloud the issue, but I assume this context can improve and change with time. This is not a fixed state.

We looked at this issue, in fact, post September 11 at the more than 100 activities we are already conducting at USAID on the ground throughout these countries, and we had relatively few missions in the Middle East. We had Jordan and Egypt, of course, but we only reopened Yemen subsequent to that. We were actually drawing down in Morocco. And a lot of these countries were wealthier countries where we did not have missions on the ground, although clearly we had embassies. So you have a variety of different levels of interaction. Along the lines of the three areas I mentioned, political reform, education essentially, and economic opportunity, there was a range of activities and a range of abilities for civil society, whether in Alexandria, Egypt, for instance, to create an open space of civil society there, or in Cairo, whether to help train journalists, again create space that way, or whether it was much more focused on microenterprise, small, medium enterprise loans and grants to set up a business to really supplement education.

A couple of cautionary note, just in terms of the discrepancy. Outside of the Middle East proper, I think of Pakistan in the late 1990s, the World Bank focused all of the donor money on a so-called social action plan to really help health and education, which are lagging behind. At the end of spending \$8 billion, the exact same amount was being spent per capita in Pakistan on health and education as before the \$8 billion from outside went in the country. So there is this black hole where you could pour in a lot of outside money and not change the situation at all, which is why getting to specific goals in an agreement is useful and then coming up with specific plans that, based on their own merits, are essential and they have to be audited and look at the results. I think you can find, again, a whole array of different activities that could be very helpful.

Governments may want to opt more for the social action plan kind of approach of essentially budget support. Civil society, individual organizations may also opt for a much smaller level. Does it add up to national change is a good question.

And maybe related to my colleague's very poignant testimony, one of the challenges we face as a government is whether or not we can engage Islam. In Indonesia, again to take a non-Middle East example, look at what we have failed to do on the ground with very successful aid programs. We have not engaged the two largest Islamic organizations that are actually responsible for promoting democracy in Indonesia and a moderate form of Islam as well.

The CHAIRMAN. We heard from the multinational bank hearing that we conducted, that there is a desire on the part of many countries for so-called budgetary support. That should not be ruled out. In fact, the multinational banks have made a lot of such loans. But I think as you pointed out, Dr. Cronin, it is very important that there be some third-party auditing that is pretty good because speaking of black holes, if you were going on the budgetary support of the United States, you could lose a lot of money very rapidly and not have much to show for it. Unhappily that has been the case sometimes elsewhere.

On the other hand, one of the problems of all the third-party auditing are the charges of intrusion that somehow or other you are reaching in and examining how the government works, which indeed you are doing. One of the dilemmas in a government that has a fair degree of corruption—and many governments do—is that there may be some whistleblowing and some political embarrassment from the whole process.

Now, how all of this is to be separated while doing good defys a lot of very wise people, but needs to be thought of in advance as we initiate some new situation, particularly given the antagonism toward the United States. This would perhaps be mitigated by the international quality of the Trust fund, by the board of directors, by those doing the job, and so forth. So at least the blame would be spread more widely. But even here, it could be placed on the wealthy countries. If you have just the G-8, perhaps the antagonism would be not just toward the United States but toward others, the haves as opposed to others that have not.

I think these are questions that we are wrestling with in this dialog. The purpose of the hearing is to try to flesh out for our own government some issues that I think they must address.

Yes, Dr. Richards.

Dr. RICHARDS. My response to your question would be to stress the importance of the context. The context is all important. If there is progress, perceived-to-be progress in the region on what Senator Biden described as the two elephants in the room of Iraq and the Israeli-Palestinian conflict, first, and second, if there is genuine change coming internally in the region in the form of what I view as—after all, democracy is a political process, as Prince Hassan has said. This process is domestic and it is fundamentally political. And if there is this ongoing kind of a pact, a tendency toward a deal between the moderates in opposition and the moderates in government, then all kinds of things are possible. We might see proposals covering the whole range of the things that Dr. Cronin outlined: civil society, economic restructuring, education. You might see a lot of them.

But if those things are not taking place, either the two elephants or the internal political deal necessary to get a kind of democracy of whatever sort functioning, then I think there are two dangers. One danger is that anything that we do will really not matter very much because without that internal deal, we are really just putting Band-Aids here and there. And second, it could even be worse. As you know well, we could be perceived to be the Judas kiss, the kiss of death, that the United States is embracing these people and they want nothing to do with us.

So I would just stress the answer to your question will depend almost entirely on the context.

The CHAIRMAN. On that context issue, we just heard Prince Hassan suggesting perhaps temporarily that this be confined to what he described as 40 million people, Iraq and Palestine and Israel and maybe Jordan, because that is a context in which these two basic political issues have to be addressed, and some progress presumably has to be made. Others might not agree with the narrowness of that idea, but it certainly does address the situation that you have just discussed.

I will yield to my colleague, Senator Brownback, for his questions.

Senator BROWNBACK. Thank you, Mr. Chairman. Thank you, gentlemen, for being here.

I appreciate your thoughts that you are putting forward. Particularly Professor Richards, I was looking at your conclusions about a half century ago we thought we could shape what was taking place in China; we failed. We thought we could shape things in Southeast Asia; we failed. We thought we could shape things in Russia; we failed. I would look at all that and wonder, well, then maybe we should not be trying here at all.

But I would also suggest to you maybe you are reading it a little harsher in the history. A number of those countries are moving much in the direction of open societies and democracy, and while our efforts perhaps were not as successful as we would like and not moving as fast as we would like certainly in places like China and in others in that region, there has been a movement overall clearly

toward an open society and democracy in those regions even though our attempts may not have been as successful as we would like. So reasonable efforts with reasonable goals should be our design, but most of all, I think we have to stand on principles and do the best we can ourselves of being a good democracy, of being a solid country, of trying to walk wisely.

The other thing I would really question—and this is something that I have been troubled about since being on this committee. When I first became a committee member, I chaired the Middle East Subcommittee and held a number of hearings and met with a number of Arab leaders, traveled the region. Every one of them blamed the Israeli-Palestinian conflict for anything that happened in the region. That was their summation of basically any problem that took place. Well, if you could resolve the Israeli-Palestinian conflict, everything goes away. If you could resolve that, we would have better education, we would have open societies, we would have virtually everything. And I listened and for a period of time I thought, OK, I can see how that is an irritant and a difficult thing in the region and we should be paying attention to it.

We, by that point in time, had invested a good 20 years in kind of a land for peace or some different type of design of a little land for a little peace type of arrangement. We were on Oslo at the time. We had preceded that with other types of discussions, of trying to get some resolution within the region. All the while, it seemed to be a very useful excuse for a number of the Arab leaders not to engage democratizing or opening their societies up or providing for real economic opportunity or involving women in the society. So the more I looked at it and studied it, I thought, while this is a key issue—there is no question about it—for too long it has been used as an excuse not to engage and to open up a society and to educate greater their own people, to open up for more democracy and human rights and religious throughout the region.

So while I think we clearly need to be engaged in the Israeli-Palestinian conflict—and right now we have difficulty with that of having an interlocutor on the Palestinian side that we can work well with—I just do not think we should allow that sort of blame game to be played on us by the Arab leadership in the region and saying the rest of this does not move forward effectively without this moving forward effectively. I would hope that we would push both, but push them separately and independently, and not have the linkages be made nor allow the linkages to be made.

Now, people are going to draw their own conclusions and believe what they want to believe themselves. We certainly cannot change that. We can try to be as wise and as humble in our own policies as possible and not do things that exacerbate it maybe more than we need to. But these need to be pushed on separate tracks and independent of each other and pushed regardless of each other.

Having open societies in the Arab world and human rights, religious freedoms, gender equality, is good in that region. It is good for the people there, and it is a fundamental principle on which we stand. And we push these principles everywhere and people can accuse us of heavy-handedness or whatever they would like to. But these are things that we have stood for and they have stood the test of time. We are at our best when we stand on principles and

at our worst I think when we forget them and try to say, well, OK, we cannot really do that here because we are hunting for al-Qaeda now and we need to work with this dictator in this particular country or this monarch in that country because he is helping us with al-Qaeda. That is useful.

But we did that model in the 1970s in Central and South America where a number of countries were headed by dictators, military dictators, but they were not Communist and we were against the Communists. So we worked with these dictators, but the people resented it and it hurt us on a longer-term basis because we did not stand on our own principles.

So I would hope we would not just play into the blame game in the region but we would just stand on our principles that we have stood for, that we have stood for around the world, that we have been hesitant about standing on in the Middle East and the Islamic world for various reasons, but we have been hesitant about standing on principle there. I think we would be far wiser to do that and to do modest measures that, while they may not be as successful as we would like, continue to point the way toward open societies, free societies, and that people that are vested themselves in their own societies are the most motivated and produce the greatest abilities and the greatest opportunities for people of a country.

That is long to say that I can see some possibilities here in what Senator Lugar has, that you have as well, but my rationale at coming at it would be somewhat different from the support that you look at it.

I do hope, Mr. Chairman, we can work on these sorts of issues in a modest framework where we are after big goals but realize the limitations of what we can get done. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Brownback.

Let me just followup the Senator's question and statement by asking, in the Greater Middle East situation, what difference does the presence of madrassas schools, and the large number of young people who come from that type of training, make in relation to the matters that we are talking about today? Pessimists would say that there are some countries in which a large number of students have very little prospect of an education, aside from these religious-oriented schools. The extremism that comes into their lives, and their motivation, does not make them candidates for the hopeful policies that we are discussing today. It may be that they have a theological view that people who are outside of their way of thinking are enemies. As a result, they engage in conflict.

Clearly, as we have all been discussing, on the security side, leaving aside the humanitarian side, this is a serious problem. These people seem to form the cores of terrorist groups or of those who sympathize with them and who sort of cheer them on. That is really daunting, leaving aside general antipathy toward the United States or the West or so forth. What if in those societies there are people, in fair numbers, with this kind of extreme commitment? How do we meet this problem? Do you have a thought about that, Dr. Richards?

Dr. RICHARDS. If we had about 5 days, we could talk about that. It is such a huge topic.

Maybe the most useful thing I could say is I was asked to write a short monograph for the Army War College, which is in their monograph series, that is called "Socioeconomic Roots of Islamic Radicalism." It talks about these different things and makes some suggestions about the way we might best deal with this kind of phenomenon.

Your specific question about the madrassas schools depends very much on what country you are talking about. In Pakistan, yes, it is an important thing. In Egypt, it is really quite minor, and so forth. It all depends on where exactly you are. In Yemen, they exist but some of them then join the Islah Party which is an Islamist party, but which nevertheless interacts in the government and is not necessarily that they do not like a lot of American policies, but they are not a violent threat to us necessarily. So it all depends on the specifics.

More generally, I would say part of perhaps the key of the daunting task that we face is that today from Morocco to Iran, there are something like 300 million people. Nearly two-thirds of those people are under 30 and half of them are under 20. Another 100 million will be added by 2015. We are facing the largest generation of young Arabs and Muslims in the history of the planet. We all know from our own experiences in life that what happens to us politically when we are young shapes the way we think for a long time. After all, look at my own baby boom generation with the disparate experiences of Vietnam. It shaped people's politics.

What is going on right now is absolutely poisonous in the region because, it seems to me, to be quite blunt, Osama bin Laden is winning. He is doing very well not in the military sense. It is not a military conflict except in part. It is a political conflict. And the thing that disturbs me the most is that his poisonous message is finding many more recipients, much more friendly reception in all kinds of different circles, not just in the madrassas. But these kinds of things that my friend, John Waterbury, mentions, all of this sort of thing is what disturbs me the most.

I think your proposal can help this, but it all depends on the context. It all depends on what else is going on and what else our own government is doing and other things that are happening over which we have no control. One of the things I very much liked about your proposal was precisely the humility borne, no doubt, of your great experience in understanding that the United States can really only do certain things. We can only do so much. As Dr. Cronin has said, there are all kinds of examples from elsewhere in the world where we are simply not capable of doing things. As I said in my remarks, we Americans are a very impatient people. We like results right away. This is not going to happen in this particular area.

The CHAIRMAN. Well, thank you for your comment about my proposal. It is modest because I suspect that probably the overall thoughts you have just expressed are the more difficult challenge that we have. I have gone forward with this idea in large part because our government officially has come forward with a proposal, which it was planning to go to the G-8 with, is visiting with other countries about, and which was running into some difficulty which you and other witnesses have described. So as opposed to simply

being an arm chair critic and saying you folks you are not doing very well, why, you try to step up to the plate and offer a suggestion.

But the context, the background for this is really so important. The idea of daunting, which keeps coming up, is clearly there.

Just out of curiosity—and you are probably right this is sort of a five-chapter, five-session situation—when you make the comment that Osama bin Laden’s message is getting greater resonance with young people—and you suggest half of the 300 million are under 20 and so forth—why? What are some of the reasons why that would be a winning message?

Dr. RICHARDS. These reasons would include, but not be limited to, first, the kinds of socioeconomic problems that have been alluded to at various times in testimony today. The simple way to say it is this generation is, first, very large. Second, there is widespread unemployment, particularly typically concentrated among those with some education. So they have some education, no jobs, living in cities for the first time, cities that are crumbling where the only place that is calm and quiet and cool when outside is dusty and noisy and hot and chaotic, is the mosque. Further, their governments are perceived, with some reason too often, to be illegitimate, autocratic, unresponsive. So they are very angry at their governments. Their societies are not producing what they need. Yet, they have some education and there is this huge ferment going on about, well, how do we cope with these kinds of problems. So far, the kinds of arguments that appear to be in the region the most culturally authentic are those of political Islam of one sort or another.

As I stress, Osama bin Laden is only an extreme loony in that huge political movement. There are many kinds of political Islamism that we can easily work with. That is the critical task. We need to be able to make those kinds of distinctions, and to some extent, we already are doing this, but doing this better, more often, and more thoroughly would be absolutely crucial.

Finally, of course, when these young people see on television all the time—they are just like everyone else. They may not have the same Internet access because their governments block it, but they have access to television and they can watch it, as you know well, in their own language. They watch al Jazeera. They watch al Manara from Beirut. They watch all these things and they can see the kind of violence, of course, spun in that one way as our news is spun in another way, and this has an impact on people.

So these are just some of the features.

The CHAIRMAN. Dr. Cronin, do you have a comment about any of this?

Dr. CRONIN. Well, the one thing I would add, Mr. Chairman, is that we also have weak state institutions in many cases on the educational side. So there is very little of a counterweight to madrassas, if they happen to be radical. Dr. Richards is right. This is a much bigger problem in Pakistan, for instance, which has some 10,000 madrassas but maybe only 1 percent may be radical, but still, maybe that is a bigger number now than a year ago. Who knows?

In any event, the fixing of state educational institutions in large countries like Pakistan and Egypt are a huge challenge. Just as I mentioned the social action plan failed in Pakistan, Egypt's education bureaucracy may be one of the worst. So it is a very, very daunting challenge even for well-intentioned and logical trusts to try to fix quickly. This is going to take a generation. We hopefully have to deal with this huge Arab youth bulge, but look out a generation from now and hopefully have done a better job at promoting reform and partnership than we have done maybe in the past 20 years.

The CHAIRMAN. Well, can ideas such as the ones we are talking about today, whether they be a trust or grants or what have you, make an impact upon educational systems in countries? We have problems reforming education in our country because people do have status and they do things the same way. Obviously, there has to be some substitute for the madrassas, or for whatever else fosters extremists. But how we intrude into those societies and effect some marked change, even in a generation, is not really clear to me. I ask the two of you. I think it is probably an important objective, but it may be a bridge too far in these initial efforts. I am not certain. Would anybody step up and apply for educational grants if we had a trust and that type of opportunity?

Dr. CRONIN. Well, I think, first of all, you would see the governments interested in trying to provide greater budget support. The question is could you structure that budget support and audit it in a way that it would be helpful. We ran into this problem with Pakistan right after the Afghan war in trying to structure assistance to Pakistan. I am not sure we did the best job. You could maybe insist upon a bit more intrusive accountability if you have the government requesting this assistance obviously.

I think the answer is yes, Senator, there are ways: UNESCO from the United Nations education organization, to working with NGOs, to providing direct government assistance, to indigenous groups in these countries. There are a number of ways to provide educational support.

In Egypt, for instance, they wanted to focus mostly on the top level of education that leads to jobs. So that might mix in something like, ironically, information technology, the Internet, which is being repressed, as Dr. Richards said. But if you could imagine Cairo University, this Internet university, opening up political space, in tandem with taking technical assistance so that the Egyptians could take a leading role in the Internet and an information-based economy that would lead to real jobs for some of these people, I think that could be one small way of making some tangible progress. But it does rely upon the right political space in Egypt. It relies upon the right regulatory environment so you can make this more equitable.

So from basic education, you can support these programs. They are well established through a number of international organizations. The secondary and higher education is something that is less well funded. There is our own exchange question about our own ability to bring our knowledge and to transfer it to build our own capacity, our Arab-speaking abilities up to speed. These programs have atrophied internationally, not just toward the region. Those

could be supported somehow. English language is something that is attractive regardless of the views of the United States policy I believe.

I think the question of finding other ways for increasing information through a free press, just as the Arab media have essentially multiplied, I think there are ways, even within the constraints on a free press, to try to encourage professionalism and the flow of information in a way that could be very constructive for longer-term reform and even economic growth.

That is a very long answer, Senator. There is no easy way, but I think there are proposals out there that could be effective in addressing this on a country-by-country or a regional basis within a country.

The CHAIRMAN. Dr. Richards.

Dr. RICHARDS. I agree with most of what Dr. Cronin said. Let me just add two additional small points.

First of all, it seems to me that the function of proposals such as yours, should it come to be enacted, is not really even so much the specific grants that are made. I know some friends of mine who work for the World Bank tell me that it is not so much our World Bank loans that cause change. The existence of those loans really undergirds our policy dialog between the bank and the government about what kind of policies we should have.

So I think an analogy here may be appropriate with your Trust proposal. It could be, under the right conditions, given a favorable context with those two dimensions of the context that I mentioned before, that in such a context it might promote the kind of policy dialog, for example, on the education front. Suppose, for example, that there were an Arab government that was undergoing some kind of transition to a genuine democracy where people at fairly high levels in the government were energized and fully believed the findings of the Arab Human Development Report of last year, of 2003, which is all about, as you know, education. And suppose then through that, they came up with some specific proposals and then came to the Trust. Well, under those circumstances, many things could be possible. Obviously, you would have to look at the specific proposal and so forth, but it could easily do things and we could promote a kind of a dialog and help.

But that is really all we can do. We have to let them make proposals and work together with them, we, other members of the G-8, and countries of the region, formulating these kinds of proposals.

The CHAIRMAN. That is an important comment, that the Arab report of 2003 does go into education. So if you were attempting to find some chapter and verse upon which people in some countries might want to act, it is an Arab proposal and indigenous in that respect.

Dr. Cronin.

Dr. CRONIN. Mr. Chairman, could I just add one other thought that occurred to me? And that is that it would also help with your Trust proposal if the Saudis, for instance, were contributing to this, then that vehicle would be seen as a positive way of working where those funds could go, as opposed to sending charitable funds to radical madrassas which could be exacerbating the problem rather than solving the issue.

The CHAIRMAN. I appreciate that comment. I would mention that these endorsements I suppose are conditional and superficial, but after the Brookings speech, Prince Bandar went out of his way to indicate that he found a lot of merit in this proposal. Since Saudis were named as a potential donor, why, that was more significant perhaps, but interesting. Likewise, Prince Hassan, whom we heard today, has been interested not necessarily in my proposal but in this general area of trying to think through how our government might be constructive. He realizes, as we do, that it is very important that we do the right thing if we are hoping to be successful. We certainly do hope so, given all the challenges that you both have mentioned and other witnesses.

Well, I thank you again for coming and for your patience in an extensive hearing, one which I think has been helpful.

Dr. RICHARDS. Thank you.

Dr. CRONIN. Thank you very much.

The CHAIRMAN. Thank you very much, and the hearing is adjourned.

[Whereupon, at 12:46 p.m., the committee adjourned, to reconvene subject to the call of the Chair.]

