

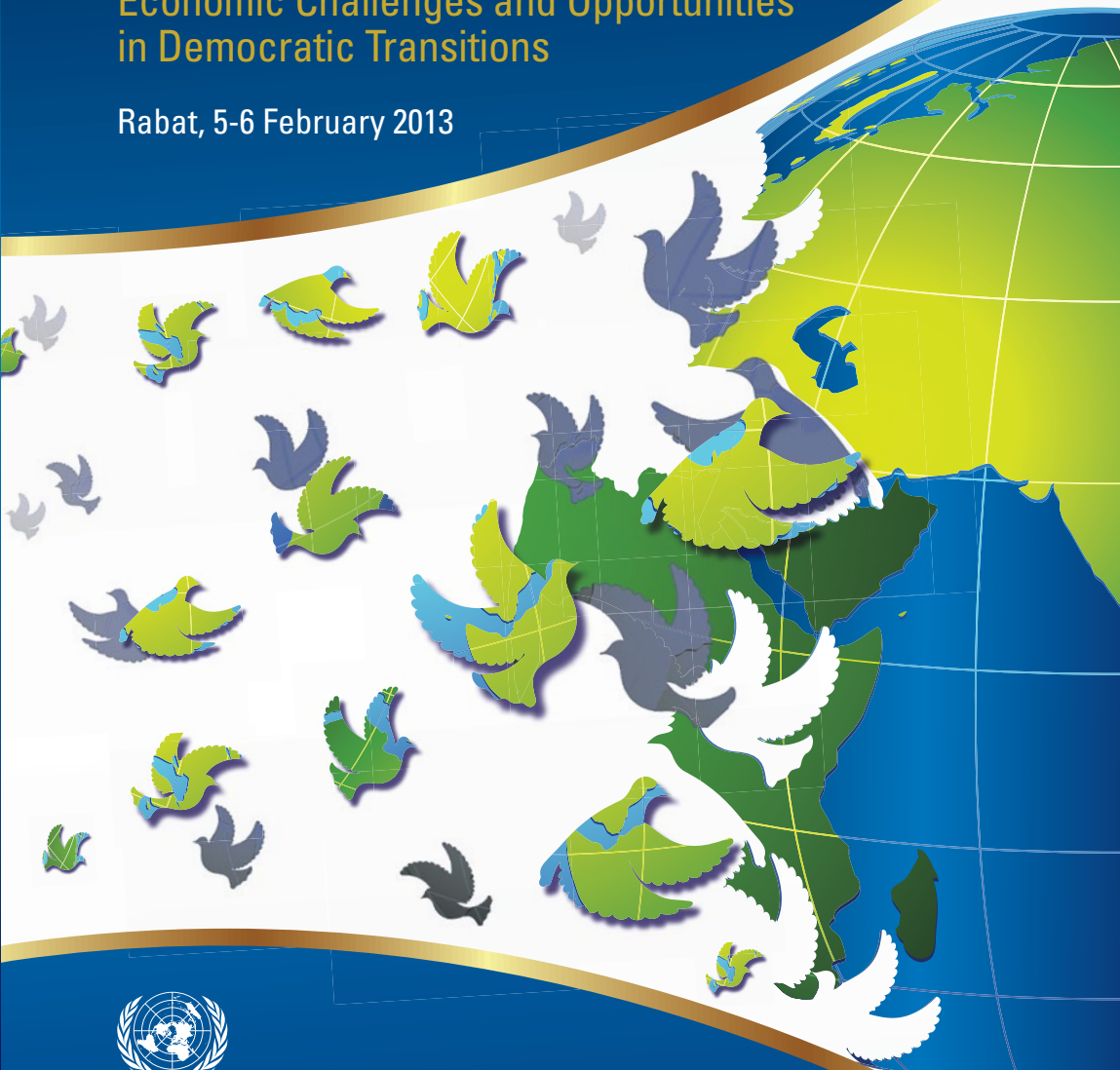
Economic and Social Commission for Western Asia

Report of the High-Level Meeting on

Beyond Populism

Economic Challenges and Opportunities
in Democratic Transitions

Rabat, 5-6 February 2013



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This meeting was carried out with the aid of a grant from the International Development Research Centre, Ottawa, Canada.

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Summary

Two years after the start of the Arab uprisings, newly elected Governments in countries undergoing democratic transition are struggling with political instability and social unrest. Nevertheless, there remains a pressing need to address socioeconomic deficits and social vulnerabilities without resorting to populist policies. To date, many Arab Governments have responded with politically expedient, but ill-conceived and costly programmes, which are unsustainable in the long term. Several countries are also turning to international aid before achieving national consensus on development plans or learning from previous plans.

The experiences of European and Asian countries that have undergone similar transitions have shown that political instability, economic slowdown and increases in social vulnerabilities are typical during periods of political transition. They have also demonstrated the relationship between democratic transition and the establishment of strong and inclusive political and economic systems. In the Arab region, political reform debates have overshadowed discussions on economic reform and its challenges and opportunities, without tackling the links between the two issues. To address these economic challenges and opportunities, the High-Level Meeting on Beyond Populism: Economic Challenges and Opportunities in Democratic Transitions was jointly organized by the Economic and Social Commission for Western Asia and the other United Nations regional commissions, in collaboration with the Ministry for General Affairs and Governance of Morocco. It was held in Rabat, on 5 and 6 February 2013.

The second in a series of three, the meeting brought together high-level Arab and international leaders

The experiences of European and Asian countries have shown that political instability, economic slowdown and increases in social vulnerabilities are typical during periods of political transition

and development practitioners to discuss the short-term economic challenges faced by countries during democratic transition and to explore global best practices and lessons learned in economic reform. The meeting resulted in a set of key messages relating to a number of issues, including economic populism, asset recovery, the roles of the private and public sectors, governance of natural resources, development aid, economic models, ethics and Arab integration.

Report of the High-Level Meeting on
Beyond Populism: Economic Challenges
and Opportunities in Democratic Transitions

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Introduction

1. Socioeconomic discontent fuelled the Arab uprisings that were characterized by demands for freedom, justice and dignity. However, two years after the start of the protests, Arab countries undergoing democratic transition are facing greater economic hardships, triggered in part by political and social unrest and past policies, thus highlighting the urgent need for economic reform in the Arab region, which has lagged behind political reform.

2. To tackle this issue, the High-Level Meeting on Beyond Populism: Economic Challenges and Opportunities in Democratic Transitions was organized jointly by the Economic and Social Commission for Western Asia (ESCWA) and the other United Nations regional commissions, namely the Economic Commission for Europe (ECE), the Economic and Social Commission for Asia and the Pacific (ESCAP), the Economic Commission for Latin America and the Caribbean (ECLAC) and the Economic Commission for Africa (ECA); in collaboration with the Ministry for General Affairs and Governance of Morocco. It was held in Rabat, on 5 and 6 February 2013, and opened by the Minister of State, Mr. Abdallah Baha, representing His Majesty King Muhammad VI. The meeting was funded by the International Development Research Centre.

The meeting provided a forum for Arab leaders and policymakers to discuss with leaders from around the world the short-term economic challenges faced by countries during democratic transition

3. The second in a series of three, the meeting provided a forum for Arab leaders and policymakers to discuss with leaders from around the world the short-term economic challenges faced by countries during democratic transition, and explore global best practices and lessons learned in economic reform. The meeting sought to examine ways to manage people's expectations in the short and

medium terms; identify key mechanisms for restoring confidence and building consensus to achieve economic growth and social justice; explore the potential role of regional and international intervention; support democratic transition and tackle short-term challenges; promote South-South cooperation and networking; and identify the priority needs of member States and their expectations from the United Nations and other donors.

I. Key Messages

4. The meeting resulted in a number of key messages deemed necessary for a sound political transition and for addressing accompanying economic challenges. These included the following:
 - a. Economic populism: can represent a threat to long-term growth and stability and should be kept in check through appropriate measures. A transparent political discourse is needed to achieve public support for unpopular reforms;
 - b. Succession of reforms: there is no blueprint for reform. While it is preferable for economic reform to go hand in hand with political reform, country specificities should dictate the succession of reforms and trade-offs to be made in the short term to ensure sociopolitical stability. Nevertheless, the symbiotic relationship between economic development and democracy cannot be underestimated;
 - c. Choosing an economic model and breaking with the past: the failure of economic models adopted by former regimes should not lead newly elected Governments to pursue diametrically opposed models. A diagnosis of past approaches is necessary to shed light on the reforms needed to achieve both growth and equity;
 - d. Consensus-building: societal and political consensus around a future vision and needed reforms

Societal and political consensus around a future vision and needed reforms is paramount during a political transition

is paramount during a political transition and challenging economic circumstances;

- e. Role of the private sector: nepotism and crony capitalism distorted the role of the private sector under former autocratic regimes. A top priority during the current phase of transition is to re-establish the role of the private sector as an engine of growth and employment generation;
- f. Role of the State: future Arab Governments should play a proactive role in balancing between needed structural transformations to achieve growth and maintain social justice;
- g. Asset recovery: constitutes a moral obligation for all parties involved, to both prevent impunity, and to invest funds into development where needed. Genuine efforts by Arab countries and the international community are needed to prevent illicit movement of funds and to hasten the restitution of stolen funds to Arab countries;
- h. Governance of natural resources: several Arab countries are endowed with natural resources that have so far only served to instate a rentier economy and a system of dependency. The experiences of European other countries point to the importance of ensuring intra-generational and inter-generational equity in terms of benefit from natural resource revenues, and of balancing private sector involvement and national sovereignty over resources;
- i. Support of the international community: interference in national sovereignty can be disguised as international aid and support. A delicate balance needs to be struck between assistance provided by the international community to support human rights and protect people, and political interference in recipient countries;
- j. Development aid: while the need for development aid might be unavoidable, control measures are necessary to ensure the most effective

A delicate balance needs to be struck between assistance provided by the international community to support human rights and protect people, and political interference in recipient countries

use of funds. It is also important to assess any conditionality imposed in return for aid. An international review of the approaches adopted by development aid institutions and credit rating agencies is needed if developing countries are to exit the poverty trap;

- k. Ethics and development: the call for separating religion and State should not be equated with a separation of ethics from politics. The infusion of ethics inspired by Islam and other religions into public life could consolidate the gains of democratic transitions;
- l. Arab regional integration and cooperation: are pillars of growth and stability in the region. The call for reform sweeping through Arab countries should also encompass the institutions of joint Arab action, including development banks. The presence of democratically elected Governments should boost the mandates and operations of such institutions;
- m. Young people, elites and ideologies: efforts need to be made to bridge the gap between the aspirations of young people and elite actions, away from pre-set ideologies. Despite their importance, current ideological debates on religion, culture and identity should not divert attention from issues crippling Arab economic development.

II. Recommendations

- 5. The meeting resulted in the following recommendations:
 - a. To form a committee comprising some of the meeting's participants to consider the economic reforms needed in Arab transition countries;
 - b. To follow up with substantive work and policy briefs on key challenges facing Arab countries.

Efforts need to be made to bridge the gap between the aspirations of young people and elite actions

III. Discussion Topics

6. The meeting was organized in sessions structured around the following two main themes: from autocracy to democracy: the voices of the many and the decisions of the few; and external support and national sovereignty: navigating the minefield.
7. Under the first theme, discussions focused on the following two main topics: restless democrats: managing expectations beyond populist policies; and growth and social equity: policy trade-offs.

A. Restless Democrats: Managing Expectations beyond Populist Policies

8. The session was moderated by Ms. Noleen Heyzer, Executive Secretary of ESCAP.
Ms. Heyzer stressed that democratic transition could not be sustained without economic and social transformation, noting that the real challenge lay in going beyond short-term populist policies so as to build inclusive and pro-poor economies that deliver prosperity and social equity. Quoting the former United States President Woodrow Wilson, she pointed out that democracy was more about adhering to a set of principles than to a specific form of Government, and that those principles included equality and respect for human rights and dignity. She called upon Governments of countries undergoing democratic transition to focus less on managing popular expectations and more on understanding their triggers to address them in the long term. She noted that there were many examples from the Asia-Pacific region that policymakers from the Arab region could draw upon.

Democratic transition cannot be sustained without economic and social transformation

1. Presentations

a. Windows of opportunity: Constructing developmental States in democratic transition

9. In his presentation, Mr. Korn Chatikavanij, former Thai Finance Minister, warned against falling into the so-called “democracy trap” of spiralling populist competition among political parties to win votes. He referred to the experience of Thailand in this area, where populist policies had initially been relatively “rational” and had included subsidies for rice farmers, the provision of free education and health-care services for all and the refinancing of borrowings from loan sharks. However, those policies had later been affected by political competition and “irrational” support, such as tax rebates for car buyers, and excessive rice subsidies had become a real burden on the government budget and had deflected funds that could have been used to finance more sustainable projects.
10. He also said that populism was inevitable in a democracy, given that political parties would eventually resort to some form of populist policies to gain ground. However, not all forms of populism were bad but it was important is to establish measures to protect economies from excessive populism, by adopting national debt ceilings or limiting expenditures financed by debt to basic socioeconomic spending, such as education, health, food, housing and infrastructure. He gave an example of a “good” form of populism that had recently been applied in Thailand, involving the creation of a National Savings Fund where personal savings were matched by the State.
11. In conclusion, he recommended an economic development model with private sector participation.

It is important to establish measures to protect economies from excessive populism

He noted, however, that for such a model to succeed, there was a need to establish institutions that would ensure good governance and consumer protection, and to create laws that would promote fair competition and prevent corruption. In particular, the existence of an independent central bank and regulatory bodies for key sectors, such as energy, telecommunications and transport, would avoid the need for populist policies while ensuring the good governance of such resources.

***b. Innovative partnerships or a game of musical chairs:
The public-private nexus***

12. Mr. Rizal Ramli, former Finance Minister of Indonesia, discussed the role of the State in development. He said that it was a controversial and highly debated topic, with special importance in developing countries where States were closely associated with corruption, poor governance and inefficiency. He summarized the two key contrasting views on the role of the State, the first being the neo-liberal view promoting a minimum role for Governments and relying on free market forces. Adopted by the International Monetary Fund (IMF) and the World Bank, he noted that this approach might provide a quick-fix in the short term, however, its long term sustainability depended on a country's continuous ability to finance it, whether through loans (tied to stipulations) or through the increased exploitation of natural resources (including oil). Such a model would therefore create problems in the long term, the most critical being a heavy debt burden, which would eventually constrain growth, reduce social spending and promote inequality. He added that the application of such a model was thought to be behind the failed development of the 1980s and 1990s and that only in rare cases involving small countries, such as Hong Kong, had the neo-liberal

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path of development yielded growth accompanied by reduced poverty and inequality.

13. He then presented the structural approach, which calls for a proactive and dynamic role by the State in promoting structural transformations; a model that was successfully followed by East Asian countries, such as China, Japan, Malaysia and Singapore. Although each country would require its own “prescription” depending on its circumstances, he called for government investment to increase the supply of food at stable prices, given the importance of food availability in reducing poverty and ensuring social stability. He also called for adopting industrial policies, including appropriate exchange rate and credit policies to improve national capacities in value-added industries, giving each country comparative advantages in specific sectors. He added that adopting an aggressive export strategy was a key ingredient for success; however, it required the promotion of innovation and international quality standards.
14. With regard to the private sector, he contrasted how corporations in East Asian countries, such as in China, Japan and Korea, sought to maximize market shares through lower profit margins, while corporations in the West mostly strove to maximize profit. He expressed his regard for the East Asian model that absorbed more labour and built endogenous capacity.
15. He concluded by emphasizing the importance of social spending on health, education, housing and other public services that were essential building blocks for balanced and sustainable human development. He stressed that democracy without law only benefited elites, while legal reform was needed to make democracy work for the majority.

Democracy without law only benefits elites; legal reform is needed to make democracy work for the majority

He cited the extreme example of Indonesia, where democracy had been hampered by poor law enforcement, and Singapore where democracy was lacking whereas laws were being enforced, noting that the latter example might be preferred by citizens and businesses. Police reform during democratic transition was equally important to prevent abuse of power.

c. Planting the seeds of democratic success: Economic and fiscal challenges for countries in transition

16. Mr. Fouad Siniora, former Lebanese Prime Minister and Minister of Finance, began his presentation by stating that, in the long term, democracy led to higher economic well-being, which had been proven by the experiences of other countries. In the short term, however, Arab countries undergoing transition would face a typical but complex situation, stemming from three main challenges: worsening short-term economic conditions because of fragile political situations and a lack of investor confidence; higher public expectations for immediate remedies to pressing matters that have long been neglected; and deep-rooted fundamental imbalances nurtured by former regimes favouring wealth redistribution for their benefit rather than wealth creation. Transition countries should avoid responding to those challenges through inconsistent populist measures.
17. He expressed his hope that the newly elected authorities in the Arab region would have the mandate to undertake bold structural reforms, leading to power and income redistribution. He called upon authorities to derive the right lessons from the failed experiences of former regimes, and not to rush into false or misleading conclusions. He referred specifically to the failed experiences of applying economic liberalism and cautioned

In the long term, democracy leads to higher economic well-being

that such failures should not encourage transition Governments to adopt economic dirigisme. He added that the macroeconomic policies adopted by outgoing regimes had had some positive outcomes, including reduced fiscal deficits, stabilized inflation and improved balance of payments. However, non-transparent privatization deals, toothless regulatory agencies and ineffective subsidy programmes, among others things, had eroded the benefits of true liberalism. In his opinion, liberalism, in its true form, had never been fully implemented in the Arab region so it was therefore impossible to claim that it had failed. New Governments should therefore carefully navigate the thin line between breaking from the past and avoiding previous failures.

18. He put forward the following three-track accelerated reform agenda:

- a. Tackling political, institutional and judicial reforms to ensure accountability, transparency, the rule of law and good governance. Press freedom and the separation and balance of the three branches of Government should be accompanied by a transparent and realistic political discourse to manage public expectations;
- b. Improving supra-structures and business environments, including the upgrade of business and labour laws, to encourage private sector investment. This should be combined with infrastructure improvements, including power, telecommunication and transport networks, provided that empowered government regulatory agencies are established to ensure quality of service and oversight. The Arab development banks have a major role to play in financing such projects under concessionary terms;
- c. Building well-designed social safety nets to replace the existing expensive and inefficient subsidies that currently encourage consumption rather than

Press freedom and the separation and balance of the three branches of Government should be accompanied by a transparent and realistic political discourse to manage public expectations

protect the vulnerable. New successful models, such as the Bolsa Familia programme in Brazil, could be emulated in the Arab region.

19. To implement this agenda, he called for capitalizing on global and regional support. Strong Arab-Arab integration should not be understood as charity from the rich to the poor, but should rather stem from a concept of a region investing in its own well-being and common security, since no Arab country could thrive on its own, regardless of size or wealth. Serious political will was needed to start implementing formerly launched regional initiatives, such as an intra-Arab railway and the free Arab economic zone, and to ensure that the region would have a seat at the global economy table in the future.

2. Discussion

20. Participants reaffirmed the importance of fighting populism and the need for a transparent political discourse that would instil public confidence in the system. Present circumstances in transition countries called for an open cultural dialogue between secular and religious parties to reach political consensus and avoid violence. Newly elected parties should acknowledge that their current leadership status is temporary and allow for pluralism as a basic element of democracy. Some participants were of the view that the current debates between secular and religious parties was simply “noise” concealing the real underlying issues. Efforts needed to focus on tackling real challenges, such as corruption, oligarchy and the separation of powers. They agreed that there was a need for systematic reform of legal systems so as to fight corruption effectively, such as the creation of a special court for reforming bureaucracy.

Present circumstances in transition countries call for an open cultural dialogue between secular and religious parties to reach political consensus and avoid violence

21. Regarding the best economic model to adopt, different views were put forward on the adequacy of economic liberalism and the role of the State. Some participants affirmed that a free market economy was the best approach despite past failures. Others suggested that, depending on country specificities, a blend of models could be adopted, maintaining the benefits of past economic models and introducing new features, such as wider participation in policymaking processes. For example, properly managed subsidy programmes could have a positive impact on poverty and food security, and therefore on social stability.
22. Some participants voiced concern that the situation in the Syrian Arab Republic presented particularly difficult challenges, including the reestablishment of social cohesion and the absorption of previous combatants as partners for peace. Moreover, following the restoration of stability, transitional measures must be developed to gradually absorb public sector employees into the private sector, and to engage with private sector enterprises that had benefitted from the old regime to prevent a potential witch-hunt of perceived “collaborators”.

B. Growth and Social Equity: Policy Trade-Offs

23. The session was moderated by Mr. Antonio Prado, Deputy Executive Secretary of ECLAC, who reaffirmed the importance of income distribution and income growth as mainstays for sustainable development. He highlighted the following three ways of achieving better wealth redistribution: adopting sustainable options for financing social spending; improving the quality of labour markets and enforcing labour laws; and blending relevant Islamic principles in socioeconomic policies.

Properly managed subsidy programmes can have a positive impact on poverty and food security, and therefore on social stability

1. Presentations

a. Equitable development of the people, for the people: Options for public finance

24. Mr. Gouda Abdel-Khalek, former Egyptian Minister for Supply and Domestic Trade, began by noting that current changes in the Arab region represented a true revolution that would impact the lives of all Arabs. It therefore deserved patience, since such spectacular change could not happen over a short period of time, especially in view of unfavourable global economic conditions and negative regional spill-over effects. Two years after the start of the uprisings in Egypt, little had actually been accomplished to meet popular demands reflected in the revolutionary slogan of “bread, freedom and social justice”. Ongoing public protests and other expressions of social grievance were a testimony to this failure. He said that a tight fiscal space represented one of the main short- to medium-term challenges for social justice, noting that social justice needed to be understood through its three dimensions: horizontal (across the population), vertical (across generations) and spatial (rural versus urban).
25. He went on to outline the following measures taken in Egypt after 25 January 2011:
 - a. Setting a minimum wage and a maximum/minimum wage ratio of 30:1 within government departments;
 - b. Introducing progressive taxation on income;
 - c. Implementing measures to address inequality of opportunity in health care, education and employment; a flagrant problem in rural areas;
 - d. Introducing sectoral policy measures; an incentive notably benefitting Egyptian wheat farmers.
26. He also provided a snapshot of current economic conditions in Egypt after the revolution, characterized

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by low gross domestic product (GDP) growth, decreased foreign currency reserves and increased domestic debt, poverty rates and unemployment, notably among young people. Under those conditions, Egypt was seeking a substantial loan from IMF, conditional on the implementation of a set of revenue-increasing and expenditure reducing measures, which he criticized as being anti-social justice. He cited, for example, the government decision to raise sales tax on cigarettes, chewing tobacco and the use of cellular phones, which mainly impact the poor.

27. He compared the economic challenges currently faced by Egypt to those of other Arab countries undergoing democratic transition, all grappling with conflicting approaches for tackling mounting popular demands and managing relations with international economic institutions under a narrow fiscal space. He also pointed to the rise of Islamist political forces that threatened to create a national divide. He added that, under such circumstances, it was difficult to develop new constitutions defining the social contract and type of economic system to be adopted. He expressed his fear that such economy-polity interactions might lead to bread riots and popular requests to reinstate older regimes.

b. Building a democracy of citizens: The right to employment and decent work

28. Ms. Elena Salgado, former Deputy Prime Minister of Spain, gave a presentation in which she highlighted the Spanish experience of democratic transition that took place at the end of the 1970s. One of its main features was that economic reform went hand in hand with political reform, and that all the changes introduced were based on strong social consensus. At the time, Spain had been

In Spain, at the end of the 1970s, economic reform went hand in hand with political reform

facing a number of economic challenges, including high inflation, low rates of participation in labour markets, underemployment reflected in worker concentration in non-competitive sectors and weak social safety nets.

29. All political parties in Spain had participated in a consensus-building exercise, the outcome of which materialized in the “Pactos de la Moncloa” (the Moncloa agreements), in October 1977. The main elements of these agreements included the following: a restriction on wage increases that was agreed upon with the trade unions for the purpose of limiting inflation; the gradual introduction of free education; the introduction of a progressive tax system that included all segments of society; the devaluation of the exchange rate with an immediate gain in competitiveness; and the significant extension of social safety nets, including pensions and health care. The Government had clearly communicated the difficulties facing Spaniards during the political transition and the sacrifices that the population would have to make in the short term. By building widespread consensus, public dissent over hard hitting reforms had remained under control despite the rise in unemployment experienced in the years following the adoption of the agreements.
30. Based on this experience, she stressed the importance of consensus-building for sustaining processes of political change. She said that consensus on the type of economy to be adopted by a country was of particular importance and should be defined within the constitution. She recommended that economic policies be designed for the long term, while allowing enough flexibility to build resilience against disturbances in the short term. Currency devaluation combined with inflation control could help competitiveness while wage

Consensus-building is important for sustaining processes of political change

control could act as one effective measure to limit inflation. She suggested that Governments establish a minimum family revenue rather than a minimum individual wage. In addition, wage increases should be linked to gains in productivity only and not to past inflation so as to avoid further inflation. Excessive segmentation of the labour market should be avoided as it hurt competitiveness. Regarding safety nets, Governments should seek to protect employees, rather than protecting jobs (through wage subsidies, for example, or by increasing public employment), which would be much more costly in the long term. She added that public investment in infrastructure and building human capital through training were important elements for improving youth employment rates.

c. From the street to the political arena: Islamist parties between ideology and economic policies

31. Mr. Numan Kurtulmuş, Deputy Chairman for Economic Affairs of the Turkish Justice and Development Party (JDP), gave a presentation highlighting the experience of JDP in transforming the political and economic system in Turkey over the past decade. He began by emphasizing that JDP defined itself as a political party that respected Islamic tradition, rather than as an Islamist party. He discussed his country's past top-down, authoritarian Westernization programme that distanced the country from Islamic tradition, and the successive military interventions that marked its recent history.
32. He then focused on the democratic transformation efforts exerted by JDP since 2002, which centred on dismantling the military over political and economic systems and the empowerment of Turkish citizens. The party had sought to ensure macroeconomic stability by reducing the influence of monopolistic

Public investment in infrastructure and building human capital through training are important elements for improving youth employment rates

capital holders, who flourished under the protection of the military.

33. He provided a summary of the key economic measures that JDP intended to implement over the next 10 years so as to increase Turkish international competitiveness and income generation capacity, while restoring social justice. Those included the following: boosting investment in research and development; supporting the young middle class that constituted the most vibrant segment of the economy; and increasing the purchasing power of lower income classes by ensuring their participation in the economy. He added that “trans-border synergy corridors” were also being developed to boost the regional economy.
34. He said that the historical wisdom of Abrahamic religions, including Islam, offered a number of lessons and fundamental principles that could help overcome contemporary challenges facing the Arab region and the world in general. For example, Abrahamic tradition had long warned about political oligarchy (as in the order of the Pharaohs), economic hegemony (as in the order of the Qarun) and ideological and religious castes (as in the order of Balaam). They were threats that the world continued to face and that could only be prevented through a return to fundamental principles and moral values, such as freedom and equality of all at creation and the *maarouf* principle (universal good). He emphasized that new economic structures were needed that prioritized people over politics and markets, and justice over power, while ensuring the universality of *maarouf*.

New economic structures are needed that prioritize people over politics and markets, and justice over power

2. Discussion

35. Participants voiced concerns over the current cultural schism facing the Arab region, which had evolved into an element of conflict that was

hampering consensus-building regarding the role of the State and the type of economy that countries wanted to adopt. Some participants saw in this cultural crisis evidence of the incapacity of Arab elites to act within the principles and values of democracy and to accept differences in opinion.

36. Several participants questioned the role of financial institutions such as IMF and suggested Arab regional cooperation as a potential alternative. Arab transition countries resorting to IMF despite the failure of past structural reform experiences in the region raised questions as to whether the decision-making process has changed at all following the uprisings. Many participants expressed concern that despite the political change that had taken place in a number of countries, pre-uprising policies still existed; a sign that revolutionary forces had not succeeded in placing their representatives in parliaments, or that Arab Governments were still unable to make their own decisions.
37. Some participants attributed the continuation of pre-uprising policies to a lack of analysis of economic conditions before the Arab uprisings. For instance, several Arab countries had experienced relatively good economic growth over the last decade; however, because of the global financial crisis, the economic delivery system in those countries had failed, and a close examination of the reasons behind that failure should have been conducted to avoid repeating the same mistakes. In addition, basic definitions and approaches should have been reviewed regarding the role of the private sector; the existing structure and composition of the middle class; and the means to address the informal economy.
38. There seemed to be consensus on the need to infuse ethics into politics. However, participants

Basic definitions and approaches should be reviewed regarding the role of the private sector; the existing structure and composition of the middle class; and the means to address the informal economy

also pointed out that two years after the Arab uprisings, the young people who had been initially mobilized by the Islamist movement and inspired by their strong call for social justice, were now concerned that political control and social conservatism were overshadowing the social justice agenda. Some participants favoured a total separation between religion and politics, calling for a short-term focus on select socioeconomic reforms. Others favoured a more holistic, multitrack approach to deal with political despotism, corruption and maldistribution of wealth. Participants agreed that a decision-making process involving all parties, as opposed to a top-down process, was crucial for public acceptance and the success of reform measures.

39. Under the second theme (external support and national sovereignty: navigating the minefield), discussions focused on the following topics.

C. External Support to Fledgling Democracies: a Blessing or a Curse?

A decision-making process involving all parties, as opposed to a top-down process, is crucial for public acceptance and the success of reform measures

40. The session was moderated by Mr. Haytham Manna, Spokesperson for the Arab Commission for Human Rights, who said that we lived in an era where national sovereignty had become a relative issue with multiple concepts and levels. He pointed out that international human rights organizations were sometimes unable to take certain positions, knowing that it would make them lose the support of global powers. He said that the Syrian case was a flagrant demonstration of the constraints under which those organizations operated, although he believed that they could, and should, do more for democracy in the Arab region.

1. Presentations

a. Empowered democrats and competing demands: Managing natural resources

41. A presentation was given by M. Einar Steensnæs, former Norwegian Minister of Petroleum and Energy and Senior Adviser at the Oslo Centre for Peace and Human Rights. He began by saying that, while disagreement was a feature of democratic regimes, Norway had always maintained national consensus on three core issues, specifically foreign policy, its pension system and the management of natural resources. In relation to the latter, consensus and policy constancy were critical since long-term investments needed to be made and committed to for two to three decades.
42. He affirmed that the management of natural resources had many pitfalls, and international experiences had shown that countries endowed with them often performed poorly compared to those that were not resource abundant, hence the term “resource curse”. He said that if a country depended heavily on a single commodity, its economy became vulnerable to fluctuations in the price of that material. In addition, rather than leading to growth and improved standards of living for the whole population, the benefits from the exploitation of natural resources were sometimes lost because of corruption and lack of good governance. As such, resource-rich countries faced the following two main challenges: ensuring fair distribution of benefits between citizens through transparent systems; and ensuring fair distribution between generations by taking into consideration environmental and climate change impacts.
43. He went on to highlight the Norwegian experience in managing oil resources. In 1990, Norway established

Rather than leading to growth and improved standards of living for the whole population, the benefits from the exploitation of natural resources were sometimes lost because of corruption and lack of good governance

the Petroleum Fund under the supervision of the Central Bank where oil returns were channelled and invested abroad, notably through moderate risk investments in emerging markets. Political parties attempted to use those funds to make populist promises and win votes. To prevent such a trend, the fund was later renamed the Pension Fund, reflecting the Government's strategy to support long-term public savings for financing national insurance pension expenditures. While the present generation could also benefit from this wealth, a fiscal rule was enacted that limited the annual transfer of money from the Fund to the State budget to 4 per cent of the Fund's capital. The exact percentage could be slightly adjusted from one year to the next to maintain a stable State budget. He added that Norway had established an Advisory Board on Ethics in 2004 to evaluate investments and prevent any violation of international law.

It is important to balance between two distinct and sometimes opposing objectives: attracting private investors to benefit from their expertise and technology; and ensuring national control over natural resources

44. He concluded by stressing the importance of balancing between two distinct and sometimes opposing objectives: attracting private investors to benefit from their expertise and technology; and ensuring national control over natural resources. He explained that when oil extraction began in the mid 1960s, Norway had not possessed the needed expertise, so it had relied completely on international companies. However, Norwegian personnel had always been present on the oil platforms to learn. A few years later, Norway had developed the technical expertise it needed to ensure that 50 per cent of exploitation was undertaken by its national oil company, Statoil. With time, this requirement had been relaxed allowing for more flexible arrangements depending on the project. This provided for an overall balance between international and national actors. In 2001, Statoil had been partly privatized and allowed to compete

with other international companies, while a new public company was being established (Petoro) to manage the Norwegian portfolio of exploration and production licences. These changes allowed Norway to benefit fully from its resources while maintaining sovereignty over them.

b. Mind the gap: International civil society organizations and State sovereignty

45. Ms. Houriya Mashour, Minister for Human Rights in Yemen, gave a presentation that highlighted the trade-off that sometimes needed to be made between the benefits from international civil society organizations' (ICSO) assistance, and their potential interference with State sovereignty. She based her intervention on the case of Yemen, where ICSOs (mostly United Nations, European or American) played a positive role during the transition period that started in 2011, characterized by relative chaos and the inability of some government institutions to provide basic services. ICSOs operating in Yemen had focused their interventions in two main areas: providing humanitarian assistance, including food, shelter and medicine, notably to an increasing number of internally displaced persons and refugees from the horn of Africa; and monitoring violations of human rights and freedoms and reporting them to Yemeni authorities. She noted that the operations of ICSOs were generally governed by the rules and protocols included in bilateral agreements between the Yemeni Government and those organizations.

46. However, she stressed that it was sometimes difficult to speak of absolute State sovereignty in view of globalization and international relations. One case that illustrated this point was the Gulf Cooperation Council (GCC) initiative to end the conflict in Yemen with a political transition road map, agreed upon by

It is sometimes difficult to speak of absolute State sovereignty in view of globalization and international relations

the former ruling party and the former opposition. The agreement had been considered unconstitutional, since the fourth article on operational mechanisms had stipulated that the initiative would replace all existing constitutional and legal arrangements and would not be challenged by State institutions. Yemenis were divided over the agreement, with young people particularly against it, believing it did not reflect their aspirations for radical change that would eventually lead to a modern, democratic and civil government. Supporters of the agreement had been of the view that the initiative offered a reasonable scenario for a peaceful transition.

47. She said that the international community had played a role in promoting the acceptance of the initiative by all Yemenis, by ensuring that its operational mechanism had clear commitments to human rights, and by the issuance of two Security Council resolutions, asserting the right to peaceful demonstrations, supporting women rights and calling for the application of transitional justice and good governance principles.
48. She concluded by stressing the need for clear standards governing the operations of ICSOs, especially given the sensitivity of the upcoming period in Yemen, which involved national dialogue on the constitution. In addition, she focused on the need to increase the transparency of dealings between ICSOs and national civil society organizations, especially given that their number rose from 7,000 to 12,000 in 2011 alone, and many of those did not have a clear mandate.

c. To catch a thief: Recuperating stolen assets

49. Mr. Bertrand Louis, Swiss Ambassador to Morocco, began his presentation by stressing the importance

of asset recovery in the context of democratic transition in the Arab region and of addressing existing misinformation between lawful asset owners and receiving countries. He said that corruption in general, and stolen assets in particular, represented a serious threat to development. He estimated that between \$20 billion and \$40 billion were stolen yearly from developing countries through the misappropriation of funds and other corrupt practices, mainly undertaken by politically exposed persons entrusted with public functions. Those funds represented lost opportunities for development.

50. He highlighted the following two main mechanisms through which Switzerland tackled the financial criminality of politically exposed persons: prevention of illegal asset transfer; and legal assistance and restitution of illicit assets. Under the first mechanism, Switzerland enforced a strong anti-money laundering legislation that obliged banks to “know their customers” and to report suspicious transactions that might lead to blocking of the related accounts. However, and within the framework of mutual legal assistance, Switzerland cooperated with any country that submitted a request concerning suspicious accounts provided it offered evidence that could be used in criminal procedures. In such a case, Switzerland would return the funds to their rightful owners and would ensure those funds did not flow back to the pool of criminal financial capital. He added that Switzerland supported several internationally coordinated groups combating illicit assets, such as the International Centre for Asset Recovery and the Stolen Assets Recovery Initiative, and organized yearly expert meetings in Lausanne, Switzerland, on the subject.

51. Over the past 15 years, Switzerland had returned around \$1.7 billion to their countries of origin, the

Corruption in general, and stolen assets in particular, represent a serious threat to development

There are four important success factors in asset recovery: trust between the assets' lawful owners and receiving countries; political will and stability in the requesting countries; capacity-building efforts in receiving countries; and a realistic management of expectations as to the timeframe required for the proceedings to conclude and for the restitution of funds

highest figure among all other financial centres in the world. He gave an overview of the most important asset recovery cases that Switzerland had dealt with during that period, noting that the method applied in each case was different: escrow accounts (Philippines), monitoring by national authorities (Peru), joint Swiss/World Bank monitoring (Nigeria), and trilateral United States/Swiss/World Bank monitoring (Kazakhstan). It should be noted that the time span between the freezing of assets and their restitution might be very long, reaching 17 years in the Marcos case in the Philippines, for example.

52. He discussed the steps taken by Switzerland in the wake of the Arab uprisings to freeze and reconstitute stolen funds. He commended the prompt action taken by the Swiss Federal Council, which had used its constitutional powers to impose an asset freeze immediately after former presidents Ben Ali and Mubarak were overthrown, prompting others such as the European Union to follow suit. The main objective was to prevent assets of potentially illicit origin being withdrawn from Switzerland before their origin could be legally clarified. In addition, Switzerland encouraged the countries of origin (Egypt and Tunisia) to submit requests for mutual legal assistance, resulting in CHF 60 million frozen in the case of Tunisia and \$700 million in the case of Egypt.
53. He concluded by stressing on the following four important success factors in asset recovery: trust between the assets' lawful owners and receiving countries; political will and stability in the requesting countries; capacity-building efforts in receiving countries; and a realistic management of expectations as to the timeframe required for the proceedings to conclude and for the restitution of funds.

2. Discussion

54. Several participants questioned the lack of support by the international community regarding the transition process taking place in the Arab region. They said that transitions that had previously occurred in other areas of the world, such as in Eastern Europe, received much more support. While the G8 countries had not honoured the commitments made at their summit in Deauville, France, in May 2011, the Gulf countries had provided varying levels of support, although participants worried that such support was not based on an established economic development programme, but rather on a political agenda. Participants called for a stronger role for the Arab development funds and for specialized programmes to be launched by those funds that meet needs in the region.
55. With regard to the management of natural resources, some participants feared that the rentier economy created by the excessive reliance on oil and gas revenues in the Arab region had allowed corruption to thrive and had stifled political participation. They discussed the mechanisms that were needed to raise accountability and promote the good governance of natural resources. Participants also indicated that national monitoring systems seemed to lack the capacity to effectively tackle corruption, noting that the measures taken to date were mostly fragmented and did not form part of an overall clear strategy.
56. Participants agreed that the concept of national sovereignty had become such an elusive, controversial and relative concept, noting that it should not be used as an excuse to prevent international intervention to protect human rights. A clear distinction should be made between

The concept of national sovereignty should not be used as an excuse to prevent international intervention to protect human rights

interference in the affairs of other Governments, and interventions led by independent and reputable international organizations with clear objectives.

57. The topic of asset recovery generated considerable debate, with all participants agreeing that a huge opportunity had been lost on development, because of illicit capital outflows. They stressed the importance of stolen-asset recovery for Arab countries, which was vital to boost the economy (in Egypt and Tunisia), rebuild the country (in Libya and the Syrian Arab Republic) and tackle underdevelopment (in Yemen). Moreover, several participants said that countries that received illicit funds had a moral obligation to facilitate asset recovery, while requesting countries should persevere in their requests irrespective of the amounts involved and despite the efforts required, so as to prevent the prevalence of impunity. A number of questions and concerns were raised, including the following:
- a. Why developed countries were accepting those funds to begin with, and whether they were really exerting the efforts needed to investigate their origin to prevent illicit outflows;
 - b. The stipulations that were sometimes imposed on requesting countries for the recovery of stolen assets, can compromise national sovereignty;
 - c. The long timeframe for recuperating assets, noting that most often only a small fraction of frozen assets was returned;
 - d. Whether it was in the interest of countries holding stolen assets to return them to their lawful owners, and the impact of this on their economies, especially under the current financial global crisis, particularly in Europe;
 - e. The challenge in locating stolen assets, especially given that they were sometimes stolen over several decades, and the international efforts needed to facilitate the process;

Requesting countries should persevere in their requests irrespective of the amounts involved and despite the efforts required, so as to prevent the prevalence of impunity

- f. The possibility of establishing an Arab programme, perhaps under the auspices of the League of Arab States, to support asset recovery efforts; it should be noted that neither Libya nor Yemen have filed mutual legal assistance requests, which are legally required for asset freezing.

D. One People, Different Identities: Regional Integration and Cooperation

- 58. The session was moderated by Mr. Tarik Mitri, Special Representative of the Secretary-General to Libya, who said that in the age of globalization, national Governments were considered too big to deal with small, local problems, and too small to deal with big, global problems. That applied more now than ever in Arab countries, meaning that regional integration and cooperation currently bore special significance.

1. Presentations

a. Returns on investment: National interest, official development assistance and external loans

- 59. Mr. Mohamed Najib Boulif, Delegate Minister for General Affairs and Governance in Morocco, gave a presentation, emphasizing that external development assistance was foremost a political issue, even when the objectives were of an economic and social nature. The relationships between donor countries or agencies and aid receiving countries always reflected the cultural and political ideologies and interests of the donors, who sought to establish a foothold for their policies in receiving countries. This was made obvious through the stipulations imposed in exchange for aid, examples of which were abundant worldwide. He noted that, unfortunately, promises of aid were sometimes made by donor countries for

In the age of globalization, national Governments are considered too big to deal with small, local problems, and too small to deal with big, global problems

political or electoral motives only, and did not always materialize (or would take a long time to do so), as in the case of the Deauville Partnership with Arab Countries in Transition and the pledge to establish a transition fund.

60. Nevertheless, he expressed some optimism that the newly elected Governments of Arab transition countries should now be in a better position to negotiate their terms of aid. He expressed fear that those Governments were now pressed to seek foreign aid with a view to triggering growth and maintaining basic standards of living, particularly for the most vulnerable populations, while the prevailing social and political unrest was preventing them from establishing a sound development model as basis for aid requests. He raised concerns that under such pressure, Governments might again lose the independence of their economic decision-making, and that such aid, if not well thought through and managed, might reinforce the economic dependency of receiving countries.

61. He addressed the issue of financial rating, which he believed to be unfair for developing countries, because the same rigid marking system was applied to all countries regardless of their levels of development. The rating had a critical impact on the terms of credit and other aid received. When the rating was low, creditors might demand higher interest rates, which placed an already fragile economy under a bigger burden that threatened to undermine it even more, therefore “trapping” the receiving country in a vicious circle of underdevelopment. He questioned both the intentions and the capacities of those credit rating agencies, whose scores could be misleading and that had made serious mistakes in the past, such as failing to properly assess a number of economies

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in Europe that had recently collapsed. He therefore called for the establishment of a fair rating system and for a serious re-evaluation of the approach used by rating agencies, noting that they should not represent any group of countries.

b. The European Union and regional integration: Models and policy options

62. Mr. Carlos Westendorp, Secretary General of the Club de Madrid, made a case for regional integration in his presentation. He began by praising the application of the “subsidiarity principle” - one of the underlying bases of the European Union - whereby decisions could be made at the most efficient level, either local (through decentralization) or supranational (through regional integration). He noted the many benefits that Europe was able to achieve through its integration: long-term peace and security; economic prosperity and social protection; and better capacity to cope with global problems through a common principle of justice in internal affairs. He also said that, while the current financial crisis affecting Europe reflected weaknesses in the monetary union, specifically in terms of the need for more integration of economic governance, the crisis should not be seen as evidence of the failure of the European Union model but rather as a need for even more integration.

63. He gave an overview of the different stages of European “Mediterranean Policy” that had evolved since the 1970s into what is now referred to as the European Neighbourhood Policy (ENP). He criticized ENP for failing to achieve the desired level of integration because of its excessive “euro centrism”, focusing on short-term interests of individual countries and unilaterally imposed trade rules. Lack of funding and the inclusion of the Israeli-Arab

The many benefits that Europe had achieved through its integration are: long-term peace and security; economic prosperity and social protection; and better capacity to cope with global problems through a common principle of justice in internal affairs

conflict in the equation were also among the limiting factors of ENP. He referred to the following two important changes that had pushed Europe to recast its policy in the region towards the reinforcement of integration, prosperity, stability and security: the first change was of a global nature and was embodied in the shift of the centre of political and economic power from the West to the East; the second was of a regional nature and resulted from the expectations and challenges created by the Arab uprisings. The recently launched Partnership for Democracy and Shared Prosperity with the Southern Mediterranean followed an incentive-based approach (“more for more”) and focused European aid on the following three elements: democracy and institutions; partnership and civil society; and sustainable and inclusive growth. The success of this partnership would depend mostly on the level of regional cooperation attained by Arab countries.

Regional integration, accompanied by a homogeneous regulatory framework, predictable rules and an integrated energy, communications and transport policy, is a crucial driver of economic growth

64. He said that Europe and southern Arab partners shared the same interests, since European security and stability depended on that of its neighbours, which in turn depended on their economic development. Regional integration, accompanied by a homogeneous regulatory framework, predictable rules and an integrated energy, communications and transport policy, was a crucial driver of economic growth as it provided for economies of scale and boosted intraregional trade. He noted that intraregional trade in North Africa was one of the lowest compared to other regions of the world, which had huge lost opportunity costs. He added that one major barrier preventing the complete integration of the Arab Maghreb countries was the closed borders between Algeria and Morocco. He therefore called for a balanced solution to the longstanding conflict in the Western Sahara, noting that integration would also help build the confidence needed for that and

other conflicts to be seen under a different and more positive light.

c. Arab uprisings and the spillover effect

65. In his presentation, Mr. Ziad Fariz, Governor of the Central Bank and former Jordanian Deputy Prime Minister, made reference to the status of economic development in Arab countries before the uprisings, where relatively high levels of economic growth and investment had failed to yield substantial gains in employment and poverty reduction. He noted that, although the Arab uprisings pushed a number of Arab countries to undertake proactive economic reform measures to contain revolts in their countries, the economic spillover effects were considerable, especially since they had coincided with a series of global financial crises and oil price increases.

66. Referring specifically to the case of Jordan, he outlined the economic repercussions of the uprisings in Egypt and the Syrian Arab Republic on the Jordanian economy. These included the disruption of the supply of natural gas from Egypt, which had led to more reliance on oil for electricity production and had raised the power generation bill to unprecedented levels; an increase in the number of Syrian refugees, which had reached around 10 per cent of the total population of Jordan, and related pressures on the provision of energy, water, education and health services; and decrease in exports passing through Syrian territories, foreign investments, and revenues from transit and tourism. All these challenges forced the Jordanian Government to borrow money, raising the national debt level to around 78 per cent of GDP, while Jordan had succeeded in previous years to maintain its debt at below 60 per cent.

In Arab countries, relatively high levels of economic growth and investment had failed to yield substantial gains in employment and poverty reduction

67. He also emphasized that, to borrow from IMF or any other financial institution or donor country, the most important stipulation was achieving fiscal and monetary stability. However, the structure of the budget in Jordan, as in many other Arab countries, allowed a very small margin of manoeuvre in this respect, since large portions of the budget were earmarked for paying State employee pensions and defence spending, among other things; and the main option was for the Government to lift subsidies on oil and its derivatives and on electricity. However, those were unpopular policy options that would be rejected by Jordanian citizens. He concluded by urging the establishment of a transparent and fair business environment that encouraged private sector investment, given that the Government alone could not be responsible for a thriving economy.

2. Discussion

68. On Arab integration, there was consensus among participants about its potential benefits. However, they pointed to the need to review the mandates and operations of the institutions governing joint Arab action to reflect the region's emerging needs, including helping Syrian refugees. They also highlighted the need to revive intra-regional infrastructural projects, including transportation, which had a huge potential for job creation. Some participants said that such endeavours were now more likely to succeed with democratic Governments in place, although countries in transition needed to build their national economies first before benefiting from Arab integration. Several participants questioned the benefits of a currency union, citing the Euro crisis and unemployment in Greece and Spain. Others defended the single currency, while admitting that improvements needed to be introduced, such as supervisory bodies.

There is a need to review the mandates and operations of the institutions governing joint Arab action to reflect the region's emerging needs

69. There was also a debate over international, especially European, support for Arab integration, with some participants saying that the European Union was fully supportive since it was in its interest to establish a flourishing economic bloc that could balance rising powers in the East, but also reduce immigration into Europe from the South. Other participants doubted international support for such integration, citing the lack of initiative on resolving the dispute between Algeria and Morocco over the Western Sahara. They noted that, if Arab countries were losing opportunities from their lack of integration, they should ask themselves who was benefiting from that.
70. The subject of official development assistance triggered intense debate regarding IMF imposed stipulations and structural reforms, including attempts to achieve financial and monetary stability. Some participants saw that the implementation of such reforms during the current transitional period would lead to social unrest that would threaten newly elected Governments and the gains achieved to date. Furthermore, fears were raised that initiating economic change before completing political reform - and especially putting in place anti-corruption measures - would lead to misuse of official aid received. Other participants saw in the popularity of the newly elected Governments a window of opportunity to introduce unpopular economic reforms, calling on those Governments to not be distracted by the current political turmoil and to initiate reforms while they “could” rather than when they were “forced” to. Opposing views were put forward as to whether the short-term priority for transitioning countries should be achieving social and political stability versus implementing radical reforms.
71. However, there was agreement on the need for a review of IMF approaches and those of other

Initiating economic change before completing political reform - and especially putting in place anti-corruption measures - might lead to misuse of official aid received

financial institutions, so as to avoid repeating mistakes made in the past in Asia and other regions. Some participants cautioned that, while some of the IMF imposed conditions led to positive outcomes, many of them were unnecessary and served insiders' interests, therefore Governments should be very careful. Although global efforts to review IMF approaches had been initiated, they seemed to have stayed in the theoretical sphere only, and there was much room for real initiatives to be developed by international organizations and think tanks.

72. Discussions of the economic spillover effects led to a debate over the role of the State and that of the private sector in fostering economic growth. Many of the participants seemed to favour a more limited government role, centred mainly on the establishment of governing bodies for fighting corruption and ensuring a transparent, equitable and favourable environment for the private sector to thrive. They acknowledged, however, that fulfilling that role was not an easy task and Governments had previously failed miserably in implementing it. They cautioned Governments not to focus on easy-to-implement policy options in favour of direct public investments, since such a choice would have negative effects in the long term, given that Governments could not be competitive.

The failures of the private sector in the past were the result of the prevalence of nepotism

73. Several participants said that the failures of the private sector in the past were the result of the prevalence of nepotism. The "exclusion" policy adopted by some Arab Governments, whereby segments of the workforce (notably women and the educated youth) and some sectors were excluded from the economy (such as the focus on selected sectors serving a single market), had had detrimental effects on the development of the private sector. However, current shifts in economic power to the

East might lead to opportunities for the region to create new ties or leverage existing ones.

E. Round-Table Discussion: People Power: Translating Political Influence into Economic Vision and Action

74. The round-table discussion was moderated by Ms. Rima Khalaf, Executive Secretary of ESCWA. Panellists from Libya, Morocco, Jordan and Tunisia were invited to present their long-term visions for their countries as they transitioned to democracy, and their optimal political, economic and social strategies.

1. Presentations

75. Mr. Mahmoud Gebril, President of the National Forces Alliance and former Libyan Prime Minister, began by saying that instability in Arab uprising countries would prevail as long as the instigators of the revolutions did not participate in leading their countries. He attributed the unprecedented phenomenon that swept through the region to the connectivity of young people who were able to break the barriers of fear in pursuit of their dreams. He cited the prevalence of poverty and unemployment and the inheritance of power to be among the main drivers of the revolts.
76. He said that the Arab uprisings were largely misunderstood by global powers, which considered the phenomenon to be a political elite issue. Autocratic regimes had thought that they could stop these revolts and had paid a hefty price in attempting to do so. Even the elites had misunderstood the revolts, believing that since the young revolutionaries did not have a programme or clear leadership, they could seize the chance to lead the revolution on their behalf. As such, there was a major

Instability in Arab uprising countries is likely to prevail as long as the instigators of the revolutions do not participate in leading their countries

gap between the aspirations of the young and what the elites were offering.

77. Acknowledging the problem, the National Forces Alliance conducted field visits to more than 38 Libyan cities and listened to the people, who confirmed that the great powers and elites were out of touch. As a result, a dialogue was initiated on a development programme for Libya in 2025, and efforts were exerted to avoid ideologies, although opponents tried to divert efforts towards a futile discussion on liberalism and Islamism. The programme's main priorities would include the following: shifting from an oil-based rentier economy to a knowledge-based service economy through the establishment of educational and medical hubs; tackling illegal immigration to Europe through transformative training to build the capacity of young Libyans and equip them with the skills needed to enter the European labour market; promoting key sectors such as renewable energy, tourism, and construction; promoting transit trade through the establishment of ports connecting Europe to Africa. He added that investment in research and development had been a key component of the Libya 2025 vision to transform the country into a knowledge oasis and attract qualified expatriates. That was a key objective given the small population of Libya.

It is important to reach consensus on the legitimacy of leadership to achieve social cohesion and stability

78. He concluded by stressing the importance of achieving consensus on the legitimacy of leadership to achieve social cohesion and stability. He noted that in stateless societies, tribes played an important role in achieving reconciliation, and hoped that the elites would learn from that experience and succeed in engaging young people in an ambitious development plan for Libya.
79. Mr. Idriss Azami al-Idrissi, Minister Delegate for the Budget in Morocco, gave an overview of the model

adopted by his Government, which aimed to achieve true reforms while maintaining stability. He referred to some of the changes introduced in the new constitution that provided citizens with a number of rights matching the aspirations they voiced during the Arab uprisings. The provision of those rights posed a challenge to the newly elected democratic Government in Morocco, given that they were being implemented under unfavourable global economic conditions, affecting national growth.

80. He categorized the reforms into four main groups. The first was good governance and anti-corruption measures that were applied to various sectors, such as the public procurement system and the reform of energy subsidies. Full transparency was key to ensuring public acceptance, resulting in real financial figures on budget deficits being made public. The second group aimed to improve the business environment, promoting entrepreneurship and private sector investments, notably small and medium enterprises, complemented by boosting public investments in infrastructural projects. The third set of measures sought to reduce social inequalities through the establishment of a social cohesion fund, providing integrated services (health, education and others) to rural populations and vulnerable groups, including people with special needs. The fourth group included major horizontal reform projects to the justice system, tax system, and public finance with the aim of improving effectiveness, redistributing wealth and reducing social inequalities.
81. Mr. Ridha Saidi, Tunisian State Minister for Economic and Social Affairs, summarized the achievements of the current interim Government, which he put into two categories: political and socioeconomic. On the political front, a dialogue was ongoing within the

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National Constituent Assembly on the new Tunisian constitution, a draft of which had been made public at the end of 2012. Substantial efforts had been made to consult on the draft with civil society, national bodies and experts from all segments of society, with the aim of producing a constitution for all. In addition, efforts were being made to build political consensus by expanding the Government's political base to include secularist, Islamist and leftist parties. He expressed his hope that the constitution would be finalized by the spring of 2013, in time for the elections.

82. He described the socioeconomic reforms undertaken so far as fundamental in the sense that they provided a basis for more radical reforms to be carried out by the next elected Government. Priority had been awarded to urgently needed reforms to reduce social and economic inequalities instituted by the former regime and exacerbated by corruption and nepotism. A review of investment policy, public procurement systems and the framework for public-private partnerships had laid the foundations for good governance. In addition, efforts were being exerted to recuperate stolen assets, which were being invested in basic infrastructure projects and other development areas agreed upon through public consultation. Operating under difficult conditions caused by the economic crisis facing Europe, a stop-go policy had been adopted to boost the Tunisian economy and employment opportunities, while controlling budget deficit and debt and maintaining them within targeted limits. Focus was being placed on strategic sectors with high technological content and high value-added to create employment for skilled jobseekers.

Priority had been awarded to urgently needed reforms to reduce social and economic inequalities instituted by the former Tunisian regime and exacerbated by corruption and nepotism

83. Mr. Jawad Annani, President of the Economic and Social Council of Jordan and former Deputy Prime

Minister of Jordan, said that the main challenge facing his country and the Arab region as a whole lay in establishing a sound decision-making process under contradictory conditions, and finding ways to reconcile differences. The only way, in his opinion, was to manage a fruitful dialogue between decision-makers from different segments of society to resolve those contradictions. He added that the basic problems of the Jordanian economy had essentially not changed, categorizing them into the following three groups: internal and external deficit; lack of basic resources (notably water and energy); and poverty linked to unemployment. He pointed to a potentially new challenge embodied in the country's demographic change, characterized by the prevalence of young people, a challenge that he hoped could be turned into an opportunity. In his opinion, only a radical and complete change could help resolve those chronic ailments.

84. He put forward two questions, the answers to which could help devise an approach to those challenges. The first related to the cost of maintaining the current economic model, which lacked efficiency in production, resulting in misdistribution of income. The second concerned the cost of maintaining the political system, which was extremely high and unbalanced, including the cost of corruption, military expenditures and the cost of patronage. Those two intertwined questions pointed to the fact that a true solution could not be devised by economists alone and that an integrated approach – political, social, cultural, economic and financial – was needed. He claimed that it was no longer economically possible to rely on the Government as an engine of growth, citing the large burden of government employment, while the private sector seemed to generate employment for foreign workers. He concluded that social consensus was needed to lead the country towards a true transition.

A true solution to challenges facing Arab countries cannot be devised by economists alone; an integrated approach – political, social, cultural, economic and financial – is needed

2. Discussion

85. Participants drew comparisons between the cases discussed and the situations in a number of other Arab countries. The Syrian situation was considered to present some similarity to the countries discussed in terms of the economic challenges faced prior to the revolution, the main difference being that it had been isolated from regional and global economies, exporting only oil and low-value products (mainly agricultural products). Being unprepared to compete, Syrian industry had suffered from the free-trade agreement signed with neighbouring Turkey, which had led to a trade balance in favour of the latter. In addition, the ongoing civil war had had devastating effects on industrial facilities, which would need years to recuperate. On the political front, the policy adopted by the regime over the past decades to crush any opposing political parties contributed to the current fragmentation of the opposition forces, now exacerbated by regional and foreign interventions. It was hoped that the political deadlock would soon be resolved and dialogue initiated between warring parties.
86. Participants agreed that Bahrain presented particularities that were shared to some extent in other Gulf countries. Since its independence in 1971, Bahrain had been unable to establish a fully functional legislative authority, leading to political tension and unrest. The 2001 referendum on the National Action Charter had been massively supported, raising hopes that political change was on the way. However, the new Bahraini constitution did not reflect the Charter, since equal legislative authority had been given to the Parliament and to a Shura Council, which supported the Government. The ongoing political opposition, inspired by the Arab uprisings, had maintained the same demands for a

democratically elected government and a legislative authority with exclusive powers, as stated in the Manama Paper.

87. Participants discussed whether the reforms undertaken in Jordan and Morocco had been proactively undertaken to pre-empt the uprisings, and whether those reforms were doomed like those of the Damascus Spring of 2000. Some participants were of the view that change in Morocco was irreversible because it dated back to the 1990s with a reconciliation process and peaceful change in power. They said that what was currently taking place was a continuation and consolidation of previously introduced reforms through the constitution, and the regime was now convinced of the importance of social inclusion for achieving stability. Similarly, the current changes in Jordan were seen as an evolution rather than a revolution. However, reform of the election law was needed in Jordan to guarantee irreversible change and to reassure citizens that a democratization process was under way.
88. Doubts were raised as to whether the ongoing period could really be labelled a “transition”; since transitions imply an agreement on goals and the steps that would lead to those goals. Some participants saw in the current period a stage of confusion and ambiguity with a risk of shifting into violence because of the vulnerability of Governments, noting that violence was the main threat to the economy as it scared the private sector and crippled the public sector. While there was agreement that economic development was critical to consolidate the outcomes of the uprisings, some participants questioned whether Arab countries now faced a political threat or an economic one, noting the importance of identifying weak points that required immediate attention. Some were alarmed

Economic development is critical to consolidate the outcomes of the uprisings

that, although the causes of the Arab uprisings were being well diagnosed, the wrong remedies were being proposed and the same failed development model was being reapplied. For example, Governments were again relying on foreign aid and abiding by foreign-imposed economic conditions; a behaviour which could only be attributed to artificial and short-sighted self-preservation motives. They raised concerns over blind emulation of the European integration model without a prior geostrategic analysis.

89. Some pessimism was voiced that democracy was a behaviour and a value that could only be acquired through socialization, and that social institutions in the Arab region needed to be dismantled and rebuilt to be able to yield truly democratic individuals. Other participants expressed optimism and confidence that there would not be any return to autocracy, noting that the biggest gain achieved by the Arab uprisings was that the people were now in control of their futures and could hold future Governments accountable.
90. Looking at the Libyan case, participants discussed the role of tribes during transition. Some saw that, with failing government institutions and in the absence of true citizenship, tribes could play a positive role in policing the streets, preventing chaos and supporting national reconciliation efforts. However, others argued that tribes could undermine the function of government institutions and political parties and prevent the establishment of democracy.
91. Participants were also divided as to whether a gap existed between young people who had taken to the streets and the elites in newly elected Governments. They said that, in Egypt and Libya, elected Governments did not truly represent the

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economic
conditions***

people nor did they reflect the aspirations of young people. Elites in those countries were entrenched in their ideologies and had not fully absorbed the full implications of the uprisings, and as such were not reaching out to the youth who had led these uprisings. In Tunisia, however, leaders of different political parties had participated in the demonstrations and some of those parties were now part of the Government.

92. Participants discussed whether a complete break from the past was needed to allow for radical changes to take place. Most agreed that it was important to reflect on the changes generated by the Arab uprisings and not to judge those uprisings simply from the perspective of pre-existing prejudices. However, they called for political realism, whereby the enthusiasm for change should not prevent the identification and maintenance of the positive aspects of the pre-Arab uprisings period, notably in the economic realm. In the case of Tunisia, for example, a shift was occurring in the economic model from a free economy to a social market economy. As part of the reforms undertaken in support of this shift, the regional partitioning system had been reviewed to transform it from a system based on political and security considerations to one aimed at achieving comprehensive economic development and cohesion. However, where a good economic base was already in place, efforts were being made to build on the gains achieved through diversification practices and a focus on value-added industries.

93. Some participants voiced their fear of a setback in women's rights with the rising Islamist ideology and of a disregard of women's roles in the revolutions, and called for consolidating women's rights within constitutions. The 18 October Coalition for Rights

Enthusiasm for change should not prevent the identification and maintenance of the positive aspects of the pre-Arab uprisings period, notably in the economic realm

and Freedoms in Tunisia was cited as successful in this regard. Opposing views on the relationship between religion and State were put forward, with some participants calling for a complete separation between the two to preserve both religion and State.

IV. Organization of the Meeting

A. Date and Venue

94. The High-Level Meeting on Beyond Populism: Economic Challenges and Opportunities in Democratic Transitions was held in Rabat, on 5 and 6 February 2013. It brought together high-level Arab and international political leaders, policymakers and development practitioners with experience in the fields of democratic transition and socioeconomic reform.

B. Opening

95. The Moroccan Minister of State, Mr. Abdallah Baha, delivered a message on behalf of His Majesty Mohammed VI, King of Morocco. He said he was proud to host the meeting in Morocco, land of dialogue, freedom and stability, and expressed appreciation for the participation of such a distinguished audience. He pointed to the timeliness and importance of the topic, given the multiple challenges now facing economic development in the region, which had been brought about by complicated and troubled political and social environments, and that characterized the democratic transition journey. He stressed the absolute solidarity of Morocco with the Arab countries undergoing transition and called for the international community to provide the support needed for them to complete their transitions.

Multiple challenges are facing economic development in the region, which have been brought about by complicated and troubled political and social environments

96. He pointed to the need for Arab cooperation and integration through realistic and concrete programmes that could leverage human and natural resources from each country. He reaffirmed the commitment of Morocco to the activation of the Arab Maghreb Union as a strategic requirement and vital necessity in an age of globalization and economic blocs. He also expressed the intention to overcome obstacles and elaborate mechanisms for solidarity and integration for a stable coastal and desert area in North Africa. Furthermore, he expressed pride in the strategic partnership between Morocco and the Gulf Cooperation Council.
97. He outlined Moroccan achievements in consolidating a democratic development model, responding to people's aspirations and ensuring a participatory approach in tackling all core issues. The development of a modern constitution represented the culmination of the political, institutional and judicial reforms aimed at establishing the rule of law and good governance. He made special reference to the historic reconciliations that represented an exemplary success story in transitional justice at the global level. All those reforms went hand in hand with the implementation of various development projects, including infrastructure and support for increased competitiveness, investment promotion and job creation.
98. Ms. Rima Khalaf, Executive Secretary of ESCWA, welcomed the participants and guests on behalf of the regional commissions and thanked the Moroccan Government for hosting the event and the International Development Research Centre for their financial support. She said that she believed strongly that uprisings for freedom, dignity and justice had raised high hopes among Arab citizens that chronic injustice would end and that prosperity

***Uprisings
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end***

would prevail. Despite that, failure during the past two years to instil real change in terms of poverty reduction and employment creation, and alarming trends of violence and violations of human rights, had raised pessimism for many that a “harsh winter” would rob the Arab Spring of its spirit; poverty and discontent had brought a large number of citizens back to the squares and streets.

99. She expressed concern that Arab countries were now trapped in a vicious circle of instability, weak economic growth, increasing unemployment and poverty. While economic slowdowns were not atypical during revolutions, the biggest danger to the Arab uprisings were not purely economic, but rather reflected in a vicious campaign led by counter-revolutionary forces to prolong the transition period and turn people against the revolution. This strategy converged with another, espoused by external forces that considered the Arab uprisings a threat to their own interests and sought to exacerbate internal conflicts in some Arab countries. She drew parallels with the foreign-sponsored overthrow of former Iranian Prime Minister Mohammad Mossadegh in 1953, which paved the way for the return of despotism and suppression.

Democratic transition cannot be complete unless it is supported by a strong and inclusive economic system, in which all can participate and benefit equally

100. She stressed the links between the political, economic, social and cultural challenges of building democracy and good governance institutions in the Arab region, noting that reforms in one area would not succeed unless they were complemented by reforms in the others. In particular, she pointed to the mutual link between democracy and economic development, since democratic transition could not be complete unless it was supported by a strong and inclusive economic system in which all could participate and benefit equally. Likewise, economies would not prosper unless

they were supported by democratic regimes that were free from corruption and dependence.

101. She added that, while Arab aspirations were highly ambitious, they were attainable and she hoped that the current meeting would bring some contribution to ease the journey of transition. She concluded that there was no alternative for the Arab region but to cast off oppression and the violation of rights imposed by external occupation or despotic regimes, emphasizing that the only way forward was to build a future where freedom and dignity prevailed, under just regimes that derived their power from the will of the people and did not exclude anyone on the basis of religion, ethnicity or gender.

C. Participants

102. The meeting was attended by 39 participants, including high-level representation from 14 countries from the Arab region, Europe and Asia, as well as United Nations staff and practitioners. The list of participants is contained in the annex to the present report.

D. Agenda

103. Presentations and discussions were made over four main sessions, followed by a roundtable discussion on the theme “People power: translating political influence into economic vision and action”

E. Documents

104. Meeting documents and presentations are available from the ESCWA website at www.escwa.un.org/main/bp/index.html.

The only way forward is to build a future where freedom and dignity prevail, under just regimes that derive their power from the will of the people and do not exclude anyone on the basis of religion, ethnicity or gender

Annex^{*}

LIST OF PARTICIPANTS

A. Countries

Bahrain

Abdalla Janahi

Deputy Head of the Central Committee, National Democratic Action Society (Wa'ad)

Mohamed Jameel Al Jamri

Former Member of Parliament, Al Wefaq National Islamic Society

Egypt

Gouda Abdel-Khalek

Former Minister of Supply and Domestic Trade

Mohamed Al Orabi

Deputy President of the Egyptian Congress Party, Former Foreign Minister

Indonesia

Rizal Ramli

Former Minister of Finance

Jordan

Jawad Anani

President, Economic and Social Council of Jordan, Former Deputy Prime Minister

Ziad Fariz

Governor of the Central Bank of Jordan and Former Deputy Prime Minister

Lebanon

Fouad Siniora

Former Prime Minister

Jihad Azour

Former Minister of Finance

Marwan Kheireddine

State Minister

Libya

Mahmoud Gebril

President of the National Forces Alliance, Former Prime Minister

Morocco

Ali Oumlil

Author and intellectual, Moroccan Ambassador to Lebanon

Idriss Azami al-Idrissi

Minister in charge of the Budget

Mohamed Najib Boulif

Minister of General Affairs and Governance

^{*} Issued as submitted

Rachida Ben Masood

Member of Parliament

Norway

Einar Steensnæs

Former Minister of
Petroleum and Energy

Spain

Carlos Westendorp

Secretary General, Club de
Madrid

Elena Salgado Méndez

Former Deputy Prime
Minister and Minister of
Economy and Finance

Maria Elena Agüero

Deputy Secretary-General,
Club de Madrid

Switzerland

Bertrand Louis

Swiss Ambassador in
Morocco

Syrian Arab Republic

Aref Dalila

Deputy General
Coordinator of the National
Coordination Committee
for Democratic Change

Haytham Manna

Spokesperson for the Arab
Commission for Human
Rights

Osama Kadi

President, Syrian Centre
for Political and Strategic
Studies

Thailand

Korn Chatikavanij

Former Minister of
Finance, Member of
Parliament

Tunisia

Abou Yaareb Al Marzouki

State Minister

Fathi Jerbi

Vice President, Wafa'a
Movement

Ridha Chkoundali

Economic Advisor,
Ennahda Movement

Ridha Saidi

State Minister for
Economic and Social
Affairs

Turkey

Numan Kurtulmuş

Deputy Chairman for
Economic Affairs, Justice
and Development Party

Yemen

Houriya Mashour

Minister of Human Rights

Mohamed al-Afandi
Head of the Economic
Department, Yemeni

Congregation for Reform
(Islah), Former Minister of
Supply and Trade

B. United Nations Organizations

Rima Khalaf
Executive Secretary,
Economic and Social
Commission for Western
Asia (ESCWA)

Antonio Prado
Deputy Executive
Secretary, Economic
Commission for Latin
America and the Caribbean
(ECLAC)

Noeleen Heyzer
Executive Secretary,
Economic and Social
Commission for Asia and
the Pacific (ESCAP)

Amr Nour
Director, Regional
Commissions New York
Office (RCNYO)

Nada al-Nashif
Assistant Director-
General and Regional
Director, ILO Regional
Office in Beirut

**Karima Ben Sultane
Bounemra**
Director, Economic
Commission for Africa
(ECA) Subregional office
for North Africa

Tarek Mitri
Special Representative
of the Secretary General
Head of the United Nations
Support Mission in Libya
(UNSMIL)

Bruno Pouëzat
Resident Representative,
United Nations
Development Programme
(UNDP) Morocco



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