

THE ECONOMIC DIMENSIONS OF UNREST IN THE ARAB WORLD

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URI DADUSH: Good afternoon, ladies and gentlemen. And thank you very much for joining us at, today, this discussion of the economic dimensions of unrest in the Arab world featuring Mustapha Nabli, who has just been appointed, perhaps a little over a month ago, as the new governor of the Central Bank of Tunisia. And also joining as a discussant is Masood Ahmed, who is director of the Middle East and Central Asia regions at the International Monetary Fund.

You have both Mustapha's and Masood's bios with you, so I'm not going to say very much except on a personal note that these are two friends of mine, of quite long vintage now, for many years at the World Bank, and also that I have the greatest respect for them in terms – in all respects, but in terms of – (laughter) –

MASOOD AHMED: You really want to stop here, I think. (Laughter.)

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MR. DADUSH: You know, I'm an economist so I have to – (laughter) – but especially in terms of their superb understanding of the region, of the Middle East and North Africa. Very few people in the world have the expertise, knowledge depth that the two gentlemen on my right have on the Middle East and North Africa – which does not mean that they get it right, because a little under two months ago, Masood and I were on this panel discussing the prospects for the Middle East and North Africa. And my conclusion at the end of it was, well, it just sounds like it's going to be business as usual for many years to come. So therefore, please treat anything you hear, especially from me today, with a great – with a great pinch of salt.

But again, let me welcome you. And let me begin – we'll structure it this way. I will ask a series of questions. I'm going to start with Tunisia, then I'm going to move to the region, and then I'm going to move to the world, the implications for the world. And I have a series of questions. And I'm going to alternate between our two panelists here. And then we hope to have about half an hour at the end of this for questions and answers from the audience. So we will get there.

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But I thought, given the complexity of the subject, that it's best to start in a structured – in a structured way. So let me kick off then with the first question to Mustapha, which is, what happened in Tunisia? Why? Why now, and not 10 years ago? (Laughter.)

MUSTAPHA K. NABLI: Okay. I think it's going to be, for many years and decades to come, that the people are going to try to answer this question. And I don't know whether there will be ever a good answer to that. But let me try to give you my answer, which is – because I have been thinking about this question a long time. And since I don't have time to make my argument, let me just summarize it very quickly.

I think there are three ingredients which came together recently and which were not present in the past at the intensity they have been present recently. The first ingredient is the blatant and increasingly strong corruption. The corruption of the system has reached unprecedented levels. Corruption has been there for some time, at least 15 years, but the level it has reached recently was unprecedented and blatant and became well-known. And that's – (inaudible, background noise) – the media, the knowledge was becoming much more prevalent.

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And the corruption, the impact of the corruption was felt essentially in the sense of – sense of unfairness. It has created a sense, a deep sense of unfairness for the population. People were getting rich, were getting, you know, extravagantly wealthy. And there was a sense that this was not fair. And so this sense of unfairness became deeply ingrained in population, in the people. And that's really the first ingredient that has not reached that level before. It has been there for a long time, but the intensity of it, the strength of it, is – was not – was not there.

The second ingredient which also contributed is the employment-education nexus. We know – we have known for a long time – that this was a problem: unemployment was high, has been high in the Middle East and North Africa for a long time; we are in this demographic transition and demographic bulge, and the increase in the labor force was very high. And we have – has been documented and discussed for the last – at least for the last 10 years.

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But what happened in Tunisia: that the strength of the high university-educated people becoming unemployed has reached a level which has not – which were not seen before; the level of unemployment with the young, education, males and females became so high. And the things that – people did not see a prospect for this improving in the future. And I know people who are asking, and I have been asking myself, whether the recent crisis and the impact of the global crisis on Tunisia was a contributor. I think it was, in some sense, a contributor, because Tunisia has seen its growth rate slow down by 1.5 to 2 points of growth over the last two or three years. And I'm sure that what this did, that showed that the prospects are not there anymore.

When the country was growing at 4.5 to 5 percent, at least people were saying, okay, there's something happening. But when growth drops to 3.5 percent, then you don't see the prospects anymore, and things are looking gloomy. So this sense of lack of prospects, lack of future, lack of hope became so high and so strong, then it was added to, this sense of fairness became very strong.

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The third dimension and third ingredient to my mind that came to be seen as important is the prevalence of modern technology. Modern technology in Tunisia was pushed very late – the introduction of the cell phone, of the Internet. The regime has pushed, you know, down the road. It took many years for the regime to allow Internet to be introduced, to allow cell phones to be introduced, to be prevalent. So – but more recently, it became very – I mean, Tunisia has reached more than a hundred-percent cell phone rates – or, I don't know the number, but it's almost a hundred percent, you know, as many of – and the Internet access, Facebook access, became very, very – and I think this prevalence of the modern technology has contributed a lot to the success. It was not the contributor to the starting of the events, but the amplifications of it was really through this modern technology.

So I know there has been this whole debate about whether modern technology was the cause. It's not the cause, but I think it was a big contributor, facilitating the transmission and the amplification of the process. Because what it did exactly is – essentially is that modern technology did reduce the cost of collective action for people to organize and to act on something. And the cost became essentially zero. And this facilitated the process of spreading the information and agreeing on actions and sharing this action and then moving on.

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So the modern technology – so I think these ingredients have never been there in such intensity and in such a clear way as recently.

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Now, do they explain that it happened on 17th of December 2010? Well, probably not. It took some singular event; it took some singular, unexpected event to, you know, ignite that spark which really then made this whole – the explosive mix was there, and then this spark was the thing that made this explode.

MR. DADUSH: Thank you. So corruption, unemployment, technology. Unfortunately, these factors are present in other places in the Middle East. We will come back to the broader region. But first, let me ask Masood if he has any further elaboration on the Tunisian situation.

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MR. AHMED: Well, I think the first thing that you should say – that I would like to say is that, in addition to the fact that the three of us have been friends for a long time, if you look around this room, you sort of see the community of Mustapha's fan club and friends from many, many years. So I'm sure they all have a perspective, which we'll get to also at some point.

Now on Tunisia, I think there's one issue which it'd be worth getting a sense; maybe Mustapha has a sense on it too, is: So these three things were there. I think that's a pretty good way of organizing the framework. Very hard to say exactly when the combination of them gets to a point which is a tipping point. And I – you know, we were here – two months ago?

MR. DADUSH: Two months ago.

MR. AHMED: I don't think – we identified some of these things. We talked about unemployment, et cetera. But we couldn't say then, this is x number of weeks away from a spark. And in this particular case, one event triggers a broader thing that gets magnified. But what about another spark, which is food and fuel prices, commodity prices? So I'm not sure in my own mind that in Tunisia's case, high food prices or high fuel prices were a big part of the trigger. That's kind of my take on it.

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But in other countries, food and fuel prices have been the proximate trigger, in some cases, for people to react. And so we'll come back to this, maybe, when we talk about the region. But it's interesting for me that you didn't include food- and fuel-price increases at all in your triggers. And maybe that's because in the scheme of things in Tunisia, they weren't that big.

MR. NABLI: May I take this? I don't think I have thought about this issue. And I don't think food and fuel prices have been a factor in Tunisia. And I don't think they have been a factor in the rest of the region as well; Egypt – I think – I don't think they have been. The fact of the matter, actually, there has been no – you know, preceding this event, there was no major changes in food prices or fuel prices in Tunisia or Egypt. There was – something happened in Algeria – true. But you see, and that's why the outcome was completely different, because the spark was something, and then the reaction was different, and then the response was different. And then, it did not take the same route and the same outcome.

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So my sense is that this – the whole event, I mean, this collapse of regimes, cannot be – was not – I mean, the price of food and fuel was not part of it. I mean, there was certainly – there were certainly, you know, an overall

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sense that, you know, cost of living was increasing and people were sensing the pressure and so on. But I don't think it's – and when you see the slogans – I mean, I followed very closely what people were saying and what people were, you know, talking about during these events. And I have not seen a single time – you know, people talking about food prices or energy prices, I haven't seen that.

On the other hand, people were talking about corruption, about governance, about transparency, about this and all of those things. It was clear; it was – it was there, center stage.

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MR. DADUSH: Good. Let me ask Mustapha, what is the economic situation you are confronting in Tunisia right now? How is economic governance being handled? What economic risks do you see in the short term?

MR. NABLI: I think the – in terms of the economic risks – for now, I think the major risks we have been able to control in terms of the short-term issues – and the short-term issues are the external balances, the financial – the reserves. And I think we are in situation where we have not seen any run on the currency; the currency is stable. The foreign transactions continue, you know, almost normally. So we don't have immediate pressures on the – on the – on the external accounts. We don't have major immediate pressures on the fiscal accounts either.

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The major challenge that we have now is social pressures, people – with the opening up of the political system and so on, there's a lot of pressure in terms of trying to catch up with the past in terms of wages, in terms of jobs, in terms – so there's a lot of – and this creates risks in the economy. Because while broadly speaking now, as we speak, most of the economy is back to work – you know, factories and things like that, with the exception of tourism, which has not returned – but the rest of the exports – with some of the limitations, because there has been some damage, some property was damaged, some factories are not functioning anymore. So there has been the capacity to produce, and export has been reduced in some sense.

But we see a lot of factories working and exports continuing and so on. However, the lack of return to social peace, if you like – which is normal; I mean, it would be surprising that this would not happen – this is putting a damper on the prospects for exports over the next few months.

And so the major risk I see is that in three months or four months, if the production doesn't come back to normal, the employment doesn't come back, then we might face external pressures on, you know, on the external side. We might face on the fiscal side as well. Because clearly, a slowdown in economic activity is going to impact fiscal accounts, fiscal revenue and so on; while on the other hand we have pressures on the expenditure side. So we might be squeezed between an increase on the fiscal – on the expenditure side, and squeezed on the income side.

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And then the – now the good news: that, fortunately, we have some buffers. We have some buffers. The debt situation is reasonable; we don't have high debt, either domestic or external debt. We have, until now, a reasonable level of reserves. So we have – we can hold for a few months. But the main risk is that if we don't return back to work – and that's what I have been saying, and I've been talking to the media and population, that we really have to go back to work, and then to start, you know, production and exports and things, so that we don't fall into any of these risks.

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Because the worst that could happen – and I hope that it doesn't happen – is that this economic tension develops at the same time where we'll be having elections. Because if we are having elections in three months or four months or, you know, six months or whatever, and if at that time the economic situation is tense, then we might be in a – in a bad situation.

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So what we need at all costs to avoid is to have, you know, the elections taking place at a time where there is economic pressures. So that's really the big risk that we have.

MR. DADUSH: Masood, do you want to elaborate?

MR. AHMED: I think that I agree with the broad outlook that Mustapha has laid out. I guess I would just maybe add one point to it, which is that in some ways it would be surprising if we had all this change and transition and you didn't see in the short term some effect on the level of economic activities, some effect on the level of tourism. So, you know, right now tourism is down. My sense is, you know, it'll be a few weeks, few months before tourists decide to come back. It depends a bit on how quickly they sense that there is a restoration of not just political stability but the comfort level for them to return. There's probably some slowdown in foreign investment, takes a bit of time for it to come back. So all that will work its way through the economy.

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And then on the numbers – now, the numbers as such, you start from a strong base. So macroeconomy in Tunisia has actually been pretty prudently managed. So you start from a strong base; you can afford to go through a period when you see some slowdown and let it work its way through. So one thing we should not be surprised if these negative short-term impacts work their way through the system. We should expect them. And when they happen, we should recognize that this is the result of events that have already happened in some ways working their way through.

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The second thing that I think is also important to recognize is that on the government's old side, as Mustapha was saying, you know, you start from a relatively small fiscal deficit – so the fiscal situation generally quite tightly managed, so there's probably going to be some pressure to spend. There's probably going to be some impact on lower revenues because economic activity goes down. So you'll see some little bit of widening on the fiscal side.

Again, it wouldn't surprise me if that happened. It would surprise me if it didn't happen. The question becomes: Is it manageable? And if you look at the numbers, I think the main point that I'd take away from looking at my colleagues who are – some of whom are sitting here have been looking at some of the numbers. And, you know, given where you start from, given the range of pressures, a broad range of scenarios is still manageable. And I think that's what I'd take away.

So I don't – I'm not so focused on the fact that things are going to be slightly worse this year than they were last year. That's almost inevitable. I'm more focused on the fact that, you know, a broad range of scenarios, of things that could happen still remain manageable. And I think that's the key message from me.

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MR. NABLI: The reason we – I think that it's manageable is that when you look at the risks, where are the risks? The initial risk that we had was the security situation, the return to security of people and property. And I think we have gone a long way. I mean security has, by and large, come back to almost a normal level. So that risk has been controlled and we are back on security.

The second risk was social front – on the social front, you know. You know, pressures for, you know, all kinds of things. And this – this, we are on the way to deal with that, and this is kind of taking its course and something (totally ?) expected and taking its course. And my sense: that in the next few weeks, this will be more or less controlled.

The third risk, the one I was talking about, the political. You know because now that security's back, social problems – people are going to turn to politics because that's where the game is going to be in the next few months. And so people are going to be focusing on the politics and the elections and things like that. And that's sort of the risk is going to be – (lie ?). And that's why my own view is that – that's why we want to make sure that the – there is no development of a negative loop between the economic and political risk.

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MR. DADUSH: Let me pick you up exactly on that point. In the longer term, beyond this transition over the next three to six months, do you see the transition as a risk to deepening market reforms? Do you see the possibility that we go back on the market reforms that apparently have served Tunisia quite well over many years? Or do you see even the opposite, that the process of democratization, assuming it succeeds, will enable more market reforms in the future? Where are we there?

MR. NABLI: That's a tricky one. And let me say about market reforms and all they have done, I have argued some time ago, already, that market reforms contributed to the corruption, development of corruption, actually. And that's what we need to keep in mind. A lot of the corruption that was taking place was taking place on the basis of market reforms and taking advantage – doing market reforms which were for the benefit of some.

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They were not really market reforms as the way we think of them, in the good sense. So there's no doubt that market reforms – some market reforms have had a bad name. And then it's going – it's not going to be easy to go back to market reforms. So we have to be expecting that. We have to build, again, the trust in market reforms. Then, we have to develop market reforms which are really for the benefit of society as a whole, not for the benefit of the few.

So whether it's about privatization or about, you know, giving, you know, noncompetitive bidding and all kinds of things that were happening in the – poor people benefiting for. So there's no doubt that there is going to be a questioning of the market reforms and making sure that the market reforms are – really have social benefits that are widespread.

So in a sense, the answer is going to be a slowdown in market reforms. And I'm not sure it's bad as such. I don't think that going full speed, just market reforms for market reforms, if they are not really bringing – public welfare is improved – are something that we want to do anyway.

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MR. DADUSH: Good. Masood, do you agree? Do you think that IMF- and World Bank–sponsored market reforms facilitated corruption in Tunisia? (Laughter.)

MR. AHMED: I'll give you my answer to that, which is I think that what Mustapha said, you see, is – that's where we should start from, which is contestability in markets is the other half of contestability on the political front. I mean they're the two parts of the opening up of the economic and political space are market and stability.

And the market reforms – any reforms – to be sustainable, have to be reform that people see the benefits flowing to people, fairly and in a transparent way. And what – if you have noncompetitive, non-contestable privatization of state assets, that's not really market reforms in any sense of market reforms as we would sit here and define them.

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It may well be what was implemented. So I think the question we get and the lesson I take away from this is that we really have to focus much more on how things are done rather than simply saying this is the objective and this is the right direction and then kind of think – hoping it will work out because they can be captured. The economic reform process can be captured, just as much as other kinds of reforms can be captured, in the interest of a few.

So I would say it's inclusive, transparent, contestable market-based reforms which will then bring broader acceptance. And without it, it's not going to be feasible to implement any kind of policy anywhere.

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MR. DADUSH: Good. Thank you, Masood.

Mustapha, does Tunisia need help today? What kind of help does Tunisia need, if any, from the EU, United States, IMF and World Bank?

MR. NABLI: Three weeks ago – was it two weeks, three weeks ago? I addressed this question in Davos and I said, at that time, that point in time, the help that I need is that – please do not do any harm at this stage – the first thing, don't do harm. And I thought that there were some things of the international community that are doing harm at that point in time.

You know, rating agencies who downgrade your debt just the next day, you know, political change of the time, that everybody was looking for, is not helpful. It does not – it's not good. It increases not only the cost of your debt, but it increases also the cost of your even trade finance and – (inaudible).

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So I wanted and I still want to make sure that you know, investment – I mean international banks and financial institutions and trade, you know, keep funding and financing trade in usual way. That's – so the first thing, just do no harm. Let's –

MR. DADUSH: Just continue.

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MR. NABLI: Yeah, continue. Now, in the next phase, as we were discussing earlier, we are going to have a phase in the next few months, the rest of the year, where probably, our financing needs are going to be higher, both for the external financing as well as the budget financing. So we are going to need financing. And we are working with the World Bank and the IMF and other partners, the African Development Bank and the European Investment Bank, European Union and Arab funds and so on.

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So we expect to have support that is higher than the normal that – you know, that you'll have. And as Masood said, you know, it's really something that is expected that should be dealt with, and we hope to do that. We are organizing a conference by the end of March, early April, to – it's not a donors' conference. We like to call it, you know, international conference for Tunisia, where we're going to talk about political reform as well as private-sector role and as well as, you know, public-sector contribution and so on.

And that's where we are now: help to mobilize. So it's not really only donor funding as such, you know, with the international financial or bilaterals, but we are – were expecting also private sector to come in and investment to come in to create the jobs and to create the capacity to produce and to develop the capacity of the country.

And also, we expect the support for the reinforcement of the political institutions, the political system. So it takes – and there's lots of needs at that level as well, going from, you know, organizing elections which are transparent and so on to helping, you know, political competition take place and helping the media to develop in a way that is effective and also responsible in some way. So there are lots of needs at all these levels, and we are working with all our partners to do that.

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MR. DADUSH: Great, thank you. Let's widen it now to the region. And let me ask Masood the question. We talked about corruption, unemployment and technology as the three factors that came together in Tunisia. Clearly, these factors are present to a more or less similar degree in other parts of the region. How do you see, Masood, the situation in the rest of the region? Are the same issues present today in Egypt, in Libya? How do you see the picture?

MR. AHMED: So I think what is very clear, even if you look at the two countries where there have been kind of most social unrest before Libya, Egypt and Tunisia, so it's quite clear that even in those two, there are as many differences as there are similarity. And I think it's important not to take the view that you know, there is kind of some standard model of problem or solution that's going to go around the region.

But having said that, what are some common themes and then some common responses? Well, one common theme, I think, is this sense of disillusionment and hopelessness amongst young people who are coming out of universities and colleges and schools and not being able to find a job.

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And you know, in October, when we did our last regional outlook, we tried to put together some stuff on youth unemployment. And the numbers are quite staggering, you know, in countries, less than half young people are actually working because many of them are unemployed and many more are not in the labor force. So there's clearly that issue there, which is in many countries across the region.

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Then you look at the issue of the fact that a sense that opportunity for enterprises, small businesses to create employment, to create businesses, their access to finance, their access to the way rules are applied, to dispute resolution, are all very unevenly applied. So you have to be connected to be able to get the right kinds of thing. So that's another source of unease. So those issues are there.

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But the other thing that's happened already in some ways is that governments across the regions have responded, in fact, by stepping up the subsidies they're providing on food and fuel and housing and by providing salary increases to public employees. So different kinds of fiscal measures. Many countries around the region are doing that now.

And they vary between half a percent of GDP to maybe three or 4 percent of GDP. Some countries can afford to do that. So it's a choice they're making. But others are quite stretched already because they've used up their fiscal space in the past two years trying to deal with the global recession. So on the back of that, they didn't have that much fiscal space, but they're trying to use that to do this.

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And I think one message that we have been pushing is that it is the job of governments to help protect the most vulnerable. That's not the issue. The issue is, is the best way to do it by subsidizing products or by creating safety nets that are focused on vulnerable people and families and giving them transfers?

Now, setting this up will take time. And actually, there are people here from the World Bank. And the World Bank has a lot of expertise, other people have expertise around the world in this area to help set up good safety nets. That seems to me to be a response. So I do see, across the region, some common reactions, mostly on the fiscal side so far.

I see most of these reactions as being things that will help to buy time, but that don't yet address the fundamental issues of how to create a better business environment, how to actually provide the curriculum for people that will give them skills to get jobs, how to create more efficient safety nets. So I think that's the next part of the discussion, is what are the policy priority that will shift the dynamic rather than simply buy time.

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MR. DADUSH: Good. Mustapha – and I mean, after all, you worked many years all across the region. So

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MR. NABLI: Well, it goes back to my, you know, predicting what might happen and what is really very difficult. And I don't think we have good signs for this. But it's clearly that the ingredients I talked about are present in many countries and if not most of the countries of the region. There is no doubt about it.

The issue is the – how – what is the strength? Because I was talking about the degree to which any one of this agreement is present, and that's where you find differences. So the degree of corruption, the extent of it, the kinds of you know, and what type of corruption, you know? When you see, for instance, people talk – there is corruption in China, there is no doubt about it, okay?

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But the corruption in China is not of the type that was in Tunisia. It was different because Tunisian corruption was kind of at the top and concentrated. In way, it's visible – highly visible. The corruption in China is much more, you know, widespread and more broad and there is – it's not as visible.

So – and these things create a different chemistry in terms of political and social dimension. So the nature of – and the extent of the corruption, the extent of the youth unemployment and the university graduates is different from country to country. So this makes for differential impact. And that's what you see, actually, on the ground, that countries are not reacting in different – in the same ways to the events.

The political systems are different and what is expected is different. So there's no doubt that the ingredients are there and it's likely that things will happen in different countries and so on. But to try to predict exactly – I did not expect Libya, really, frankly, to happen the way it happened. It was very difficult.

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But the ingredients – we know the ingredients were there; there's no doubt. But it – that it takes that – I thought Libya was really much further down the road on these issues. And the government was trying to do all the kinds of things that Masood was talking about in terms of spending, buying off people and so on. But it didn't work.

MR. DADUSH: Does oil – a lot of oil – and this is why, I think, we were all surprised that – well, we were – (chuckles) – frankly, we're being surprised all along the line. We were surprised that Tunisia – that it exploded in Tunisia, given the, you know, the economic performance, the strong indicators. But then we were also surprised that it exploded in Libya, partly because we thought that oil wealth would provide some insulation.

Now, it's true Libya's oil wealth is not as extensive, you know, per person, so to speak, as it is in Saudi Arabia and the Gulf. But does Libya suggest that now, some of the Gulf countries – perhaps Saudi Arabia itself is at risk? This is, of course, a very pertinent question in terms of the global environment.

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MR. NABLI: I'm not able to answer that question, but let me say, really, that's why I emphasize it's not simply about the economics. It's not about the economy. It's not about, you know? The central thing that we have to remember – this whole thing is about dignity, essentially. It's really about, I mean, people – you might be rich, you might be getting tons of money. You might be getting whatever and subsidized, you know, housing and all that.

But if your dignity is not respected then something is wrong. Their sense of frustration, sense of humiliation about – and it's not because you're not getting, but because, also, the other guy is getting what they don't deserve. And that part is really has to be built into the system. So the reading of it as an economic – I think the economic factors are contributors to it and – but it's really this psychology of people, the respect for people and the prospects for them, you know, the hope – that they have a hope in the future.

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The question I have been asking myself, for instance, is the following, really: Suppose that Tunisia or Egypt were able to grow at 8 percent à la China over the last 10 years. And suppose that this would have allowed the

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young people to get jobs and to see hope in the future while at the same time, the political regimes would have remained the same and the corruption.

I mean by giving hope to people, maybe the sense of you know, dignity and frustration would not be as acute and maybe this would not have happened in a way. So if you try to build a counterfactual, if you like, along those lines, you try to understand a little bit better what are the contribution.

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So in a sense, the economic factor is there. It certainly plays a role, because if the economy was much better, maybe this would not have happened. But then, given the economy, given the performance, then you get – the other factors would become prominent and play the major role.

MR. DADUSH: Is there a sense, Mustapha, that okay, you're stressing dignity. This is really taking us away from economics – I get very, very uncomfortable – (laughter) – but the – the –

MR. NABLI: (Inaudible, laughter) – are not at the World Bank, all right?

MR. DADUSH: Is there a sense that in some of the countries of the Middle East, there is more dignity? And in some countries, there is less? Is there a sense that in Libya, with the leadership that they've had that somehow, there is less dignity there than there is in Morocco or Jordan, where there is a longstanding monarchy? Is there – is there any? I mean sorry, I'm wading outside my comfort zone here, but I'm just curious.

MR. NABLI: Ask the floor.

MR. AHMED: Very good question for the audience.

MR. DADUSH: We will – we will come back. We will come – well, maybe we should ask them. What – do you think there is a difference in the sense of dignity in the foreign countries? Does anybody have a view? Yes, sir.

Q: (Off mic.)

MR. DADUSH: Please stand up and identify yourself.

Q: (Off mic.)

[00:40:55]

MR. DADUSH: We're going to give you – because the cameras cannot hear –

Q: You mentioned Morocco and the other monarchies. The monarchy in Morocco has more legitimacy, although it is monarchy, than some republics in the Middle East and North Africa region. In the case of Tunisia and Egypt, we deal with very harsh police states. Authoritarianism has been – I mean this, I'll mention as examples of authoritarianism throughout the world, especially Tunisia. So the lack of political rights and a horrendous record in terms of human rights in the case of Tunisia has also been a (grievance ?). And they're right.

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MR. DADUSH: Okay, so there is a sense – there is a sense here that there are big differences across the regions in this respect. Let me – let me ask if Mustapha or Masood – and this is my last question on the region before I turn to the world – let me ask if they see, you know, factors that we have not mentioned that make some countries more vulnerable and other countries less vulnerable? Are there any factors we've mentioned – we haven't mentioned or we haven't discussed? Masood?

[00:42:15]

MR. NABLI: This is for Masood.

MR. DADUSH: Yeah.

MR. AHMED: No, I don't think there are any particular factors we haven't mentioned. But one we haven't yet said about the region, which I think was worth saying is that actually, no matter where you are on the scheme of comparison on the different sources of vulnerability is an interesting discussion. But from a policy point of view, it's not the central discussion.

The central discussion of the policy point of view is wherever you happen to be, what are the things that you need to do to make yourself less vulnerable. And the key issues there is how often the same common themes crop up. And I think that's my – my core takeaway, in a way, is that you know, this should be a bit of a wake-up call for everyone, regardless of whether or not you, yourself, are more or less vulnerable, that you have to act on trying to provide a better business environment so you can accelerate the growth rate.

[00:43:14]

I mean Mustapha's counterfactual, in a way, is an interesting question. Why is it a counterfactual rather than the history we are looking at? Why is it that this region has grown so much slower than most developing countries for so long? And the reason I think is that because – despite the variation across the countries of the region, most of them have not got the kind of business environment that creates private activity.

There's far too much state involvement in production and less in regulation. And then the skill set for young people coming out is not adapted to the kinds of jobs they need. And that's the agenda that I think in a way, we need to be moving on.

MR. NABLI: Let me add one – I mean I don't think that we should leave it – I'd like to leave a point or at least – it's outside of my comfort zone and yours. I think the international dimension is not there. I mean we haven't talked about it. And the whole view of you know, the after September 11, 2001 and all of the Western and you know, the Iraq war, Palestine war, all of these things are part of the story.

We haven't talked about them. We are not qualified to talk about them, but I think we should keep in mind that this is part of the dignity issue – the dignity issue and the frustration issue, the humiliation issue is part of it.

[00:44:41]

MR. DADUSH: Okay. Let me move to the world and we don't have a lot of time because I want to turn it over to the audience. But let me ask, perhaps Masood, to start. What implications do you see for the global economy out of this? What implications is the IMF concerned about with regard to oil, food prices, trade and listing the channels through which these shocks are transmitted? Financial stability, migration. How do you see it?

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MR. AHMED: I think all of those are channels. So if you take them, you know, some are more important for some sets of countries. Others are different. The big issue in everybody's mind of course, right now, is you know, what does all this mean for the price of oil? And if you look at it, you know, the period until things started deteriorating in Libya, the impact on the price of oil was actually relatively modest because I think people did not really see that.

[00:45:51]

And even now, the impact of the – what's been happening in Libya has been relatively modest because in the short run, there is still quite a lot of unused capacity that can be brought on stream, particularly from Saudi Arabia. So I think right now, I think John Lipsky said earlier on today – John, who's at the IMF, that if there was a short spike in the price of oil, the world economy can sort of sustain that because the relevant oil prices over the second half of last year was actually a reflection of a recovery in the global economy.

It was a demand-driven thing. Now, this is more concern about short-term supply and security issues. If it's not sustained, the world economy can continue to sort of deal with that without a big impact.

[00:46:37]

The other issue which had been on people's minds, of course, when Egypt came on stream, was the question mark about whether this would disrupt trade going through the Suez Canal. There really hasn't been any evidence of that and again, you don't see that in any of the markets – that implication.

So I think, you know, again, just as it's very hard for us to sort of predict what's going to happen in individual countries, therefore it's hard to predict what the consequences are likely to be for the global economy. But so far, the impact on the world economy has actually been relatively contained.

MR. DADUSH: Mustapha, do you have any elaboration? And particularly, I'm interested in your reactions on migration. As you know, Italians, in particular, have been up in arms about migrants coming in by the hundreds or the thousands, even, over the straits from Tunisia. But more broadly, anything you want to tell us about the implications.

[00:47:39]

MR. NABLI: I mean one can – if we go back to the '60s and the '70s and the early '70s, one of the mechanisms of regulation of the labor markets in North Africa, particularly was migration. Migration was a main mechanism through which you know, the growth in labor force was absolved through migration. Therefore, the demands on the domestic market for creating jobs was much – was much smaller.

Now, we know that since the mid-'70s and since the first oil shock in '76 and so on, that migration channel has been closed to a large extent. Formerly, at least, even though it has continued in many different forms and so on. And we have been arguing for the last many years and some of our friends more than others on this migration issue, that it's an important one for Europe and for North Africa and the Middle East and so on because that should be part of the overall cooperation agenda and it's not.

[00:48:42]

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You cannot – you cannot open trade and say okay, we are trading, we are trade – and you open the trade for the goods that you look and you don't open for the goods you don't like. And then you close – and you open capital account but then, you know, movement of people is not – is not on the table. It just doesn't – I mean people don't buy that.

And it's part of the dignity, again, because the dignity issue on migration that people go and queue for visa. It's humiliating, you know? It's humiliating to go and queue and for visa. I have queued for visas, you know, for the World Bank. I worked for the World Bank, I have to queue for a visa. This is humiliating, whether for any country, for any person.

[00:49:28]

So people take the – and (there are troops ?) – so they go through the legal channel. So they go through boats and they go through all kinds of ways because you block the legal and the organized ways. So the Italians can be in arms and we understand them – it's understandable. But they have – I mean the Europeans have not been able to face to the issue. And I think it's part of the story and then they have to face to the issue and then deal with migration as a legitimate, you know, issue, as a concern on both sides. And then it has to be dealt with.

And more importantly – what is really even more, you know, striking is that it's in the interest of Europe. It's not only in the interest of the south. And we have (none ?) who have looked at the numbers. And there is a good match actually in terms of the demographics for Europe to absorb significant numbers of laborers from North Africa. And it's of benefit to them.

So it's a positive-sum game; it's not a negative-sum game. But even that, for political and whatever reasons, this has been kind of a no problem – it's not on the table. It has been, you know, put off. And I think it should be on the table.

[00:50:46]

MR. DADUSH: Good. Let me ask my last question about the world, which is, what lessons from this episode should be drawn by the U.S., the EU, the IMF, the World Bank? Are these governments and institutions in part to blame for the current situation, for buttressing corrupt and autocratic regimes for so long? Masood? (Laughter.)

MR. AHMED: Well – (inaudible) – for other people, but I draw lessons for myself and for the IMF where I work. And I think the main lesson for us is that – is the one we talked about earlier, that even though as a cooperative institution, we have to work with 187 countries around the world. And each country organizes itself differently. And actually, I don't think that the IMF – or here, I will stray and make a comment about the World Bank as well because I don't think either of these institutions should be in the business of offering a kind of single view on how the world should organize itself politically. Every country has to organize itself.

But what we do need to be doing, and what I think we in the IMF will be doing more and more, is to recognize that for economic reforms to be sustainable, they have to be seen to be inclusive and to offer everyone an opportunity to participate in the benefits of those reforms. And therefore, to talk about not just aggregate, average numbers on growth rate – and actually, it so happened Tunisia had amongst the highest per-capita growth rate in the region – but to also begin to talk about how that growth is being shared is something that's one issue, and secondly, to talk about governance issues in ways where you begin to point out if people don't have access to property rights

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or to dispute resolution or to finance regardless of their connections. And those are important sources of vulnerability to the sustainability of the macro-agenda.

[00:53:08]

So I come back to it from the root of the core business of the IMF, which is macroeconomic sustainability and growth, and say that without these things you really cannot assure long-term macro-sustainability.

MR. DADUSH: Mustapha, we have all been part of – you and I and Masood – missions on behalf, as it happens, of the World Bank or the IMF to Libya, to Tunisia, et cetera, to Egypt, helping these governments manage their situation under autocratic and corrupt rule. Were we wrong participating in these missions? What do you think? (Laughter.)

[00:54:00]

MR. NABLI: I think I'm going to send the answer to Jean-Louis Sarbib and to the others.

MR. DADUSH: Who are – who are present here. But – no, come on.

MR. NABLI: I think – I truly think that the international institutions are trapped. They're trapped because they should do what they cannot do. They cannot speak on the political ground, and they cannot express their views on that because if they do, they are in trouble. On the other hand, if they don't do, they're in trouble as well because the public opinion does not understand – public opinion – and I have been listening. The public opinion did not understand the positions of X, Y and Z at, you know, time T.

And in the areas where they can – I mean, the World Bank, for instance, you know, has developed a view on corruption in governance – so taking the route of governance and corruption, and so on. But then, if the government does not play, I fear we cannot do anything.

I mean, in Tunisia there was no way you can have a survey on corruption and get any data on corruption. There was no way; it's not – it's not allowed. It was not allowed.

[00:55:24]

So if you talk about corruption, you are always told – so how do you know? Who tells you this is so? And this is just, you know, rumors, and people are – but the international institutions cannot – you know, they need some, you know, based evidence that bases their dialogue. And if they don't have it, so they're stuck. And I know how Ritva was stuck in that position trying to do something about it, and they couldn't do it.

I mean, to go back to the basic questions, I don't hold the – I would never hold whether the international institutions are responsible for this. They are not responsible. It's just a matter of what can they do not to be seen as like they're not aware, and they're not building that into their business.

And I think on that, you have some margins to operate. You can be – you can present your case in your talk about this without being seen as too much insensitive or unaware of this. Because sometimes, the international institutions, they go and talk like, you know, things are not there – like, you know. And I think that's where they go wrong in a way. But they're not responsible for what's happened, but they are – they are seen as accomplice, if you like, in there.

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[00:56:45]

MR. DADUSH: So they have to continue doing their job for their political masters. But they have to show more awareness than they have shown in the past.

All right. Any questions – or comments, indeed – from the audience? If you make comments, please keep them brief and recognize yourselves. And wait for the microphone, please.

Q: Thank you. Antonio Mauro (ph) from Johns Hopkins-SAIS. I am Italian and I don't consider Tunisia a foreign country because it's a bridge historically between Europe and the Arabic countries. That's why I am asking you something: We tend to consider part of the – in part, the Tunisian revolution as part of an Arabic uprising. I have a feeling that the situation that you have correctly described about especially the young people in Tunisia is part of the crisis of all the young people in Europe and in Tunisia. Because when you have 25 percent of graduates between 25 and 35 years old, you have a similarity which is shocking between Europe and Tunisia.

[00:58:09]

So I don't think that the answer to why in Tunisia is part of the uprising in the Arabic world – I think it's part of the uprising in the so-called developed world. Because this one is the first generation – I am a baby boomer, as you, I think. (Laughter.) So in our generation, we were sure to be better than our parents. This generation is sure to be worse than our generation. This is a common point between Italian, French and Tunisian girls and boys. I think it's not part of the Arabic crisis. It's totally different from the Algerian or the Libyan. Thank you.

MR. DADUSH: Thank you. If you don't mind, we'll just take two or three of these comments, and then come back. Because I want to make sure that people get a chance to ask. Yes, the gentleman back there, right – yes. Go ahead. Go ahead, and then – and then the gentleman at the back. Yeah.

[00:59:14]

Q: Thank you very much. My name is Jayaf Onosiya (ph). I'm with the U.S. for U.S. Africa Coalition. And I was here in December and also in January. And you all knew what I said, that there was going to be an uprising in North Africa and Africa in general, and the political class would be slaughtered.

Now, people – did they know – they are asking me, now, how did you know something like that? Well, let me say this: Your comfort zone is in what you've been talking about. I'm the one who was involved in decolonization in Africa. So I agree with you – human dignity, the perception of unfairness is what's fueling this. And we started 20 years ago to start to create the African political culture for the woman and the young to lead.

MR. DADUSH: Thank you. And I remember your comment, by the way, back then. Yes?

[01:00:09]

Q: Roger Baidakur (ph) from the University of Maryland. I have a question, not a comment. You identified – both of you – the political system, and opening it up to contestability or competition as a key factor. You also identified issues of dignity and justice. In all of these transitions, there's always an issue of how much play to allow those that were in power before. And in Tunisia, there seems to be that question as to whether the party of

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the former president – to what extent should it be allowed to play any role. Could you give some insight into your view of how the parties will be organized in the future, and how this process is likely to evolve?

MR. DADUSH: Good. Okay. Mustapha, you want to take the questions, and Masood as well? Yeah.

MR. NABLI: Well, on the – on the issue of the youth as part of the crisis in the world and in the developed – it's true, but the question is, why do you have an uprising which leads to the collapse of the political regime in Tunisia or Egypt, and you don't have it in Belgium or Italy or things? That's the – that's the question.

So there's no doubt that there is this problem with the youth, and the aspirations in the youth, and whether the – but we have a problem here that you have uprising, which in a very short period of time led to collapse of very strong, entrenched political regime. And that's really the question that we have, or not. And that's what I've tried to explain, that which is different from what's in Europe and in things like that.

[01:01:59]

Now in the – in terms of the players, all the players, political players and so on – in Tunisia, it's still subject to debate. I cannot give you an answer to that. But my sense is that the broad consensus is this: You know that there has been a decision that has to go to court and ask the court to dissolve the old party – you know, the major governing party. And there is a broad consensus that this is the right move to make. So in terms of structure, institutional structure, this structure would not be allowed to operate in the future.

Now, this does not mean that the people, at least in general that are members of that party, are going to be, you know, completely pushed out. And we see some of them trying to rebuild and trying to create new organizations, new parties. And that's probably likely to take place. So this is still playing itself out. And presumably, some of these people will be integrated in the – now subject to some of the legal things. And some people are implicated in corruption, and you know, violence or whatever, then they have to be subject to the legal processes and things like that.

[01:03:26]

But otherwise, people who are, you know, regular members and who have clean slates and so on, then they will continue to be, you know, part of the system.

MR. DADUSH: Masood?

MR. AHMED: Nothing to add there.

MR. DADUSH: No? Okay. We'll broaden the questions.

I should have mentioned we are on live television in a couple of places. So just – you should bear in mind that, you know – (laughter) – depending on how –

MR. AHMED: Now you tell us.

MR. DADUSH: I should have said it before. Depending on how rude you want to be.

Jean-Louis and Samir. Yes, Jean-Louis. Please introduce yourself.

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[01:04:06]

Q: Yes, Jean-Louis Sarbib. I used to be working with Mustapha and Masood at the World Bank.

MR. AHMED: And also Uri.

Q: And Uri, yes. (Laughter.) My question really is the fact that you haven't said anything about the army. And in many ways, in some of these societies, the army is one of the few institutions that is actually functioning. And we're having a very dramatic example of two countries where the army actually played a very key role in the collapse of their regime. We don't quite fully – I don't quite fully understand how. And we're seeing in Libya what is happening when that sort of mitigating factor is not there.

[01:04:53]

So I wonder if you can speculate on, especially in the case of Tunisia, what is going to happen if this unevenness is used to – I mean, the uneven results are that the army is kind of compensated or rewarded for its role and contributes to less opening. And that's something that's been troubling me.

And that, to me, says that because of what Mustapha said about dignity – with which I completely agree – that we really should learn as international institutions to operate way outside our comfort zone. Because that comfort zone is very comfortable, but it's very blinding as well in a sense that we miss a lot of the – I'm very happy to hear what Masood has to say. I'm happy to see that political economy is being rehabilitated, but it's a bit late.

And if you think of the havoc, the lack of operating outside our comfort zone in many countries in Africa – I'm really thinking about sub-Saharan Africa as the possibility – as the possible field for the next explosions because maybe technology is not there as much, but the other two factors that Mustapha has mentioned – corruption and unemployment of youth – is there as well.

[01:06:26]

So the question is that you haven't talked in the world about sub-Saharan Africa, which we too often forget. But I think that's another place where something is likely to happen. And now that the Tunisians have done it, now that the Egyptians have done it, you have – in a sense, the spark is there for other countries. You don't have to have it generated from within; it can be generated from outside. And I wonder what this is going to mean in terms of what's happening in places like Yemen or even Jordan. I'd like to hear your views on this. Thank you.

MR. DADUSH: Good. Samir, and then Edith, you had a question too. Yes.

Q: Thank you for –

MR. DADUSH: Please introduce yourself. Yeah.

[01:07:14]

Q: This is Samir Chebil –

MR. DADUSH: It works.

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Q: It's working?

Samir Chebil from the World Bank. Thank you for a distinguished panel. I was very delighted to hear the exchange between Mr. Masood and Mr. Nebli, especially that in my recollection of experience of negotiations between our governor and the Fund – it's the other way around. The governor would like to say that the fundamentals are fine and we shouldn't worry, and the Fund person would say, no, no, there are many vulnerabilities. And to the other way around – and now that's very, very healthy, I think. It's very good to hear that. (Laughter.)

[01:07:50]

I listened carefully to the three arguments of my former professor, eminent professor Mr. Nebli. And I was delighted in the spirit of revolution to add things because I thought he forgot the dignity of human rights and international dimension. But he added them, so I don't have much to add. But I wanted to reiterate – I emphasize the dignity that was said by Mr. Serbib. Really, we have to remember that the spark started with this person in Tunisia who put himself on fire because he was slapped on the face, not because he didn't have a job – it was about two years. So it's something really to remember, I think – to emphasize.

You mentioned earlier that we are on TV. And had you said this one month ago, I would not have spoken because of the taboo of fear. So now that you are saying it, I'm still speaking. But that taboo of fear is very important to say – again, joining Mr. Serbib – that because the taboo of fear has fallen, because there is no fear, that people think it's doable – I think if you asked any Tunisian or any other person before in Egypt, do you think if the whole people raise – the regime will fall? I think they would have doubted that. People have thought that these people will live and die in their chair.

So I think in this aspect, I wanted – there was one question that I think was not asked, is how did we all allow this to happen for all these years? I think – economy's supply-and-demand side, it was the demand side that's missing. And I think it's mea culpa to say, I was afraid.

[01:09:34]

And I disagree with one of the person who spoke about this generation. I thought the newer generation is not a generation that we could count on. But the turning – but they are better, more courageous than I am. So I think – I would really think that the taboo fear is gone, and that it will be almost unthinkable to think that the Middle East will be the same. Whatever scenario, even if we rewind this, it's not going to be the same. Sorry for being long.

Q: Whatever scenario, even if we rewind this, it's not going to be the same. Sorry for being long.

[01:10:02]

MR. DADUSH: Okay. Thank you, Samir. Edith?

Q: I'm Edith – (inaudible). (Laughter.) Mustapha, I wanted first to wish you well. You and your colleagues have a very important job and we'll be thinking of you. And I have two very specific questions. I'd love to torture you with more political questions that you can't answer. It's really fun to watch.

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But on economic issues, I'd like to hear more about the views of – from the Central Bank or from your work and – of the demographic issues and the same for the Fund. I mean we've been watching as these young people, five years ago, we knew that the median age was 19. The median age, as I understand now, is 24. All right, so what are the demographic issues that are right in front of all the governments in this region and all the international institutions?

And second, when Egypt cut off the Internet, it was a form of economic suicide, thought I didn't hear it really described that way. But, I mean, I don't know what you think of, economically, that sort of action by a government.

I'd also like to know what you think of Finland, which has decided that access to the Internet is a public good and made it free across the country. Should a country like Tunisia which is trying to do some things very different and stimulate its economy – should they do what Finland has done?

[01:11:36]

MR. DADUSH: Very nice question, I have to say. Mustapha, you want to go first? Then Masood? On those three points – three –

MR. NABLI: They're all difficult questions.

MR. DADUSH: Yeah.

MR. NABLI: I'm not going to talk about the army. I'm Central Bank governor. (Laughter.) So I leave this one for Masood. (Laughter.) I mean, but right on, Jean-Louis, it's a good question, but I really don't have much to say about it.

[01:12:14]

Now, in terms of the – I think Samir asked a very, you know, tough question, how did we allow this to happen and we are all responsible and we have dealt with. Okay, but that's not for today – for another day.

The demographics question, I think the demographics of Tunisia actually is one of the countries we refer – in terms of – ahead of the curve in terms of the Middle East and North Africa in terms of demographic transition. So it's a country where the demographic transition has advanced most and we are at a stage where deceleration of population growth actually has come very, you know, we are – growth rate of population less than 1 percent now. I don't remember the number now.

But what is important, the growth of the labor force is slowing down – is going to slow down in the next 10 years and 20 years. So we are in that – in that stage of the demographic transition where we can – we have some breathing space. So the production of the labor market is going to be, you know, weakening over the next 10 to 20 years.

[01:13:32]

And so that gives us room for – and at the same time, it gives this, you know, democratic process a better chance because if you have the young population which is, you know, educated – increasingly educated is going to be the active one in the political process.

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That gives you some confidence that the democratic process is going to be possibly stronger and more robust than otherwise, than if you had, you know, population where – which is much younger than, you know, than 20 or 24. If it were – if the median were 27 or 17, I mean it will be a different story. So the movement of the distribution to the right in terms of our age is good for democracy, I think, and probably, it's – that's my guess, but it remains to be seen.

Internet access, you know, as I said, I mean, Tunisia, they delayed the Internet access as long as they could, but when it exploded, it just exploded immediately. And one of the things that was done by the old regime, actually, it allowed access that is relatively low-cost.

Egypt, by the way as well, you know, they allowed access very, very low costs so people were able to access the Internet and things. So they were actually applying something similar to Finland, but not quite – I mean not fully free or it's not available everywhere, but Internet cafes were you know, cheap and connections are, you know, things. But they were controlled. I mean the only things that there was control on the election, but that's –

So, and I think as I said, I thought that's one of the major ingredients that made this possible in terms of speed of organization, speed of action, if you'd like because people who are able to connect and so on. And as you said, you know, it did not work. I mean when – the Tunisian regime or the Egyptian, they tried to actually interrupt the Internet and so on and you know the story, I'm not going to repeat it here on what happened and so on. And it was not possible; it was not possible. They just failed.

[01:15:48]

MR. DADUSH: Good. Masood, do you want to pick it up? Should we enshrine the access to Facebook as a fundamental human right? (Laughter.)

MR. AHMED: I think that in addition to what Mustapha said, the only thing I would add on that point of Edith, first, is that I'm much more comfortable with getting rid of the obstacles that let people have access than to have some grand project – to have a sort of, you know, state-managed, now free access for everyone because I think in some ways, given the institutional capacities, just getting out of the way and letting it happen, which is sort of what's happening in many countries is a more practical way of getting more people connected up to it.

[01:16:32]

Now, one other point on the demographics, which is Tunisia is ahead of the curve, but that's the point, that actually, there's quite a lot of countries that are behind on that curve. And I do worry a little bit also about the fact that going forward, the escape valve – there was a pressure valve which was immigration, not only to Europe, but if you look at the last 10 years, the big boom in migration within the region has been within the region, from oil-importing countries, not so much from North Africa, but from other countries in the Middle East, from the Mashriq into the GCC countries.

So you know, you now have 30, 35 billion remittances moving around in the region and also for South Asia, you have a big source. So going forward, I think one of the issues is to see whether you have the same rate of growth of immigration to oil exporters and to other countries because if not, even if the numbers stay high, you don't have the incremental pressure release that has been happening over the last decade. So I'm not – I think we need to look at the migration issues there as well.

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[01:17:44]

And on Jean-Louis's point, I think it's a terrific topic for a different discussion which we should – you know, you, I'm sure will at some point want to organize, which is really not only whether international institutions should go beyond their traditional comfort zones, but if so, how do you build the political consensus and legitimacy for them to do so?

Because I think legitimacy of international institutions and what they do is as important as their technical competence. And therefore, building that framework of political legitimacy, for them to be able to take a view on these things in a way that everybody accepts is fair and objective and balanced is – is not a trivial task. And that's what I think is worth discussing whether and how one can – you know, explore and go further there.

MR. DADUSH: Yeah, they cannot speak about the army and I can speak about the army, but I don't know anything about it. But I will – I will say, Jean-Louis, that I suspect there is a real issue there – a real study to be made of the army for some reason becoming a major agent of change.

[01:19:01]

What is it? What is the combination that explains that? Is it the fact that somehow, they stayed a little bit aside from the corruption, et cetera? That they maintained a political cadre that – a professionalism? What is it about the armed forces in these countries that are, at least in the case of Egypt and Tunisia, look like – are going to be a very major agent of change? We don't know for sure. But it looks that way.

So I just – I think this is a question and a very good question for my Carnegie colleagues who are not economists and who are much – deal with much more sophisticated issues than we do. Ritva Reinikka, you had a question? And I think we'll take one or two more and then we're going to have to close. Yes?

Q: Do I need a mic – (inaudible, cross talk).

MR. DADUSH: Yes, you do.

[01:20:01]

Q: Okay, thank you. Thank you very much. Because I'm also a Finn, so I have to come to the – the Finland example because there are some misunderstandings there. But before that, I just want to say, thank you very much for the talk. It's absolutely fascinating to hear that you've gone back there and how it happens because I think for me, also, I come from a fairly new nation and to me, it's not social unrest. It's liberation, it's revolution in a kind of a positive sense. I don't – Libya, obviously, we are all in horror, but I think it is just magnificent in many ways.

But I just wanted to really offer one comment from the experience of an international – working for one of these international organizations. I worked for the World Bank and when you talked about being trapped or sort of what your, really, powers are and I just want to share the experience on – we did – team of us – we did a report called, "From Privilege to Competition," one of those flagship reports, which in a way, in an economics way, details the privilege through (firm surveys ?) and so forth.

[01:21:20]

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And how hard it is to get that message – how hard – it is truly humbling when you go to the launch event and you know, you don't know whether it happens, whether anybody comes. It's absolutely – people have that view that the Bank has so much power and so forth. But when you really want to raise some of these things, it's enormously difficult or do an investment climate survey when the data is – there is no way you can publish it.

And when you have – fortunately – (chuckles) – we had a vice president who comes from a country where she's used to busting, you know, special interests. She was just the one to advocate for that report. But I now – am now in the Africa region and I have so much more humility in saying what you can really do.

[01:22:15]

And when you talked, Masood, about increasing the legitimacy and so forth, but when you have an iron-fisted regime, really, you have to try and be so smart and such get good evidence and everything and still, it's hard. But we still published the report. But I has been – (chuckles) – experience of life lessons in a sense. And I really don't believe that there is so much you can do.

And I think even – even right now, when I work in the Africa region, we have a strong African politician leading us right now and she always says, there is no way we even try to substitute government, you know, that the responsibility lies in the countries. And even if you wanted to take that responsibility, there's really very little you can do.

And so that really was my point, but then I need to say about that Internet access because it's not the – Masood – some government-sponsored free scheme. No. It doesn't work like that in the Northern Europe. It's you pay for it, but the access is there and you have the right to that access because the whole society is dependent on information.

[01:23:32]

And what is really interesting – I don't live in that country, but I follow quite closely – and what is very interesting is that in rural areas, it's not the government or even the private sector who is bringing that. It's cooperatives, villages, remote areas. They now, as a cooperative, function, put the fiber link – the fiber cable in the ground because they know that they need it. So it's not that the all-encompassing state provides that. No, it's actually a largely cooperative operation. Thank you.

MR. DADUSH: Thank you. We try – we'll take one more question. I'm sorry, I only have time for one more question, there at the back. And then we'll have closing remarks by Masood and Mustapha. Do you have a mic?

Q: Are you talking to me?

[01:24:26]

MR. DADUSH: Yes, yes, yes, go ahead, please.

Q: I'm sorry. Leslie Rauter (ph) from Reuters, how are you?

MR. DADUSH: Good.

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Q: I was wondering two things. Can you give us a little bit more information as to what type of financing and how much you will need from the World Bank and other institutions? The other thing is how much time do you think markets and creditors are going to give you to, you know, to make good on Tunisia's debts? And if you don't mind me, another question is: How much time do you think the population's going to give you to get things right?

[01:25:01]

MR. DADUSH: Okay. This is going to have to be the final round, so you're going to have to combine any answers, comments, et cetera, and closing remarks. So Masood, you go – you go first and then Mustapha closes.

MR. AHMED: So I can cede my time to Mustapha, but the only point I really want to make is that I think it's very important, as we focus on the short term, which is what legitimately, we've been doing, not to lose sight of the fact that addressing the kinds of obstacles that this transition will help to address actually open up a whole set of possibilities for the medium term that could be much more positive.

So there's more uncertainty now, certainly. But that uncertainty includes many more good outcomes as well as simply a continuation of the past. So I just want to leave people with the thought that we should recognize the short term, but also keep our eyes firmly focused on what could come after that, which is generally positive.

MR. DADUSH: Thank you. Mustapha.

[01:26:08]

MR. NABLI: Yeah. Let me address the question from the Reuters. In terms of financing that is needed and so on, I'm not going to give you any numbers today, but it's something that we're working on and this will come in due course and then we are going to expand.

Clearly, it's part of kind of – there is no one number. There's not going to be one number, you know, for – because as we said, there are lots of things – different scenarios and things. But we will come to that very soon, actually, on this.

I don't know – I don't know that our creditors, you know, are giving me any more time to pay the debt. I mean there is no time and we have said that we are going to pay our debt and we have no problems paying our debt and they have no time to give us. We'll pay on time and that's it, full stop. No problem. We said it and I keep – I say it again. So there is no – (chuckles) – no issue of time, them giving me time or less time or more time.

[01:27:09]

In terms of population, yes – (chuckles) – that's a different issue because our expectations are high and we have to deliver on some of the goods. Some of them are going to be in short term and some are going to be long term and that's the whole – that's the whole, you know, question. How do you do that in terms, dealing with the short term and building for the long term and to deliver?

And that brings me to the comment made by Masood, which is very important. In a sense, is really, we – one, we are, you know, dealing with the short term and the, you know, the risks and so on. Really, we have to look at the long run – in the long run. And we see a whole world of new opportunities opening.

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[01:27:56]

I mean you have – you have countries where these young people have such a huge potential and that you want this potential to materialize and to be put at work. And these people have shown how much energy, how much innovation they can bring to the table. And this is really new and this was suppressed – this capability was suppressed. And it's going to be put to work. And by putting this capability of you know, this young population or young women and young men and so on, it's – that's where the future is going to be promising.

So while we are dealing with all of these issues, let's also look at you know, the seeds that are being planted for the future, which are going to – you know, to allow these potential to grow and to develop and so on. And that's really the big – that's the big promise.

I mean personally, that's why I'm there. It's not really to deal with the short-term issues. It's really how can we help this young population take over and then fill that promise that is out there. And that's our mission. We see ourselves as trying to help this transition so that they can – because they have so much potential.

[01:29:19]

I have in government, you know, some of my colleagues – they are 40, they are 42 and 43 and they're full of energy. They're full of ideas. They know the world. They know and they want to do things. And I know, you know, the 25 years and 30 years old and some – and it has been amazing and humbling experience in terms of –

I receive, almost every day, offers of help, you know, young people, you know, men and women, what can we do? We are ready to come back and people, you know, coming from Canada, from Singapore, from Australia, from everywhere. And they're ready to do and to contribute to help. And that's really – that's what makes it worthwhile.

[01:30:07]

MR. DADUSH: Well, thank you very much. In organizing this session, I tried very hard to separate the economics and focus on the economics. And I think it is fair to say that I have failed completely in that endeavor today. But there, too, lies the lesson because if I've learned something from this exchange today, it is that what we are confronting in the Middle East and North Africa is actually not an economic transition, but a political transition. And out of that political transition, comes great economic promise, comes risk, but also comes great economic promise. And I think our panelists have done, truly, a masterful job of navigating these difficult waters and we'd like to thank them. (Applause.) Thank you very much – (inaudible, applause).

(END)