

ISLAMISTS IN POWER: VIEWS FROM WITHIN

ECONOMIC CHALLENGES OF TRANSITION

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MASOOD AHMED: I see there are still a few colleagues that are coming in through the door, but in the interests of those who have already arrived, we should get started.

We're going to now move from the politics to the economics. And we have a wonderful panel which is going to, first of all, lay out a little bit the vision in terms of the economic strategy that is there for both Tunisia, Jordan, Egypt. And then I would very much like this to be an interactive panel. So, in a way, the more we have questions from the floor, the more specific can be the responses, and the more we'll be able to get to the heart of issues that are on the minds of the audience.

You have the bios of all of our distinguished panelists. So I'm not going to go over the details except to tell you who's sitting where. (Chuckles.) Mondher Ben Ayed is sitting here. He is, of course, from Tunisia. Nael Al-Masalha is sitting next to me. He's from Jordan. And then, of course, Hussein Elkazzaz is there from Egypt.

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So what I would like to each of the panelists to do is to take 10 minutes to answer the question which I think is on many peoples' minds about the economics which is the following. A year after the start of the Arab spring, in all of the three countries that are sitting here, the good news is that there hasn't been an economic crisis, so all three have managed to avoid a crisis. But that's really all one can say. If you look at the economics a year later, there's been no growth in any of these economies, a little bit of negative growth really in a couple. Unemployment has gone up. Social pressures are rising. And even maintaining macroeconomic stability has become more challenging because the pressures on these economies have increased.

So one immediate challenge facing all these countries and, indeed, the governments that will be taking office or have already taken office is how do you avoid a crisis in the next year. That's the immediate challenge.

But what brought about the revolutions and the uprisings wasn't because there was macroeconomic instability in these countries. Actually, none of these countries had macro instability before. What brought about the revolutions was the sense that the growth that was happening wasn't high enough, not enough jobs were being created, young people were coming on the market without any opportunities for them and what opportunities were there were not being distributed fairly.

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So there is really a big project of economic transformation. And five years from now, what the economic outcomes of which governments in all of the Middle East will be judged is partly on whether they avoided a crisis because a crisis, like a heart attack -- you have a crisis, everything stops. You focus on that. So you want to avoid that.

But just avoiding a crisis isn't going to be enough. And what people will judge governments on is how did you generate the jobs that were needed, the transformation that was required to make

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growth more inclusive, to have safety nets that were targeted, to have people feeling that they have an opportunity to participate.

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So my question to all three of you will be if you could take 10 minutes to lay out where you think you would like to be in five years and what is it that you think you're going to do that will help to get you there and what help do you need from the rest of the world to help you get there.

So then I think we can get into specific of that, but if you could start with that. And I might start with you, Mondher, if I could.

MONDHER BEN AYED: Sure. Thank you very much for giving me the opportunity to lay down the economic policy of Tunisia as we go forward. I would just like to take you back on the reasons for the revolution.

There are two main slogans that were raised during the Tunisian revolution which is liberty and dignity. So it's not the bread and food revolution. It's a revolution against dictatorship to regain freedom and dignity as well which we need to keep that in mind.

But there were also some social economic problems that were, you know, developing in the society before the revolution.

Now, the strategy for Tunisia has been published just two days ago, and I encourage all of you to go seek it on the web because the government presented its strategy on the -- to the National Constitutive Assembly on Monday as well as the complimentary budget flow for 2012. And there is a lot that can be learned from an official government document which is 120 pages with many details.

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But, basically, let me brief you with the general outlook and the general picture in the government strategy. When we sat down to put the strategy for this government that -- the coalition government, we were afraid by -- if we had an elaborate strategy and a general policy and a general framework and a very developed policy published that it will give the wrong signals to the people and we would be criticized as, you know, being just for a period of one year and giving a general policy where, you know, the execution of this policy might require five years or 10 years.

On the other hand, if we didn't do that, then we will just issue a set of measures with no general framework for those measures which will not give visibility to the people. So what we finally did is state a vision for Tunisia. We start from a vision.

And the vision is to make Tunisia democratic, modern and prosperous. Democratic is the political reform process which we talked about this morning. Modern is the type of society we would like to make which is an open society, a modern society where there will be reconciliation between Islam and modernity and between democracy and modernity. And prosperous is the economic program of the -- of the -- of the government and where we want Tunisia to be in the next five years.

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Now, this vision was detailed and general policies were stated with how we're going to execute this. On the economic and social front, the economy basically starts from the precept that, in Tunisia, growth -- employment comes from growth. We have no oil. We have no gas. We have no minerals. The only way we can provide jobs is if we create growth. And one percentage point of growth is equivalent to 15,000 jobs.

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So in order to absorb all newcomers on the job market, which is approximately 100,000 new job seekers every year, we need a growth of about 7 percent. Now, the economy was growing approximately by 5 percent for the past five years before the revolution.

And in order to create growth, that growth can only come from investment, both domestic and international. And for that investment to be generated and stimulated, we need to create the right environment in order to attract foreign direct investment and in order to encourage people to go and invest.

Now, in order to create that environment, we have adopted three pillars. The first one is a set of political reforms that have a direct incidence on growth; for example, the eradication of corruption, the establishment of good governance and transparency, the establishment of the interdependence of the judiciary. These things are very important for investors, and they usually lead -- these reforms in these areas lead to direct percentage points in growth.

The second pillar is to introduce 13 sets of reforms; the reform of the investment code, the reform of the -- of the tax code, the reform of the public tendering law, the telco code (ph), the transportation code, the knowledge economy code. All of these reforms need to be carried out starting now. Some of them will finish by June this year. Some of them will take a year and will finish during the mandate of this government. Others might take two to three years but are going to start now. And others will be subject to debate in society.

So the second pillar is to introduce a set of reforms which makes the business environment friendly for investors.

The third pillar for sustainable growth is the development of infrastructure. And the government has increased in the complimentary budget law public spending for infrastructure development from 5.2 billion dinars to 6.4 billion dinars, an increase of 1.2 billion dinars in infrastructure projects; roads, electricity, industrial zones, all kinds of infrastructure which are necessary in order for businesses to come and invest, especially in the regions of the interior.

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Now, what we did between December and now is have a national consultation in the regions, and we asked people what kind of infrastructure projects you would like to see in your region. What did -- what didn't the other regime or the previous dictator do for you? Is it a hospital? Is it an industrial zone? Would you like to see an electrical plant?

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And we gathered all of that information after one month in consultation in all the regions. And afterwards, we decided on two priority projects for each region. So for this year, each region will get, in addition to the program infrastructure projects, at least two priority projects that will be executed. And the cost for those was estimated to 1 billion dinar.

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Now, this sustainable track will take us from minus 2.2 (percent) growth in 2011 to 3.5 (percent), hopefully, in 2012, to 5 points in 2013 and then 6 to 7 points when we will be cruising in 2014.

Obviously, this sustainable track is the main track of reform of Tunisia, and that's the way we're going to develop our economy. But this will yield the first jobs in a year-and-a-half to two years. And we have 800,000 unemployed youth today. So we needed to introduce another track which is a Keynesian component in the economy for two years, 2012, 2013.

And we're going to increase government spending through stimulus in three major programs. One program is to create immediate temporary jobs for about 100,000 people, just like the New Deal did in the 1930s which is to provide the youth with some temporary job waiting for the economy to take off.

The second program is to do an on-job training for college graduates in order to change and make them more adequate for employment. Some of the college graduates have degrees, maybe, in certain disciplines that are not required today or asked for for a job; to give them English skills, to give them ICT skills, which makes them more attractive for employers.

And the third program is to build 30,000 social housing units over a period of two years. Now, this will be done through increased government spending, but to reassure the World Bank and IMF friends, it's going to be in a go-and-stop mode which means that these programs are clearly stated for two years, 2012 and 2013. And they will stop after 2013. And by then, hopefully, the sustainable track will catch up for the economy to provide the necessary jobs.

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Now, the announcement of this program had a good psychological effect in Tunisia today. Although, clearly, in the steps that are going to be carried, the government was careful to say this is the general program, this is the vision, this is where we're heading economically, but we can only do this much in a year because our mandate is for one year so that we don't scare the opposition and we don't say like the question today, then when Islamists come to power, they don't intend to leave. And that's why, in the program in the first page on the political program, the government has announced officially that it will seek the date of the 20th of March 2013 as the date for the next election. So today, we have a target date for the next election.

Also, the government has announced that it will maintain an independent election committee and that it will maintain the president of that election committee, which is Mr. Kamel Jendoubi, who did a fantastic job. And, by the way, Kamel Jendoubi is known to be a leftist secular. So for those of you why -- you know, who would like to know where we're heading.

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The idea of giving a clear roadmap, a clear direction, a sense of objective is to re-assure the investors and society and introduce some comfort in order for the production apparatus to go back again. That, alongside the decision by another to maintain Article I of the Constitution, has created in the past 10 days a climate of security. There are less disputes, less tension between the different rivals. And that's very important for business. Business and politics are closely interlinked, you know. And a good political framework and a sense of direction is good for economics.

So at the same time, as I told you, we introduced the complimentary -- I'll just say two words about the complimentary budget law which increased public spending by 2.5 billion dinars from the -- from the original law. Now, the financing of that will come mostly from the sales of the confiscated assets from the Ben Ali family which is estimated to generate this year 1.2 billion dinars for the Tunisian economy.

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Also, although we did the public stimulus package for the economy for 2012, we will only -- you know, we will reach a budget deficit of 6.5 (percent). We were on a budget deficit of approximately 3 percent with macroeconomic parameters and stability. Also, the debt ratio of Tunisia was 40 percent before the revolution. Now, it's 46 percent.

And we ran all the scenery of 2012 and 2013 through the models that you have at the IMF. And we estimated three kinds of shocks; the devaluation shock, an inflation shock and then international crises. And all of that has showed that our economy is still resilient and that our debt is sustainable up to 55 percent.

So we are in a safe zone even compared to what's happening today in the world. And our debt situation is still healthy. Obviously, our objective is to come back in 2014 to a deficit level of 3 percent, an inflation level of 3 percent, a growth of 6 (percent) to 7 percent and a debt ratio over a period of time by 2017 of 40 percent.

So here is the economic strategy that Tunisia will be adopting. There are many signs that -- encouraging signs that the investment will go well in the country. Many, many, many countries have showed a lot of support for Tunisia economically. The United States is showing a lot of support recently. It has announced that it will give Tunisia a hundred million dollars in direct budgetary aid, and there are other packages as well.

Europe and European firms have confirmed their intention to stay in the country and to increase their investments in the country. A lot of companies from the Gulf countries also are visiting Tunisia and indicating their intention to invest. We have every reason that the environment will be good for these firms to make money and to have job -- have real economic opportunities.

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We have a free trade agreement with Europe. We're consolidating our European position. And we are seeking the status of a privileged partner with Europe. And the process is under way for Tunisia to get that.

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Secretary Clinton announced to Prime Minister Jebali a few days ago on a phone call that President Obama gave the green light for -- to start a free trade agreement negotiation with the United States, which is obviously a good sign for investors and for American firms.

So, you know, growth, investment is what's going to create jobs. And we, the government, will create the right environment for that.

Thank you.

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MR. AHMED: Thank you very much, Mondher. That's a very nice -- that's a very clear plan, and you've laid it out very nicely. I'm sure many people will have specific questions they want to come back on.

But before we do that, I do want to turn to the other panelists.

Of course, Jordan is not the same situation as Tunisia both in terms of Mondher's laying out a government plan. So in a sense, your perspective would be a bit different from that. But also economically, Tunisia has a bit more space for doing the kind of fiscal expansion because the initial debt levels were low, the budget deficit was quite small before the 2011, 2 (percent), 3 percent this year.

Jordan is in a slightly different place. So less space to do the kinds of things Tunisia is doing for the short term, and yet some of the same challenges that you are facing in terms of youth unemployment, in terms of the shock of high energy prices.

So I wanted to get a sense from you now, Nael, of how you see the kinds of policy package that you think would make sense from where you sit which may be different from what the government is doing because, obviously, you're not in a position to speak for them.

NAEL AL-MASALHA: OK. Thank you. As-Salaam Alaykum.

Actually, I am a medical doctor. The economic language is not my language. That's why I have to speak in Arabic because it would be easier. (Laughter.)

(Through interpreter.) In the beginning, I am an investor in medical sector in a project that totaled about \$50 million. This is a model of the Islamic economy in which principles of free economy or private-sector principles apply to.

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No doubt, in the Islamist movement in Jordan, we across with other Islamic movement in the nature of the reform program in its public or general direction as far as economic reformation is concerned.

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I believe that any Islamist movement that wants to start -- that wants to start with economic reform should work to stop the bleeding, in medical terms -- if there is hemorrhage or bleeding, we have to work to stop that bleeding so in order to support other vital signs for life.

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So I think the Islamist movement had suffered, and many peoples in the nation suffered a lot from corruption and dispensation of public funds arbitrarily. And I believe that it's imperative that there should be a serious step in this direction so that we are able to control the resources that are being wasted in various ways.

No doubt that corruption is a general phenomena, and we in the Arab world population is about \$350 million (sic); about 65 percent work in agriculture. And, of course, here there's a shortage of water. Therefore, the number of unemployed in that sector is about 50 percent. And those who are below the poverty line is about one-third of the 350 million.

So I believe that, if we wanted to -- if there's any reform movement, to look at these numbers, they will be concerned with stopping the waste in the resources. The Islamist movement is not against the public sector. I particularly have experienced the public sector, and I'm sure others in other areas have experiences in the private sector.

For example, I have about 1,000 citizens working with me. If a hundred people like me in a country like Jordan created projects like I do, you would employ about a hundred thousand people. Currently, the government employs annually about 6,000 people because there's a glut in human manpower. So the government tried to work on this employment by -- unemployment by employing people within the government sector to kind of camouflage the real numbers of unemployment.

So you find that the ones who produce in the private sector are more productive. I think that focusing on the private sector and economic reform is, no doubt, a step that must be a major step and a fundamental step. But in the private sector, we cannot adopt Western experience because we cannot compete by establishing conglomerates, for instance. That requires a huge amount of capital.

We focus on small businesses or entrepreneurship. This is adopted through development projects that target the families that work in the agriculture sector and some small industries that would be able to produce at least to supply the local domestic market and, also, to produce some immunity for the domestic economy in order that it will provide the necessity, basics and decent life for the citizens. And we're not talking about luxury here or prosperity, but that's something else. We are concerned, firstly, to work on providing the basic needs. After that, we will work toward the prosperity among individuals in the society.

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I believe that's small development projects should be targeted extensively through the programs that will be employed by those who will be in government.

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The other issue, in my belief, is the infrastructure and the focus on the infrastructure projects are long-term projects normally. The provision of the means for infrastructure projects, no doubt, there is a problem in the financing sources. I believe that the Islamist movement can work on two parallel tracks concerning the infrastructure.

The first track is to gather the expatriates of the citizens from abroad. Most of the people who are there has revolutions -- have many of their citizens living abroad. They invest there, and they have successful businesses. These projects could be gradually moved by providing the right climate so that they can invest in their mother countries. I believe there is a model in Turkey that depicts this issue.

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So the governing party is an Islamist-leaning party. They start providing for secure investments. According to statistics now, more than 2 million Turks have returned to Turkey and invested there and that reflected on the prosperity of their country.

So this is an example. The other example is borrowing now. It's not a shame in any economy to borrow nor is it a shame in any country because there is no country that can do completely without having any economic relations with other countries so that its finances their poor and all benefit. This is a principle of mutual benefits. So I believe that investment -- a balanced investment, which is properly guided, is assured that it will lead onto projects in the infrastructure. I believe that it is something that could be studied and could be arranged for.

There is no reservations on cooperation with the IMF or the World Bank for purposes -- and not to interfere in the sovereignty of the country but rather to take their advice, to maintain the price of the currency. And I think this is a very sensitive and serious problems for the recovering nations because the issue the currency is not a domestic matter. It's a regional and international matter sometimes.

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So it is imperative that, for a certain period of time, dependence should be on international sectors here to maintain the price of the -- and the integrity of the currency.

The relationship with Islamic banks and commercial banks. Now, I believe that is Islamic banks are not unable or experienced in the Arab-Islam countries. Rather, they are in the international arena. It is possible to depend on these banks as world model that can stand side by side competing with the commercial banks. But it's not wise for the Islamist movement to fight the commercial bank or to make it imperative that only the Islamic system should apply because lots of international elections are based on commercial relations. Therefore, this should be looked at from the point of what is good for the country and the economy and for the protection of the economy of the country.

So I believe it is possible to cooperate. We have now Islamic banks and commercial banks. And the question now, of course -- the choice now is finally left to the citizen. It's they who will decide with which bank they want to deal with. Some see that the Islamic bank is more favorable to

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them. Others see that commercial bank is easier to deal with and so on. So it's not really prohibiting or allowing.

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So the final point -- and I will stop talking afterwards. I believe that, in international economics, there are agreements and international relations that should be respected and should be seen as an integral part of globalization which we cannot avoid as an Islamic movement because as an international order that has now affecting great aspects of life and, most likely, also in the economy.

Thank you.

MR. AHMED: That was very helpful going into the some of the detailed developments that I think many people have on their minds. So you've already given some of the answers to the questions that people were praying to raise. But I'm sure that won't stop them from asking other questions.

Before turning to that, let me now turn to our final panelist. So, Hussein, perhaps you can give us the Egyptian perspective.

One topic, if I may suggest, which effects both Jordan and Egypt -- a little bit less Tunisia -- is how you see dealing with one big source of problem for the budget which is the generalized subsidies on energy products in both countries. And as you know, the benefits of these energy subsidies tend to go mainly to rich people rather than poor people, particularly when it comes to gasoline and products like that. And yet throughout the Middle East, the way to help poor people seems to be to have a system which mainly helps rich people.

So I would be interested also in your thoughts on how you see the reform of subsidies.

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HUSSEIN ELKAZAZ: Sure.

Thank you very much, Masood. And thanks to the Carnegie Endowment for making this event possible.

The Freedom and Justice Party in Egypt has outlined an economic strategy and launched two processes to mature it. One process is the process of dialogue to get as much feedback, different perspectives and so on. And the other process is to technically formulate a policy package that would support that strategy.

My role in the next five to 17 minutes is to try to lay out the strategy in, I hope, clear terms.

The strategy has actually four pillars. One is to expand the private sector; limit and hopefully shrink the government; empower the civil society; and fourthly, integrate Egypt in the global economy on more favorable terms.

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Let me just go a little bit into each one of these very briefly.

Just to give you an idea of how suppressed the Egyptian economy is and how underperforming it is and how it has a huge need to expand the private sector, Egypt's contribution to world trade is close to .23 of 1 percent of the global trade. That comes from a population of 1.2 percent of the world population. So this is definitely an economy that's not performing up to the potential of its people.

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Just on a very, very sort of macro picture, this is very depressive. And why is the economy not performing and underperforming to that extent? There is a great book, actually, that I read on the plane that I would recommend everybody just take a look at because it also tackles not just Egypt but many other countries. It's called "Why Nations Fail" by Acemoglu. I don't know if you got across it, but it's a great reading.

And in that book, he describes -- and the co-author describes -- what they call extractive -- extractive political institutions and economic institutions versus inclusive political and economic institutions. And, of course, he cites Egypt as one of the classic examples. Extractive institutions are ones that extract the resources, opportunities and so on of an economy for the interest of a very narrow group of people in a particular country.

Political institutions that support that kind of extraction have, by definition, to be oppressive to their people. The end result is the creation of, albeit very rich and very capable but very, very tiny class of people who have enormous amount of power, enormous amount of money, an enormous amount of wealth but, at the end of the day, when you look at an economy of 85 million people, at the other hand -- on the other hand, it creates a very, very low demand because the rest of the population is suffering.

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There is this awful statistic that I always suffer with because we say sometimes as economists in numbers, but you actually have to go to an Egyptian village and spend the day there to feel it. You know, the number we always say that 30 percent of Egyptians spend \$2 a day or less. It's not just a statistic. If you actually go and spend a day in one of upper Egypt's -- or delta villages, you will get a feel of what this really means on a human level. And it's just awful. I don't want to go -- and I'll go very passionate about it, but it's just awful.

Anyway, so what we want to do with the party is to actually remove that extractive institution and put in its place an inclusive institution. In other words, we like to include more and more people in Egypt and give them more access to economic opportunities in this country. We would like to do that, first of all, by reversing -- and that's the easy part -- by reversing what the previous regime has done.

If you, again, look at this book that I referred to, it outlined in very interesting ways how this extractive institution was able to work. It gives examples of five or six key industries in Egypt; the iron industry, the kept industry, the media industry and so on. And it details how these industries are so limited. There is entry barriers like there is no tomorrow. And it details how this actually

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happened which coincided with data that we now receiving in the party not from our people but from the government agencies, the central bank, the finance department and so on. People are coming forward now to say how this actually happens, how this was possible.

Amazing government contracts, just amazing terms, tax breaks that you've never heard of, land deals, real estate deals totally unheard also. That kind of thing. Fuel deals. When you look at these privileges that was given to these few and the political institution that supported it, the outcome, as I said, is a shrunk economy. We would like to reverse that and give access to people by reversing these trends.

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And here is where the second and third pillar come in. We would like to restrict the government. We would like to make it simpler for people to practice economic activities. We would like to make it simpler for people to invest, first of all, to save, to invest, to pick the projects they would like to go to. We would like to make it easier for them to go let licenses to get work and so on and so forth.

Again, numbers sometimes help. The Egyptian public sector is about 7 million people strong. (Inaudible) -- it's just amazing. Just to compare it -- and you talked about Turkey. Turkey has almost the same size of population as Egypt, and it has 650,000 public employees, last I checked, which means that, for every Turk public servant, there is 11 Egyptians. We cannot -- again, this is why part of our program does not include creating more jobs in the public sector. We actually want to restrict that and, hopefully, with time, reverse that trend and start creating value-addition jobs and move a huge part of that public sector into the private sector and cooperative sectors through these measures.

Why we include the empowerment of the civil society? Because we need a much stronger civil society to serve the mechanisms of checks and balances on the government because it's not -- by the way, it's not just about a party taking over. I'm sure we all have this experience. It's about the institution of the government. And the institution of the government can very easily defeat the program of any party unless you institute the checks and balances that would put enough pressure on the government bureaucracy and start reversing the trend of this widespread corruption.

You asked the question of corruption, and corruption, I guess, in Egypt, is a very interesting one. And I'll get to this in just a minute.

The fourth pillar of this strategy is to integrate Egypt in the global economy on more favorable terms. And by that I mean we looked at the strength of Egypt, the competitive advantage of the nation, if you will. And we looked at the practices of previous government and how they articulated the strength of Egypt.

I think they articulated the strength of Egypt basically in terms of location, in terms of it being a country in which it's easy to go and institute polluting industries and so on and so forth.

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We identified the strengths of the Egyptian economy, the competitive advantage in the workforce. Egyptians have very large, young, relatively disciplined, relatively homogenous workforce that is definitely underutilized. And, again, I agree a hundred percent that the revolution was not about bread but a huge part of it was about apathy. It's just about millions upon millions of youth who have been looked at by the previous regime not as assets, not as resources, not as an advantage but actually as a burden.

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And we would like to reverse that. And by giving more access to these millions of Egyptians, we aim at increasing the competitiveness of the Egyptian economy. And one way, of course, of doing that is to redefine what we call locomotive industries and value-adding industries as those that are associated with an elevation in the capacity of the workforce. So whatever industry is going to add to the capacity of the workforce to, number one, produce, number two, join the knowledge economy at much for favorable terms is, to us, a value-adding industry and, hence, we're looking very closely now at things like the IT, medical IT, newer energy and so on and so forth in addition to some of the traditional industries.

We would like, with these four pillars, to achieve four objectives. One is clear, which is broaden the demand based of the economy. The second is to create more -- a fairer distribution system in the economy. And we don't want to do that through regulating it centrally because that would not work. We would like to do it by stimulating the economy.

When we stimulate the economy, improve the checks and balances in the system, give more access, then, hopefully, we'll get a better distribution of income and wealth.

The third objective is we would like to get -- and this is really huge. Anyone who knows Egypt or read the history of it knows how hard this is, but this is part of what we think the legacy, if you will, of our party should be given where we come from.

We would like, with this restriction of the government, to redefine the relationship between the state and the population -- the state and the society in Egypt. As you know, Egypt is one of the few societies that were born with a state. It did not start with people who went farming and so on and then decided to have some sort of a central system. It started with the central system.

So Egyptians' relations to their state is so unique. It sort of a hate-depend kind of a relationship. You know what I mean? You go to an Egyptian and usually, by the end of the day, he will have cursed his government two or three times in different ways.

But then you go and say, by the way, the government needs to trim itself down a little bit and, let's say, rationalize the subsidy, and people will go and riot in the streets. In other words, people are still so much connected to this government.

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We would like to change that with time and change the concept of the government and the state from that of a controlling one to one that's empowering and, hence, really latching on the

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potential of the Egyptian society, not just the economy in ways that are very consistent with the values of the revolution; the freedom, the dignity and so on.

These things will not come, by the way, if people are still occupied within their own minds with a perspective of a state being the Pharaoh kind of thing.

[0:45:31]

And, finally, and of course, the fourth objective is to increase the competitiveness of the Egyptian economy. We're looking -- in terms of programs, we're looking at three streams in order to kick off the strategy.

The first stream is we're looking at trying to attract foreign direct investment to Egypt but not in sort of a sentimental way of let's come and save Egypt kind of thing. We're trying to come up with, in the next couple of years, with between 50 and 100 very sound projects, projects that have really good business plans behind them, financial models and so on in a number of select industries. And this is what we're working on now; trying to look at what industries would qualify to host these mega projects. Each one of these projects, we hope, will require and attract an investment of around \$1 billion which would mean that we're pumping into the economy in the next couple of years between 50 (billion dollars) and \$100 billion.

We're looking at two kinds of industries, some in which Egypt is already strong, but these industries are suffering now like tourism, like textile and so on. But also we're looking at another stream which is the industries that we believe, with the workforce we have in Egypt, we can excel and excel very quickly. So we're looking at IT, renewable energy and so on and so forth.

[0:46:48]

That's one stream. The second stream to create jobs we're looking at a very ambitious small- and medium-enterprise campaign to be launched immediately as soon as we take over. There is bad news and there is good news. The bad news is Egypt has already tried that. It's not a great thought that we came up with. We actually know that small- and medium enterprise campaigns have been done in Egypt before. And the problem was not with finance. The problem was with the way it was managed.

Small- and medium-enterprise is a complex undertaking. It requires a system in place, a system not just to finance but a system to educate, to train, to integrate and, of course, to finance and to look at the socio-economic picture of what's going on on the ground so that people can actually repay the loans they get, can have a success rate in the projects they do and so on and so forth.

We are hoping that, by being a grassroots movement, that we will probably have better luck with designing and executing a small- and medium-enterprise campaign in Egypt as we go.

The third stream we're looking at is similar to what I think our brothers in Tunisia are looking at, which is an infrastructure kind of a program. We will probably do a massive government spending and infrastructure, and we will go through the same process of identifying what kinds of

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infrastructure would probably help in Egypt. We're looking at sort of a highway kind of a -- of a project amongst a number of other possibilities.

[0:48:26]

These are the three streams we're looking at in terms of programs.

In the shorter term though, we have very serious challenges. We have a liquidity issue, and we're working with IMF to grant the loan. And we have -- I don't know if this is the time to talk about it -- we have a political issue, not an economic or fiscal issue, that hindering the loan. And we hope to resolve it very soon. We have an interim government that is probably going to take the money and spend it. And then we have an elected government that will come in place a few months later and be responsible for repaying it. And we're not sure if this is the right formula. So we're working on that.

We have -- and the IMF loan, by the way, is not just important in its own right in terms of the money it provides to Egypt, which is very important. But it's very important in terms of integrating the new government of Egypt in the global financial institution at a very responsible kind of a deal and opening the door for more details with other countries.

In the short term, if you look at the numbers, there is no escape. The Egyptian economy will need a lot of boost from outside. And this will not happen unless there is a responsible government in place that is going to spend the money wisely and is going to repay it on time.

The second challenge we have is the huge expectations. We have people in Egypt now who think that, with the revolution and with the coming of the Freedom and Justice Party to power, all government temp workers should become permanent. Everybody who used to have a certain income needs to go to a higher income and so on. These are very, very dangerous expectations at a time like this. So our second challenge is to have to be extremely open, transparent, frank with the people and also go to them with a plan.

We don't want to just go to people and say, you know, it's a very dire situation. We want to go to them and say it is a dire situation, but here's a plan. Stick to us, let's work together and so on.

We have the challenge of removing obstacles -- which doesn't require a lot of money by the way -- removing obstacles from local and international investments. There is no need for the kinds of bureaucratic complications that we have now. We can deal with that.

And we also need to score on a number of quick wins. We have a team in the party working on something that we call the First 100 Days Plan. We're trying to make sure that the very first few months of the working of this government will mean some tangible benefits for people with things that do not require necessarily a lot of money and stuff like that.

[0:51:10]

We're looking at some of the basic services. Has any of you ever driven a car in Cairo? (Laughter.) You know what I mean. That's a huge -- you know, Thomas Friedman visited Cairo in the midst of the debate whether -- we called it a -- (in Arabic) -- and he came in the office an hour

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later, and he's sweating and he said in a broken Arabic, he said -- (in Arabic). (Laughter.) I think the guy was right.

So these are the kinds of things we are facing in the short term, there are two conditions -- and that's my final remark.

There are two conditions for this program to work, and we are not kidding ourselves about it, and we are not being naive. This is -- this is the kind of program that will not succeed because a party -- (audio interference) -- (laughter) -- is it time to go? (Laughter.)

[0:52:10]

There are two conditions. The first condition is one of ownership. If we cannot get very significant segments of the Egyptian institutions and the Egyptian society to own this plan, it will never work. It will never work.

If we don't get very significant parts of the government bureaucracy to accept that, the private sector -- this is why we're appealing to the private sector to look at the situation favorably, to come and shoulder the enormous task because this is not the enormous task of the party; this is the enormous task of the revolution, of the people.

So on the one hand, we need a lot of partnership. On the other hand -- I mean, ownership. On the other hand, we need a lot of partnership outside of Egypt with global institutions, with groups of investors, with multinationals. And we're working on that as well.

If we succeed in securing these two conditions, then this plan or strategy has a chance.

Thank you very much. (Applause.)

[0:53:25]

MR. AHMED: I have to say that, you know, you've now had really very clear three plans laid out. And, of course, now it would be good to get some questions, and I would encourage people to also be a little bit provocative in their questions because I'm sure people who have laid out the plans want to hear what are the kinds of issues that are on your mind so that they can be implemented.

As before, I would encourage you to identify yourself when you speak. So I'm going to go right to the back, the lady over there first. And then we're going to take three or four questions and then have answers to those.

Please?

Q: Thank you for taking my question. My name is Susana Florian with the Parsons Corporation.

I was very impressed by each of you approaching the subject of the infrastructure. You did a different depths and with different ambitions.

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Both Tunisia and Egypt, it appears that you are in a dialogue to figure out priorities which sounds laudable. However, as a veteran of the industry, I am cautioning you that if you don't have a master plan or if you don't look holistically especially at the transportation infrastructure, you will end up with a hodge-podge that it will be very difficult to fix later.

So that's a comment.

[0:54:43]

My question though is how do you plan on letting contracts for major infrastructure projects? And, candidly -- candidly, how welcome are U.S. firms coming in to help with work with you opposite to construction and engineering firms coming from other parts of the world, candidly please. Thank you.

MR. AHMED: Thank you very much. We will come to your question.

I want to go to this side now, to the gentleman over there. Yeah. There, please?

Q: Thank you. And thank you for the Carnegie Corporation.

I have other question for the previous panel, but I didn't have a chance to ask.

But I have a question for Egypt and a question for the three of you.

For Egypt, would you consider or agree to transfer the military aid that goes for airplanes and tanks, et cetera, to the economic and development of aid? Demand may be not great, but the symbolism is valuable and it will be helpful in building hospitals and schools?

The other question for the three panelists; I didn't hear the word education in any of your plans. And it's critical especially the technical education and developmental and the kind of background in that investment is huge.

MR. AHMED: OK. Thank you.

I now have the lady in the front here. Thank you. And I'll take --

Q: Just to follow up on the question about military, speaking of favoritism, will you be able to get the military out of the economy? And, also, could -- speaking to the Egyptian panelist -- and, also, how can you revive the tourist industry? Will there be a political problem especially with Salafi members in parliament? Will this scare the industry off? What are your plans for handling that touchy problem?

[0:56:48]

MR. AHMED: And I'll take one more question, and then I'll come --

Q: Thank you. (Inaudible) -- Georgetown University.

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My question is to Mr. Elkazzaz.

[0:56:58]

True, you will need to have the ownership from the whole society and particularly from the current businessman who certainly have, for some of them, benefitted from the old system and don't share with you the same political views.

My question is how will you try to convince them knowing that some of them are liberals and some of them don't even want even to participate with you in the writing of the institution? How will you overcome this challenge?

MR. AHMED: Great. So we have some questions. What I would like to do -- there are some specific questions for Egypt. So I'll come to Egypt to -- (inaudible) -- at the end.

But there were two more general questions which applied to everyone. One was the issue of education and the other was a question of how will you let out contracts, candidly. (Laughter.) So maybe I'll start with Mondher on that.

MR. BEN AYED: Yes. The first question is easy to answer. Infrastructure projects will be tendered through public tendering in a transparent fashion whether you are a U.S., a French or a Saudi firm, you have exactly the same chances as any other firm. So U.S. firms are very much welcome, and many U.S. firms have already visited Tunisia and we have been talking to them and exposing to them the different opportunities that do exist and they're welcome to tender. And I think they have good chances to win.

They don't need favored treatment. They have good technology, good know-how, and they -- Tunisia can benefit from that.

[0:58:26]

The second question regarding education is a very important one. I talked about the program of on-job training which is one important program destined to fix some of the problems we have without education problem.

But you're right. One of the 13 projects -- I said that there are 13 structural reform projects -- is about education in general. Education has been very important in Tunisia. We have a high literacy rate. We have a good education program. We have 500,000 students in the university system today, which is 5 percent of the population, approximately.

As a matter of fact, we want to turn our problems into an opportunity because, today, we are graduating approximately 70,000 new graduates every year. And we have a problem with employing people with college degrees. We have 200,000 people who have college degrees and do not find jobs for them. And that's a very, very painful situation for us.

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So the reform of the education system is a very important issue, and thank you for mentioning it. But it is mentioned in the program. It's one of the 13 programs where we are going to undergo massive restructuring program.

[0:59:56]

One last point regarding education is that we are conscious that anything that touches education is medium and long term. So it's not something we will be able to do in one year, but there are many things that we will start in this government and that will be carried later on by future governments.

MR. AHMED: I just want to say that I know that Marwan is sitting in the second row and he's passionate about the need to really rethink the whole basis for education systems in the whole of the region, not simply in terms of structure, but in terms of how they approach learning and teaching, because it's an interesting phenomenon that in this region, the more education you have, the harder it becomes for you to get a job, which is sort of actually the opposite of what you see in other regions. So I'm very glad.

And I think Marwan wants to make a two-handed intervention before I turn to Nael on this.

MR. MUASHER: Well, I just want to thank you for giving me the opportunity -- (off mic) -

MR. AHMED: Marwan, just --

MR. MUASHER: -- my concern with all the education reform efforts in the Arab world, including what I've heard so far from you, is that they are concentrating on the engineering aspects, the technical aspects of the problem, trying to increase, you know, scores in math and sciences, trying to build more schools, et cetera.

What we don't hear enough about is the value system. Are we teaching our students to criticize, to question, to treat, you know, truths as relative rather than absolute? Are they being taught scientific reasoning? These are all issues that, if they are - in the (old ?) systems taught how to do that. You know, the fear was that they would then be able to criticize their own governments, whether secular or religious. And that is why they have not been taught that.

Is there a realization that in today's world, unless you teach people the elements and the value of diversity and tolerance and acceptance of different points of views and accepting that what you are being taught in class is not necessarily the truth, is there a realization in all of our countries that unless we do that, we're not going to produce productive economies, we're not going to solve the unemployment problem? Or are we still talking about investment in the technical aspects, in the engineering aspects, but not in the value system?

[1:02:37]

MR. AHMED: Thank you.

Do you want to respond to that before we --

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MR. BEN AYED: Yes. Thank you for making the point. That's a very important point.

Now, there are -- just like in the economy, we're facing special circumstances today. We're not in a country sitting where we can have the luxury to plan and do everything at ease. We come out of the revolution with very specific short-term demands and the long-term society project. So just like in the economy, we have two tracks -- a sustainable track and a short-term urgent track.

[1:03:19]

In education, we will have to do the same thing. There are students today who have degrees, and it's too late for us, at least, to think of programs such as you've been described, because these kinds of things start from the primary school, the secondary school. We have 500,000 students in the university system already. They'll be graduating soon.

So our worry, to be frank with you and to be practical, is to find ways to give them employability, to try to improve their skills, so that it meets the demands of the job market.

Now, we have in Tunisia, in our -- of course, if you make a revolution, you have to build a new society based on new values of democracy, transparency, criticism, critical thinking. That's what will make better citizens, not just better employees. And we are talking about that, and that we will do, just like in the constitution, in the context of a consensus and general discussion, because we don't want to indoctrinate also a model of society in the educational system. We want to engage a global discussion where Islamists, secularists, all components of society will come in and discuss about the kind of educational system we would like to do.

So the short-term programs for education will include these technical programs and means in order to improve employability. The long-term programs will have to go on the basis you've just described.

MR. AHMED: Nael.

MR. AL-MASALHA: I think, actually, in Jordan we have a good experience in investment in education, although taking in consideration what Dr. Marwan said. But in Jordan, we don't have oil or gas. We have manpower. We have in Jordan 25 universities. Thirty percent of the students are from abroad, from the Gulf countries mainly. And the manpower wanted in the Gulf countries mainly. And thousands of Jordanians after graduating, they go to Gulf countries to work -- for work.

But I think still the problem of skills and training and to direct the education toward a special program to build special skills wanted inside the country and outside the country, I think this is a good opportunity for these countries to invest really in education.

[1:06:27]

MR. AHMED: Hussein, you had the general point, and then there were also -- you know, what about the role of the military, military aid versus development aid? How can you convince everyone? And can you do tourism with the Salafi party as one of your partners?

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MR. ELKAZAZ: Easy questions. (Laughter.)

[1:06:44]

If I may say something personal, number one, about education. The only investment that I personally have ever done in my life is in an educational institution in Egypt. My wife and myself have a school. And I'm just saying that to say that the whole idea of a different model of education is so vital. We went out and spent three years researching here in the U.S. and the U.K., and we came up with something we called the creative curriculum and so on. And I can give some details.

And I cannot agree with you more. And when we provided the service to kids in Egypt, the demand was amazing. It's -- I don't think we need to wait for very long to actually rethink the whole modeling of education in our countries, because there are already things done out there. There are different debates. There are models that have been tried. There are school institutions. We have associations that are helping us, training our teachers and so on and so forth.

So my thinking is hopefully in Egypt we will go with this at the faster track, because the education system in Egypt is just in an amazing need for reform and development at all levels. But I think the whole modeling thing is very much aligned with a statement we put out in the party that's not yet very famous. We put out a statement called the renaissance program for Egypt -- (inaudible). And we, of course, took --

MR. AHMED (?): (Inaudible.) (Laughter.) Thank you.

MR. ELKAZAZ: And again, on another personal note (Yani ?) and I think we are all indebted to Tunis in particular. And I am personally a student of Shihil Hanoushian (ph). So maybe we internalize that affiliation, (Yani ?). We have a lot to learn from our Tunisian brothers -- (inaudible).

In that statement, the renaissance -- (inaudible) -- the renaissance project, we actually state very clearly that we need to rethink key models behind education and a number of other endeavors, human endeavors, in just education, health, security and so on. We need to rethink the modeling, not just build institutions along the same or modeling after the same old model. So I couldn't agree with you more.

Thank you very much.

[1:09:04]

Now to the easy questions. Getting the military out of the economy in Egypt. I don't think we will do that by colliding with the military. We will do that gradually. And this has been actually the subject of negotiations with the military. The military has a certain percentage of the economy that differs, depending on how you look at it. If you look at the assets they hold, the real estate lands, and so on and so forth, it's a bit larger than if you look at it from a productive contribution to DGP kind of perspective. But still it is significant.

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What we would like to do is to actually expand the civil part of the economy large enough so that that percentage gets smaller, and with time, rethinking the military mindset. But by all means, the FGP does not intend to go into a coalition with the military over that subject. We actually want to learn about countries that moved from a military kind of a paradigm to civil, like Spain. And we had actually one workshop with people who brought us their biggest lessons and their experience, which goes also along the lines with the liberal business and so on.

We went to South Africa and we tried to learn about their reconciliation program. We are not, I think, in any position, not in our party, in our country, we are not in any position to exclude anyone now. We are not in any position to go into unnecessary premature kind of fights for no reason. We actually would like to include everyone who has even been part of the business apparatus in the old regime, so long as they accept the new rules and sort of ease them into it.

And think about some of them in some of the discussions. They said, hey, these were the rules. You know, in the Mubarak time, these were the rules. In order to do something big in Egypt, you had to go through this. Acemoglu, in his book, actually lists 32 families in Egypt. Imagine how narrow the base is. And they tell us, we had to go through these 32 families. That was the system. Otherwise you wouldn't do business in Egypt. So how can you incriminate now, after the fact, the behavior that was more or less the rule?

[1:11:23]

So what we'd like to do is to gradually stop it going forward, create all kinds of new measures of transparency, checks and balances and so on, but try to ease these people into it as well. There is no point in running them out of the country. And nothing will happen. Nothing good will come out of it, by the way.

Tourism industry -- one of the first meetings we had as a party with the different industrial teams in Egypt was with the owners of the tourism industry. We had, like, two huge town hall meetings. And they, of course, came up with all these concerns. What are you going to do about people in swimming suits and beaches and liquor and stuff like that?

And our answer to them was we actually would like not only to maintain the tourism industry. We would like to expand it and make it align with the promise of Egypt. You know, the repeat tourism in Egypt is one of the lowest in the world, although this is an amazing country for those who have visited. But how many people would like to come again? Very few. Not because of -- it's because of what happens when you go, the experience you get, as we say in business. You just go see the Pyramids once in your life. The repeat business in Egypt is -- the repeat tourism in Egypt, last I seen, was 4 percent, versus France, which was 60 percent. You go to the Champs Elysees once; you want to go to the Champs Elysees every year. And you send your kids on their honeymoons to the Champs Elysees. You don't send your kids on their honeymoon to Luxor, with all my love to Dr. Dardiri. Where is he?

[1:13:10]

So, no, we actually want to work with that industry to improve it, OK?

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MR. AHMED: Very good. OK, let's have another round of questions. I think I stopped with Khalid (sp). He's sitting in the front row here. So if you could bring the -- so questions now to Tunis and Jordan. (Laughter.)

[1:13:30]

Q: Thank you very much, Masood.

I think this was music to my ears, listening to -- starting with Mondher and finishing with (Ali ?) with regards to the plan, where are we going to go forward.

But I'll start with what you said at the beginning. The revolution started not because of food and bread on the table. It started for dignity and freedom. My worry, with a plan, a fantastic plan that's been put forward here, the pillars, with objectives, the same thing with the way you're doing for the next 12, 13 months, what you want to do, I think you're going to have bread and food revolution coming to you if you think you're going to go through that and it's going to be done.

I think, as Obama said last year, this is history in the making. It's the beginning of history. You are starting from zero. Start from zero in a world where everybody's bankrupt. We have crisis from Europe to the United States and elsewhere in terms of financial crisis, economic crisis, and even sovereign crisis, from that perspective.

You need to kick-start the economies. The only way you're going to kick-start these economies -- it's not -- you're not going to have stability just coming like that, because stability is not going to come through like normal process from any economic model. It's going to be through sustainability. You need to create sustainability. Sustainability means immediate job creation. So it's jobs, jobs, jobs.

It's not a question, oh, we're going to give you this; we're going to do this for you. You've got to create jobs in the immediate future, in the next one year to, I would say, two-and-a-half years. If you don't do that, we're going to have revolutions big, big time.

And I come, actually, and I would look at Egypt, because Egypt -- what happens -- although we thank -- all of us as Arabs, we should thank the Tunisians for where we are today. We are going forward because of Tunis. I think all of us, as Arabs, we should be paying basically taxes to Tunis every year for the next 50 years. (Laughter.)

MR. AHMED: I think he'll be happy to take it. (Applause.)

Q: But, I mean --

MR. AHMED: There is an envelope. (Laughter.)

[1:15:28]

Q: By the way, I take 10 percent. (Inaudible, laughter.) We'll go from there.

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Egypt -- I think, being serious, Egypt is where things would happen. If Egypt is successful, all the 350 (million), 400 million Arabs will be successful in the future. So Egypt is going to play the role. So it's not just the interests of Egyptians. All the Arabs have an interest in Egypt to get it right. And to get it right, you need to create jobs immediately.

[1:15:57]

To create jobs immediately, Ali, I don't think you're going to do it the way you put it forward, because it's not going to happen. You need 20 million jobs in the next two to three years to create them. And you have to create them. And the only way you're going to do that is infrastructure. So you need to build big-time infrastructure in the next two to three years.

Now, it's not going to happen easy. We've been having these discussions back and forth. And I was happy that you guys are here to push -- you as Egyptians to push here jobs, jobs, jobs. That's what you want. And this place here, they can help you. They cannot pay you, but there is only one place who can do that for you. We have the money of the Gulf each year, 200 (billion dollars) to 300 billion (dollars). And we thank, by the way, the Libyan problem, we thank the Iranian problem, everybody else, that the oil price today, \$125 or \$130.

So that element, that increase sitting here, most of it is going to be treasury bills sitting here doing nothing. That money, in the next five years, we have basically \$500 billion across the board, 100 billion (dollars) each year, coming through for the countries in transition to create jobs through investment, not through giving a loan, not through donation -- investment, and investment infrastructure business. Anybody who knows -- the lady in the back -- business, it's a 15 to 20 years' return.

So you need that investment. That's what you've got to push for to go forward, because my problem is you're not going to be successful with what you said. You said something about SMEs. I would like to bring that with what Marwan said.

Marwan and I, we've been fighting this elsewhere when he was younger on this issue of critical thinking. The reason the SMEs did not work in Egypt, because the critical thinking was not there. It was not allowed. So entrepreneurship, by definition, you need critical thinking. And it's not to do with skills. It's values.

We don't allow values to be there, for argument's sake -- first question for Khaled; I was going to ask him that question when he was talking about the constitution. It's a silly, obnoxious question. But we talk about basic human rights. All our rights are protected under the constitution.

[1:17:57]

Now, would the Muslim Brotherhood accept for a Muslim-born Egyptian, for argument's sake, changes, say, when he becomes 20, says I want to be Christian or I want to be Buddhist or I want to be atheist or I want to be whatever? Would the constitution protect his rights? Those are the questions that need to be answered in a long-term basis. That is critical thinking be allowed to go through. So I think we need to think, from that aspect -- (inaudible).

That's you phone. Thank you.

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MR. AHMED: Thank you, Khaled.

So I think the gentleman in the back who had his hand out from the beginning, so I'll turn to him now.

Q: Thank you.

I have a question about -- for Tunis. For the last decade, Tunisia has not applied the Arab League boycott against Israel. And there have been statements in the media --

[1:18:46]

MR. AHMED: Sorry. Could you just repeat that point?

Q: Sure. There have -- over the last decade, there -- Tunisia has not applied the Arab League boycott against Israel. And there have been stories in the American media that some members of different Islamic parties in Tunisia are now saying that the boycott should be reinstated. And I wanted to find out what the Brotherhood's position was on this, especially considering that we're going to move forward with a free trade agreement, and any free trade agreement needs to be approved by the U.S. Congress.

Thank you.

MR. AHMED: That's a good question.

Then the gentleman over here.

Q: Hello. My name is Emga Driza (ph) from the Egyptian Embassy, actually.

Pretty interesting to know the dynamics of the -- sorry. There is a lot of talk over here about the support of Gulf countries to Islamic groups, be it in Tunisia, Jordan, even in my country, in Egypt. So if you could kindly expand on that, I would be really grateful.

[1:19:47]

On another -- sort of expanding on Khaled's question, actually, there is a general feeling over here that the West in general has -- even in Egypt, or like in most of our countries -- that many of the western countries have taken from the economic dimension and the economic needs of the Arab spring countries as the real -- the only tool through which they could influence and have leverage on the upcoming and new regimes coming out of such revolutions.

Based on your experience and on your interaction with such factors, to which extent do you agree with their statements? And if you do agree, how do you plan to deal with it? Thank you.

MR. AHMED: So, just to be clear, the two questions that you wanted to raise were -- the second one is about the extent to which you feel that the panelists agree that there has been a -- the economic lever is the one that is being used.

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Q: (Off mic.)

MR. AHMED: Do you find that there is a use of the economic lever by the West, I think you said, as a way of influencing the policies of the new government? So that's the issue that you raised.

[1:21:10]

There was one question over there.

Q: Great. Thank you. (Sammy ?) Hassan from Georgetown University.

My question is for both -- relevance for both Dr. Ben Ayed and Dr. Elkazzaz.

I think we've tended to underemphasize economics. I mean, certainly dignity and freedom were important, but it's no coincidence that the uprising began in Sidi Bouzid in the interior of the country. And the Egyptian slogan on the first day of the revolution was bread, freedom and social justice. And I haven't heard anything about social justice. I've heard the comment that there will be an attempt, in a Keynesian mode, to establish 100,000 jobs in Tunisia initially. But I heard none of that with regard to Egypt.

So, for example, will, under your program and leadership, unions be able to be independent and have the right to strike? And what kinds of social justice measures will you have for the 40 percent of people who are living on the margins, at or below poverty? Because I think that was a very important part of the revolutions in Tunisia and Egypt and elsewhere.

Thank you.

MR. AHMED: OK, so that's four questions now. And I would like to -- maybe this time we'll switch the order, since there are more questions for Tunis. So we're going to start with Hussein this time.

MR. ELKAZAZ: We call this in Arabic -- (in Arabic). (Laughter.) That's a very Egyptian kind of a joke. Sorry.

Creating jobs through infrastructure -- I thought I said that we're looking at three streams of programs, one of which is this 500 -- 50 to 100 projects, \$1 billion each; the second, the SMEs; and the third is the infrastructure. So we're actually looking at the infrastructure as a stream in its own right.

[1:23:01]

And you're absolutely right. I think this is where we will probably, in the next year or two, start to kick off some really major programs on the infrastructure side to get the economy going. And it's not going to work with the 1 million to 2 million jobs that you would like to create with the SME program if it's successful, because this is not enough, on the one hand, and because of the

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pressure from the government bureaucracy as well. That needs somehow to shrink. So I definitely agree with you.

[1:23:30]

On the social justice issue, I think that's a very key question, because I agree with you. The revolution - I think we have to pay tribute to the revolution. The revolution succeeded, I think, because it emphasized some basic human values, basic human values. It didn't emphasize any (sectarian ?) or any narrowly defined kind of interest. And hence social justice would simply be a very integral objective of the revolution, and hence any objective of anyone who is serving the revolution.

And I have to state my personal view that the party was elected because people felt that this is the party that can serve the revolution. If we fail, then they would elect us out. The values of the revolution are more dominant, in my mind, than the agenda of any part. So I agree with you 100 percent.

Parts of the pillars of our program is to empower the civil society with all its factions, not just the unions. And that's one part of trying to create the social justice, by shrinking the government and sort of lifting some of its grip on society. We're trying to also introduce mechanisms by which people have access to jobs, better education, health, economic opportunities and so on, and hence creating social justice, by working on the judicial system as well, and so on and so forth.

So this was maybe a very abstract kind of a statement. But if you look carefully, it is intended and designed to actually achieve that.

The economic lever -- I think, if I just may make a comment, at least in my own experience so far, I have seen people very interested in the Arab spring with all its aspects; with the economic, the cultural, the political and so on. I have been engaged and have seen engagement from -- and I lived in this country very, very long -- I've seen a very renewed level of energy and interest in interacting with the Arab world after the revolution that far goes beyond the economic issues.

I don't think it's just the economic lever. I think it's part of a broader dialogue; that I think this event, to me, is sort of a historic kickoff of such a dialogue. So I think it goes beyond that.

MR. AHMED: There was one other question I think the gentleman had, which was how did you find the -- what is your experience vis-à-vis the Gulf countries in terms of their interest in actually supporting the process of transition?

[1:26:12]

MR. ELKAZAZ: I think there are two levels to the issue of the Gulf countries with the Arab spring. One level is the immediate perception, at least, that the Arab spring is bringing a destabilizing factor to the region. And I wouldn't blame anyone for feeling that way, because if you lived in the Arab world in the last year, it is a very volatile kind of an environment, which would make anybody nervous.

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On the other hand, I think the integration, the (tide ?), be it social, cultural, economic and so on, between the Gulf and the rest of the Arab world is actually the core of the relationship. We're hoping, in Egypt, to calm down the concerns and worries by making two statements that we are very sincere about.

[1:27:05]

Number one, we are in no mood to export anything to anyone, because we understand, to begin with, that revolutions are not something you export. You know what I mean? Change in any society has to come from within. So we are not at all interested in instituting or pushing any change in any place outside of our own country and trying to work on it.

And the second message is we definitely would like to integrate with the Gulf countries, not just on economic issues, not just to get investments, but a much broader scale as well, because we see these revolutions as sort of a civilization kind of a project, if you will. And we are not going to go it alone. We are going to go it with the rest of the world, and starting with our region. I don't think the Gulf states are anywhere detached from the factors that have created the change in Egypt or Tunisia, as anybody else.

MR. AHMED: OK, thank you.

Nael, anything you would like to add to what Hussein said?

MR. AL-MASALHA: No, I'm --

MR. AHMED: Mondher, anything you would like to add on the questions that were raised? There were also a few questions to Tunis.

BEN AYED: Yes. I think that I would start by the last question. The social justice part of the revolution is very important. When I said that the revolution is that of dignity, you said it the other way around. That doesn't mean that we do not recognize the importance of economics into this and that, if we don't succeed in economics, that we'll have the next wave as a bread and food revolution. So we're very conscious about that.

But it is important to remind people, when they just tackle this from a bread and food point of view, to tell them that the economic -- the democratic transition process and the political process is very important, and it's a project in society that's taking a lot of energy, and we're not losing focus out of this.

[1:29:10]

Let me summarize it another way for a person in my generation. I lived under Bourggiba's time and I lived under Ben Ali's time. And the way I see it is that, under Bourguiba, we did many things right. But we failed to do democracy. If Bourguiba did democracy for Tunisia, we would have been the Switzerland of the Arab world.

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With Ben Ali, some things went right. Many things went wrong. And it's -- I'm not here to state what went wrong. All of you know exactly what went wrong. But also we failed to do democracy.

[1:29:46]

This time society is paying a bill. The economy is not functioning. There is insecurity. There is absolutely a social and economic bill that needs to be paid. Now, if we do the political process reform right, in three years, when we look back, when the economy comes back to normal functioning, we would be proud if we say the bill was paid, but it was worth it. We have achieved what was lacking to our society, which is the establishment of freedom, human rights and democracy.

But if we restore economic prosperity and we fail to do that, then it would not have been worth the hassle. We would have failed. So that's (one ?) started by, you know, refocusing the point on that is from that point of view. It's not to downsize the size of the challenges.

Now, in Tunisia, as you know, the labor unions are very strong, and they contributed a lot during the revolution. And now the government is engaging in dialogue in order to establish a model of development where we achieve prosperity, but not at the cost of regional development or the cost of social justice.

And that's why, in the government program we have, I didn't go into detail, but we have at least 12 measures, social measures. We have increased, for example, the number of families that benefit from what we call poverty stipend from 150,000 to 250,000. We raised the amount from 70 dinars to 100 dinars; you know, a whole package of social actions that are aimed at the very delicate and poor segments of the society, because we feel that we need to do things urgently and we need to do it now in order to alleviate the weight of the suffering of these people.

[1:13:56]

So the other question is regarding the free trade agreement and the (lever ?). The (lever ?) -- is economics being the (lever ?) for -- there is a lot of enthusiasm and a lot of respect for the Tunisian revolution. We in the Tunisian government have dignitaries and prime ministers and presidents of states and ministers of foreign affairs visiting Tunisia on a daily basis. Almost 30 percent of the prime minister's time is receiving these people. And these people come to Tunisia in order to congratulate the Tunisian people for what they did and in order to also offer help.

Probably in the past 10 months, Tunisia has received more visitors and more dignitaries in its history than in the past 50 years. And we have a lot of support from many countries -- from Europe, from the United States. The United States stood up with Tunisia, President Obama and the administration, since the first days and with the Tunisian people. We are also receiving a lot of senators. People from the House, the administration also are visiting, and a lot of encouragement.

And, of course, there is a lot -- big focus today in the world in making Tunisia as a model of a successful democracy, which is modern and prosperous in the Arab and Muslim world. This is very important. This is important to us in the beginning, because we are concerned, and this is

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important for the world. And I think the United States does it because it's in the interest of the United States to see a country like Tunisia or Egypt become a model.

[1:33:50]

It's such an important thing. It's the key to many of the world's problems, towards stability, towards peace. And that's why today, when we talk with these countries, we don't feel really any pressure, honestly speaking, and candidly, as you said, that the only message we get, what can we do for you so that you succeed. And the only focus is not on, you know, regional issues and other issues. It's on domestic issues and how to make this model work and succeed.

So there are common goals. We want the model to succeed. The U.S., Europe and other partners want the model to succeed. And we're welcoming these countries and these companies to come and help us succeed together in building these democracies. And I think that's the best way forward for us all, not just for our countries, you know.

The other alternatives, God forbid, if these models fail, is a complete disaster. There was no seminar that said what happened if all these revolutions failed. It's a nightmare for the countries and for the world. So really there is a concerted effort from the international community, and we feel it, so that we succeed.

[1:35:18]

So there is no (lever ?) to economics or, you know, things that come with conditions. And anyways, things have changed. You don't have dictators anymore. You don't have regimes that are complacent. Now you have to deal with the democracy. You have to convince the people. Even the governments are not free to take any position or to do whatever they want to do. It's not like in the past.

You know, if there are things that are offered that are not in the national interests of these countries, these countries will refuse and will not be able to do. And if the governments accept something against their people's interests, they will lose the next election, because the people are watching. So it's not as easy as it used to be. It's a new equation that, you know, we have to deal with, that you have to deal with.

MR. AHMED: Thank you.

MR. AYED: Now, as far as the free trade agreement is concerned, that's a good sign. I am very conscious about the process that it goes through in the United States and needs to go through Congress, but it needs to go to the constitutional assembly of Tunisia as well. And it has to be approved by the two parties. (Applause.) And we're very confident that we will succeed in meeting the requirements, because we have a free trade agreement with Europe. And with Europe we're moving to a privileged status. So we know how to operate in an international context.

As far as the Israeli-Palestinian conflict is concerned, I would have the -- I would rather have the minister of foreign affairs of Tunisia answer your question. This is a session about economics. But Tunisia operates within the framework of the Arab League and applies and did not take any initiative outside of the Arab League. And in that regard, it's not any different from any Arab

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country. And there are Arab countries that are members of the Arab League that have free trade agreements with the U.S., like Bahrain, like Morocco, like Jordan. So I don't think that's a problem. And there are no particular policies or options that are being taken that I know of.

[1:37:30]

MS. AHMED: Thank you very much, Mondher.

I'm going to try and bring this to a close now. And what I'd like to do is maybe just say, from my perspective, I want to end on making two fairly obvious observations. The first one is that I think, in the next 12, 18 months, the big challenge is really the one that you have raised, which is how to manage the gap between expectations and delivery, because there is almost no model of delivery, whether it's on the politics, whether it's on the jobs front, whether it's on making societies more open, that one can imagine will be fast enough to respond to the expectations, which are sometimes unrealistic. So managing that gap is going to be the big short-term problem, because a failure to manage that gap can derail the process.

And the second observation I have is that, you know, we are very focused now on the short term. You started talking about the challenge for the medium term. Is the rest of the world as conscious that what we are talking about is an engagement that is a long-term partnership engagement, that what we're not talking about is a bit of financial support in year one, a free trade agreement now, and then, you know, we'll move on to the next issue?

This is going to be a -- to make it work, to help support the transformation of societies, this is a five-, 10-, 15-year project. And in that, the rest of the world will need to think not just of the ambition of the engagement, but also of whether we are ready. And I speak of we in this case, also of the IFIs. It's places like the IMF. Are we ready to rethink the way we operate in ways that will actually respond to the needs of very different kinds of societies as they emerge over 15 years?

So I think this is a bigger, more ambitious challenge than a sort of quick-response challenge, although there is the need to manage the short term as well. So I do think that this is something we should also -- and certainly I speak for the IMF -- take away in terms of how this means we need to do our business differently, to be responsive to the needs that will emerge from the transition countries.

But before ending, I would like all of you to please join me in thanking our panelists for their terrific contributions. (Applause.)

[1:40:10]

MR. MUASHER: Masood, thank you so much for brilliant, I think, moderation. Thank you, panelists, for a very, very interesting session.

Please join me in thanking everyone -- the speakers, the moderators -- for what I think was an extremely interesting and eye-opening set of conversation on Islamist parties. This, I hope, will be the start of a dialogue. This is not just a one-time event.

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Let me also have a special thank-you to our interpreters, who joined us here to facilitate the discussion; to thank the Carnegie Middle East program and communications team for their extensive work in setting up this conference.

[1:41:00]

I want to single out in particular, first, Marina Ottaway. This whole concept was her idea. Marina worked very, very hard to make the conference happen. (Applause.) Scott Toussaint -- Scott Toussaint, Amber Kirtley and Jessica Boulet -- (inaudible) - all part of the Carnegie family worked very, very hard also on all aspects of the program also to make it happen. So thank you very much.

And I want to single out again one person without which this whole conference really would not have been possible. She worked very hard at all aspects. You all probably know her name. Many of you might not have met her. But were it not for her, really, we would not be all here today.

So Mae (sp), can I ask you to stand up? Mae Sardani (sp) -- she did a great job in -- (applause)

[1:42:03]

And finally, I would like to thank our co-sponsors, the government of Switzerland and the Heinrich Boll Foundation, for their generous support in helping us put together this conference.

Thank you all very much, and I look forward to welcoming you to future Carnegie events. (Applause.)

(END)