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**THE MIDDLE EAST UNDER TRANSFORMATION
Securing Global Growth**

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The dramatic political changes taking place in Tunisia, Egypt and Yemen were followed by similar events in Libya, Bahrain and elsewhere. It is raising hope, but also concern for the future stability and prosperity of the Middle East.

Moderator:

John Defterios, Emerging Markets Editor, Anchor, CNN

Panelists:

Ali al-Dabbagh, Minister of State and Spokesman, Government of Iraq

Walid Chammah, Chairman, Morgan Stanley International

Dr. Jafar Hassan, Minister of Planning and International Cooperation, Jordan

Pierre Lellouche, Secretary of State for Foreign Trade of France

Yevgeny Primakov, President, Chairman, Mercury Club

Dr. Daniel Yergin, Founder and Chairman, IHS Cambridge Energy Research Associates

Front row participants:

Ivar Maksutov, Chairman, Moscow Society for the Study of Religions, Philosophy Faculty, Lomonosov Moscow State University; Editor-in-chief, Moscow E-Journal of Religion

Ivan Safranchuk, Director of the Russian Representation of the International Center for Defensive Information, Chair of World Political Processes Department, Moscow State Institute of International Relations of the Russian Federation

J. Defterios:

Good afternoon, or early evening, to everybody. I am John Defterios. I was kindly invited to chair the panel due to the fact that I have been covering the Middle East for the better part of two decades. And more specifically, on a weekly business programme called Marketplace Middle East for CNN. So while I am based in London, I spend half my time in a variety of countries throughout the Middle East.

It is interesting to note that our gathering today at the St. Petersburg International Economic Forum takes place nearly six months after the initial uprising in Tunisia where it all began. And the top line macroeconomic numbers in Tunisia looked extremely promising at the time. If you looked at the macroeconomic situation in Tunisia, it was growing from 5% to 6% for the better part of the decade. It was a large exporter of textiles and a large exporter of farm products. And of course, we don't need to tell you how it was doing as a tourist destination.

Egypt is a very promising economy, as well. It is a little known fact, but in this business community, I'm sure you have heard that it garnered USD 50 billion of foreign direct investments between 2005 and 2010. Most of the Global 100 companies have called Egypt home because it provides a promising market of 80 million consumers.

But beyond all that, we knew that something was not right. We knew that was the case in a small economy like Tunisia. We knew it was the case in a larger one, in fact the most populous country throughout the Middle East, Egypt, that you did not have what I like to call the 'three-legged stool', if I can use that analogy. You had economic reforms but we did not have political reforms, with the third being global governance and the rule of law.

So we had one, but we didn't have the other two. And every time you went into the country and you talked to different leaders of the business community, or different leaders of the cabinet and made the suggestion, they said, basically in time, this will all happen.

But I will use another analogy here, that it was almost like a wine bottle where you took the cork and kept on shoving it in into the bottle, and shoved it, and shoved it, and shoved it. It created so much pressure that it exploded. We didn't know what was going to cause the explosion, but we have a better idea today.

So what I would like to do for the next 60 minutes, and the floor will be open to our participants as well, is to explore where we are six months into the uprisings. In the back of our minds, I think we would like to believe that we are almost near the last domino falling and that we will reach stability just around the corner. Perhaps by the end of 2011, but we have seen the situation in Tunisia. We have seen the situation in Egypt. We have seen the situation in Bahrain. We have seen the situation in Yemen, and now we have seen a very crucial, painful situation – the transition underway in Syria.

We have not talked specifically in the media about Algeria very much. We have not talked a great deal about Morocco and some of the minor uprisings that we saw quickly dissipate in Jordan. It is a pretty good framework for our discussion.

I would like to both cover the politics of where we are today, and then the economic development, because we should remember what brought us into this situation was, and still is, very high double-digit unemployment, and twice that amongst the region's youth. We are looking at unemployment, for those who do not follow the Middle East very closely, of 15% to 25%, depending on the market that we are in.

I think it will be interesting to hear from those—if I can ask Mr Primakov first to open the floor to our guests—from the Middle East. So if you would be so kind as to do so and ask Mr Ali al-Dabbagh, who is visiting us from Iraq, the Minister of State; and for those who follow him in the media, also a spokesman for the government.

We are six months into the process, as I suggested in my opening remarks. Is this going to be a painful 5- to 10-year transition, in your view, outside of Iraq, with the region continuing to experience these uprisings?

Y. Primakov:

You were talking about events in Tunisia. What happened in Tunisia? It was mainly young people who protested there. Young people, not the traditional parties. And a new phenomenon appeared in the region. Young people rose up and not one traditional political party was able to state that it is the leader of these movements. For several months, many were alarmed and frightened, and many regimes began to be afraid. And when the era of changes began, the governments tried to be as close as possible to the people. Many governments had to become closer to the people, become more democratic, and they actually had to start representing their own people. Indeed, these governments should have taken the lead on the processes already underway in these countries, and they should have taken them under their control. In one of the first places was, of course, the economy, and considering all the possible scenarios for the development of events, it was unclear what these changes will lead to. However, as a result of these events we can conclude that all this will lead to regimes being established there that are closer to the people of these countries.

J. Defterios:

Well, thank you for the insight. Dr. Hassan, would you agree with that, that the governments now are much more responsive to the people? Kind of saying, it has always been known as a reformer, and then we had the succession in the same open economy in Jordan that followed? But still, people are unhappy because of the very high unemployment rate.

So is this specifically focused on Jordan now? Can it continue on the path to attract enough foreign direct investment, continuous reforms to address what is still high unemployment among the country's youth? In fact, I did a story on it about 12 months ago. We are looking at youth unemployment which, depending on the part of the country, was 15 to 20%. Do you find your governments being responsive enough to the challenge?

Dr. Hassan:

Thanks, John. I will address that. I do agree with Minister Dabbagh on many of the issues he mentioned. But I think one very important aspect that we have to keep in mind is that this is all really about institutional legitimacy. And institutional legitimacy is not static. Institutional legitimacy is something that develops, and if countries, if regimes do not work on developing their institutional legitimacy, modernizing their institutions, then definitely they will be left out of the game.

Populations are growing younger and younger; 70% in Jordan are under the age of 30. That is a very important dynamic. So if institutions do not follow up with society, we will see that, whenever they are tested—and we have seen the stress test for some regimes in the region—many will tumble. And what you have seen is really a stress test; a stress test that many did not pass is the stress test of institutional legitimacy. So this is a perspective to look at it from.

Evidently, economics is crucial. It is not just political reform, political reform has lagged behind. In many times, it has lagged behind economic reforms. But we have to translate what has been a relatively good growth in the region into real development in the region. And that is very important because growth and macroeconomic figures as you had stated do not always necessarily translate into proper adequate effective development, especially when we are talking about the periphery.

What we see in the region is that in the capital cities, as in the main cities and private sectors there, they are developing very fast. But if you look at figures of 8% growth, when you look at the periphery, when you look at the rural areas, it is much lower. When you look at unemployment figures, there is also a gap between the rural area, the periphery, and the capital cities. And this is considerable.

What is particularly important for us in Jordan here when we look at youth unemployment is that unemployment in the country is around 13%. But when you

look at that age group, 15 to 24, most of which is in schools and universities, and especially after graduation, this is the two, three years, four years following graduation; that is the critical period that we need to address. There you have youth unemployment at a much higher rate. But I think what is most significant is the issue of the female labour force. And that is very, very important.

If you look at the poverty, if you look at those that are inactive in the economy, it is really about the participation of women in the labour force, where it could go down as low as 9%, in terms of those economically active in Jordan. That is extremely low, lower than most of the countries in the region. And we are talking about unemployment among women, and mostly female graduates. Among female graduates, 50% are unemployed. Overall, it is 24%.

So this is where you have a bulk of the problem. Address that, equalize it to male unemployment, and you will end up with unemployment that is probably less than 10%.

That I think is a key issue where the private sector can play a very important role. How to support SMEs to really move out of the capital, and liquidity in the banks to move out to the rural areas becomes crucial in government development programmes. One thing I would like to caution about is this. As we open up the political space – Jordan has been taking some bold steps, new election laws, constitutional amendments, new political party laws. So it has been moving quickly in terms of political reforms over the past period and not just the past few months.

It has been a process. It has been slower at certain points in time. But what is particularly important is that as we open up the political space, if economic reforms do not lead to work for the people, or brings food to the table, or demonstrates that open economies are good for people, then the political message you will hearing from the public, from the constituencies, is that 'we want the state back in the economy'.

Privatization is not the best solution. Globalization is not right for us, and this is where it can become particularly dangerous. So economic reforms have to deliver so that political reforms, as we move forward, do not send us backwards on the economic track.

J. Defterios:

I just want to quickly follow-up your point here. We should inform the audience if they do not already know that there are 'haves' and 'have nots'. We have those who have energy resources and those who import it, and Jordan is in the second category.

There was a phenomenal trend in the last five years where the Gulf states invested in countries like Jordan because they saw the potential for its growth and the reforms that were worth pursuing there.

Do we see these Gulf states and other countries within the Middle East cocooning and trying to handle their own domestic issues and not creating that cross-border investment, which actually was showing some promise before the uprisings? This is a danger, is it not?

Dr. Hassan:

Well, I believe the Gulf states have shown or have sent strong messages of support to Egypt and Tunisia. They have sent strong messages of support to Morocco and Jordan by welcoming them to join the Gulf Cooperation Council. The GCC has been our biggest investor in Jordan, and it will continue to be, most likely. And we are very optimistic about developing the relationships with the GCC. In fact, they have been very sensitive about the importance of this critical period that we are coming across. And the messages across the board, politically, have been very supportive, and I believe this will be the case.

J. Defterios:

OK. I want to follow up later on the GCC, which is a great point. I have some who looked at it as a club for monarchs, which maybe does not send the best signals to open economies. But I will follow up with you.

Walid Chammah, you are a banker by trade, Lebanese-born. It will be interesting to hear your private sector views on what has transpired over the last six months and the next stage.

W. Chammah:

Thank you, John. I wondered why I was invited here. Probably the only reason is because I was born in Lebanon and then I lived in New York for most of my life. But clearly, as an interested observer, I think when we look at the war in the region, we all get confused and we think of it as one country.

The region consists of 21 countries where the real GDP per capita can vary between USD 13,000 to USD 80,000 per annum. Between Yemen and Qatar, there is a difference of about USD 80,000. But we tend to think about it as a homogenous group. And I think we need to stop talking about the region as a homogenous group, and think of it one country at a time from that point of view.

I think when we look at the Middle East or the region from the West with a guy, you know, basically his roots are from Lebanon, I am most taken by four things about the uprising – this uprising.

Number one, it is not about democracy, in my opinion. It is more about dignity, like Muhtar Kent said in Atlanta last week, plus accountability. I think the people are tired of corruption. They want fairness. They want better standards of living. They want better growth opportunities for their children. So they drove the uprising. And on top of that, if freedom came, that would be fantastic. But first, they want the dignity.

Secondly, what is important about this uprising, is that when I grew up in Lebanon, if the sun did not come in the morning, we blamed it on Israel. And in all these uprisings, Israel was never mentioned once. It is just silly enough.

Secondly, obviously, I am not very popular here. Secondly, there were no American flags being burned. You have not seen it. Usually at demonstrations in the Arab world, the first thing you see is the burning of American flags. This did not happen.

Thirdly, it is always driven by religion. Religion always played a role. It has had a very, very minor role here. And finally, it was driven by young people, without leaders. And these are unique traits for this uprising, which does mean that the population has matured, that basically, we, finally, in the Middle East started to take responsibility for our own actions. We cannot blame the West or others for our own problems. We are taking responsibility for our future and we want to run with it from that point of view.

I will give one more statistic about the Middle East, and I will stop there. If you look at the last 30 years, the whole world moved on. The emerging market moved on more, but the Middle East lagged. The growth for GDP per capita in the real world was about 275%. In the emerging market, it was 375%. In the Middle East, it was 233%. It lagged behind the world, lagged behind emerging markets. And I think that is why you see our people are impatient, and they want change.

J. Defterios:

Thank you very much for providing an insight in terms of the overall picture too. If you think about it, we could lower trade barriers in this market and broaden up the industrial phase. You are looking at a market of more than 400 million consumers, which would put it in the leagues of the European Union and nearly ASEAN, if it could act as a single market. But we will come back to that if we can.

W. Chammah:

Let me give you a statistic for the benefit of the room about the single market. The size of the economies of the GCC is two thirds of Spain only. That is despite

the fact we have 60% of the world's oil reserves and 45% of the world's gas reserves. And the whole total size of GDP of the whole of the Middle East is 80% of France, and we are 21 countries. So that gives you the story about the potential market for investors and companies in the Middle East.

J. Deferios:

So, we are suggesting, potentially, that there has been some laziness, because we had the blessing of oil and gas, and there is an unwillingness to share the spoils throughout society. Is that a fair comment?

W. Chammah:

No. It is not about that. You have to look at the political system in my opinion to see how much freedom people were given to act on it. Basically, we are driven by political systems that were concentrated into a few families and their friends. So basically, it is something very anti-competitive. There was no reason to provide growth and opportunities for the younger generation. And I think with more openness, more freedom, more transparency, better corporate governance, I think probably we will see a significant growth in the Middle East in the long run.

J. Deferios:

OK. Thank you very much. We will come back to you of course. For Mr Primakov, I appreciate your patience. I would like to get your insights from your leadership period here in Russia, and always looking at the Middle East potentially as a danger zone and one that could cause problems in foreign affairs for Russia, and how you see the uprisings yourself in the last six months from this part of the world.

Y. Primakov:

Mr Moderator, you called upon us to assess the possible prospects for the development of the events occurring in the Middle East. I would like to evaluate these prospects and at the same time to consider how to optimize the policy of world powers with regard to this region after the so-called Arab Spring. I need to mention the stereotypes, which cannot withstand the light of day. I am referring to the stereotypes that existed in the world with respect to this region or regions, if we consider North Africa. The first stereotype is that the authoritarian regimes established in Arab countries that have existed for many years remain fairly stable. This stereotype is somewhat justified, as frankly speaking, these regimes relied on the army and special services, which were loyal to them. They pursued a policy that overall facilitated economic development. They fought against terrorism, they fought against radical Islam, they developed their own relationships with the U.S. and Europe, and at the same time they did not put the development of these relationships in opposition to their ties to the East – with China and with Russia. It seemed as if, as they say now, everything was ‘in hand’. However, this stereotype with respect to the reliability and stability of these regimes cannot withstand the light of day. The second stereotype that cannot withstand the light of day was that we all, including yours truly, believed that the main and perhaps only threat to these regimes was radical Islam. And we approached the issue from this understanding. Finally, the third stereotype, which has been shattered by recent events, consisted of the view that, since the days of Gamal Abdel Nasser, the army has been a force that would maintain the power of these regimes because the representatives of these regimes themselves emerged from the ranks of the army. You see, these three stereotypes did not withstand the light of day. If we talk about the army, then it is typical that the United States, for example, already understanding that President Mubarak’s reign was short-lived, understanding that his preservation may lead to the growth of anti-Americanism, attempted to build bridges directly with the army and relied first on General Suleiman. And then it became clear that neither

General Suleiman nor Hosni Mubarak could maintain the army under these conditions, and this is a very important factor.

What else new burst out onto the scene in the Arab countries in 2011? First: this is the reality of a natural social revolutionary upheaval. And social upheaval. Second: We somehow excluded the Arab world from the developing processes of globalization. In any case, we did not focus on the fact that these processes encompassed the Arab world as well. I am referring to the Internet, which along with Friday prayers, played a large role in mobilizing the masses. It even competed with and contradicted Friday prayers. In Egypt, for example, the April 26 youth movement in principle came together on the Internet. And this is 70,000 people. Next – TV, which came after that according to the ‘domino principle’. And these are all the fruits of modernization, which undoubtedly touched even the Arab world. And we underestimated the fact that this phenomenon exists and is spreading to the entire Arab world. Further, Al Dabal already said that power appeared in the person of the youth, which actually took the leading position in the opposition camp during the Arab Spring. This is really true and this is something that absolutely nobody predicted.

What changes will occur in the Arab world as a result of these events? It is very difficult to reach a definite diagnosis and make definite conclusions about this, but I believe that it is possible to identify several possible scenarios. The first scenario is the maintenance of stability, I would say, in the form of diluted authoritarianism, yes “diluted” – I want to emphasize this word. The authoritarian nature of the regime is preserved, but while maintaining authoritarian control, democratic trends are strengthened. This is the first scenario. The second scenario is the transition to diluted Islamism. And again I would emphasize the word “diluted”. Not the Iranian model, but the Turkish model. And the third scenario – this is the establishment of a military dictatorship as a response to the country’s slide into civil war and chaos. With regard to the different Arab countries, none of these scenarios can be excluded. Therefore, I would treat with

scepticism this talk about the fact that only democracy will be established and will develop in these countries. Yes, with scepticism. That is the first thing.

In view of the new features of society becoming apparent and the past and present changes, it is obvious that a serious correction in the approach to the Arab world has become necessary. Here, you see what we lived through not long ago. This is the military operation in Iraq, undertaken based on a doctrine of fighting terrorism, and showing that the use of military force cannot lead to anything good. Thus far, Iraq is just barely recovering from the situation that this military operation plunged it into. And it is still unknown whether this country will manage to preserve its territorial integrity and stabilize the situation. In any case, there was never this rise in Sunni-Shiite animosity in Iraq, even under Saddam Hussein, when it had just appeared. This is an indication that it is impossible to solve the problems of the Arab world by military means, and it is impossible to force democracy on the Arab world by military means. Libya – this is one more indication that you cannot resolve anything by military force, no matter how paradoxical this might sound because the operation being carried out now in Libya was undertaken with the consent of the UN Security Council. This has created a stalemate in Libya. I think that the coalition forces in Libya now are already thinking about what will happen and what to do next, because conducting a ground operation would be directly contrary to the UN resolution, which excludes the possibility of such actions. Coalition forces have already gone beyond the scope of the mandate provided by the resolution. Hence, a ground operation will be a complete departure from the UN resolution, on the basis of which the coalition forces are operating. I think that these two examples of the use of military force with and without consent show that military methods for resolving the issues with respect to the Arab world are contraindicated. Or counter-productive, if you wish. Let's look at another method, such as sanctions. Here, with respect to Libya, for example, sanctions have now been declared. The Libyan National Oil company has been blacklisted. And those that are allowed to

produce oil are closely linked to this national company. This, so to speak, is the result of sanctions. Not to mention the other sides. I also think that realism needs to be introduced into the policy with respect to Iraq. This needs to be done because during these events, we paid little attention to the fact that Iran has behaved fairly moderately. When Saudi Arabia sent a thousand of its soldiers into Bahrain and when another 500 policemen came there from the Emirates, Iran was practically silent, limiting itself to just some articles in the press. In general, Iran is now behaving moderately and this doesn't justify the predictions that Iran will upend everything there. We need to approach Iran more realistically and I think that we are handling this matter correctly. Russia is acting correctly and China is acting correctly when it draws Iran closer and attracts it to the SCO. And finally, it is necessary to apply collective efforts to the Arab-Israeli settlement. Namely collective. Without collective efforts, nothing will come of it. Monopolization of the settlement by the United States can only result in a very shaky foundation. This was even demonstrated by recent events when President Obama made, it would seem, a very simple proposal on the 1967 borders and the U.S. is already retracting its position on this matter. Thank you.

J. Deferios:

OK. You raised about five or six phenomenal points that I want to include in the discussion. And I appreciate the insight of this. Dan, I think one of these we should cover here is that intervention seemed to have a very direct link to one's natural resources. And there are some in the room that would think that we have practiced a kind of big game of hypocrisy in terms of intervening in Iraq, and one would say the same right now with Libya and the hands-off approach with Syria. Do you want to pick it up from there or do you agree with the premise?

Dr. D. Yergin:

Well, I think on Libya, of course, it was driven by the Europeans. And I think they are concerned about immigration, and that probably loomed larger in consideration than oil, since oil can be bought on the market. But what I wanted was to go back to the original question, which is, where is the era of spring? And I think we can say in a technical sense, the era of spring is almost over because it is almost summer.

Secondly, the spirit of the era of spring has I think now passed, because we are now in a much more difficult period. Libya, Syria, Yemen; there are conflicts going on. But I thought of a very interesting discussion that came up here about globalization, individual countries, and countries as a group.

And while I was listening to the discussion, and thinking about the area of development report from the UN in 2002, which foresaw many of these things, but no one knew how it was going to be. But you did know that probably, Mr Mubarak was not going to be ruling Egypt when he was 140 years old. So some kind of transition was going to happen at some time.

And I think of the themes that have been put on the table. One is that youth is involved; and secondly, disappointed expectations. And for me, something Walid said that really brings out what you were talking about, is the ambivalence about globalization, as Egypt and Taiwan and South Korea were all at about the same place in 1960.

Today, Taiwan and South Korea export more to the world economy in two days than Egypt does in a year, so great difficulties and ambivalence about globalization are a part of it.

Secondly, and the third thing, of course, we talked about the communications revolution that started really with cable television, satellite television in the 1990s laying the bases. So where do we go from here? At the same time, there are several uncertainties that are dominant; we then get back to your question.

One is that we have this new battleground between—what we really have not seen before—between, on the one hand, social networks, and the other,

traditional national sovereignty. And suddenly Ministries of Information that could control everything cannot control anything. So that is the first change.

Secondly, we do not really know what kind of governments are going to emerge. And as Mr Primakov is going to say, where is there going to be some kind of stabilization? And I think that particularly, the uncertainty about Yemen which may seem remote is very significant for the region and certainly for its largest neighbour.

I think the third thing, and this is what Mr Primakov mentioned, one of the points that he was making is that, whatever view one has of what happened just objectively and analytically, a significant part is the geostrategic balance. This goes to the original question that underpins the stability of the region: North Africa and the Middle East hold 65%, two thirds of the world's oil reserves and it is now uncertain.

And that means that at the very least, that there is going to be a continuing risk premium in the price of oil as it sorts itself out. And I think that experience says that things, and as we watch now, the difficult problems will not be sorted out easily.

J. Deferios:

As a result—and I heard you made some comments on this on the Energy Security panel—these regions do a much better job when its partnerships outside are dependent on these energy resources, and thinking and factoring in security in a much greater way.

We have these concerns about the Straits of Hormuz. We see what has happened in Libya already, with the uprisings in Bahrain, there are phenomenal concerns about this spilling over into the Eastern Province of Saudi Arabia.

What could be done specifically to enhance security along these fronts?

Dr. D. Yergin:

Well, there are very practical security considerations as the supply chain is something the world economy depends upon. Traditionally, one thought about them as the West. But it is the East, too. This is as significant for China. And added to that is the piracy which is a daily occurrence there, and the different navies controlling the region. So I think it is just physical security.

And of course, Bahrain is just a couple of dozen miles from the world's largest oil fields. Yemen – now, you can see one response. And this goes back to what we talked about before, that these countries that do have oil resources have a lot of money. And if you look at the USD 130 billion that Saudi Arabia, that the King has recently applied to deal with social issues inside the country, if you put that and gross it up and compare it to US populations, it is equivalent to an emergency stimulus package of over USD 2 trillion. So money is one part of it. The security issues loom large. And by the way, that was one of the dimensions of Bahrain.

J. Defterios:

I can think of two essential questions I would like to open up to the floor to the panel here. Then I want to bring in some of the other participants of the round table.

Number one, I do not think we have ever answered the question internationally. Where does this finish?

As Dan was saying, it has filtered into Yemen. We see Syria in an incredibly painful position right now. Algeria is almost off the radar for everybody because it is not covered within the global media as it stands. Have you given it much thought?

Mr al-Dabbagh, where does this actually finish in the next three to four years in terms of uprisings?

A. al-Dabbagh:

The fact is that the regime is still basically not facing reality. Therefore, changes may be postponed, but these changes are necessary. I would like to comment briefly on what Mr Primakov said. Changes in Iraq differ from those changes that are occurring or have occurred in other countries. The events in Bahrain are different from the events in Yemen. The question of the interactions of Shiites and Sunnis in this region is a very important question. This may be one of the most burning issues. And we see attempts to light the fuse and ignite this crisis in the region. Nobody in our region will benefit from sectarian fighting. Another issue is the entry of our countries into various forms of cooperation. For example, in our region we can make a big step towards cooperation with France and Germany. Iraq, for example, is the path to Iran. Iraq is the road to Turkey, and so on, including the railroad. There is an opportunity to exchange generated electricity, oil and gas. As a result, we can become partners in economic terms, which may lead to the emergence of common interests. Our region is the arena of three hundred years of fighting between three different forces, and these battles could continue for another 400 years. But in order to resolve all our problems, including border issues, we need to create common interests so that nobody strives to smash and destroy these bonds by inciting sectarian fighting. For example, the problems that exist between Iran and between Arab countries may exist for another 30 years, which may lead to further difficulties. Lebanon is present in Iran, in Palestine and in Iraq. The best solution will be to agree on one formula, which will link all the common interests.

J. Defterios:

Hassan, did you want to jump in on this?

Dr. Hassan:

Yes. I mean, I see where Mr al-Dabbagh is coming from, but I do not agree that what we are undergoing today is a question of sectarian conflict. It is a socio-

political issue that, as was said earlier, relates to accountability and equal opportunities. In certain specific cases, yes, sectarianism might be impacted by equal opportunity or the lack of it, but in general, when we see it across these areas of instability, it is not really about sectarianism.

I mean, today it is whether it is the most podiums or the lack of stations and who is listening and how the pretty-much monopolized control of power will end up being fragmented. And I think it will be fragmented. I do not think that the monopoly over power will end up in one hand as it used to be before. It will be fragmented.

The question is, who is best positioned to have a larger piece of this new pie? And in this respect, I would not count the Islamic movements out. Just because they were not at the head of the crowds does not mean that they are not going to have a big part to play within this new system. But it will be most likely fragmented far more than it used to be.

There will be those that are better positioned than others. The militaries are still strong and will remain so in many cases. The Islamists will definitely have the social outreach and the roots there to use them effectively. But the field will be also open for many others to step up.

Will it be the perfect liberal economy many dream of, or a liberal system? I doubt it, but it will definitely be far more fragmented. And this will also mean that the cost of social welfare will increase, the cost on budgets will increase, whether you are rich or poor, and evidently this will lead to a slowdown in investments and economic growth for the near term.

So this will increase economic hardship in the short term. But I think over the medium term, we should not hold a pessimistic view. It would be over a four, five period, a more optimistic view because I think governance...

J. Deferios:

A four- or five-year period, you say?

Dr. Hassan:

A four- or five-year period. Governance and accountability will be better institutionalized than they are already.

J. Deferios:

If I could just jump in here. And Walid, I would like to hear your thoughts as well. There is a phenomenal danger, as I see it, that expectations are so high after such a monumental uprising that it is almost impossible for existing governments to deliver.

Do you want to address this? And if they do not deliver within the span of a year, will people take to the streets yet again in frustration?

W. Chammah:

I will. It is hard to answer that question, really. However, I will have to go back to Dr. Hassan and follow up on his remarks.

The plane will land. The question is how bumpy the ride is going to be. Different countries are going to have a different ride than others. And it all, I think, is dependent on how flexible their political system is within these countries.

We have three types of regimes really in the Middle East, all of them relatively inflexible. You can start with regimes like Egypt, where you have some institutions that are relatively independent like the military, including Tunisia, Morocco, and maybe Algeria, all the way to Libya where you have no institutions whatsoever.

In the case of Libya, with change you have a breakage. In the case of Egypt, hopefully they will land the plane, but it will be bumpy. The tires will blow up, but they will land the plane from that point of view.

The only thing I disagree with Dr. Hassan about, I think, is the timeframe. I would think we are too optimistic to think we can land this plane in three to five years. Change takes years to come. I am for five to 10 years at least.

I think we have to live with this transition for a longer period of time than people expect. And the reason is because democracy, freedom, transparency, corporate governance is an experience. It does not happen overnight. We grow into it. The next generation will understand it better than our generation. It is going to take time for people to accept it.

What is democracy? Democracy is about being tolerant, willing to compromise. We have not learned to compromise, or to be tolerant in the region yet because we grew up in a very structured, inflexible way. And I think it is going to take time to get there.

But there is nothing wrong with that, because change has to happen. It has to start at some time, and there is no better time than today.

J. Defterios:

OK. I wanted to bring in my two front-row participants. First, Mr Ivan Safranchuk is the Director of the Russian Representation of the International Center for Defensive Information, amongst other different titles.

I. Safranchuk:

I would like to say that we are having a very interesting discussion and it is mainly a positive one because most of the participants clearly share the aspirations of those who participated in the movements that we now call the Arab Spring. But we're still talking about a region where society and the forms of rule remain predominantly traditional. It turned out that the more stable regimes are those that do not have modern forms of rule, such as the monarchies. Those regimes, which experimented with power in the second half of the 20th century, passed through several stages of overthrowing their leaders, political

assassinations and, ultimately, also turned into de-facto monarchy-dictatorships, which turned out to be weaker than traditional dynastic monarchies. But in either case, the form of rule was traditional and the societies remained largely traditional. The authorities in these countries tried to carry out reforms, tried to keep pace with the world, which changed so rapidly in the second half of the 20th century: the scientific technological revolution, industrialization, globalization, etc. Yes, they had it turn out worse than in some other regions of the world, but they tried to do this. Social reforms passed, at least in some areas, such as in education, and were more successful than reforms in other sectors of national economies, as a result of which a whole generation, albeit not very numerous, of young educated people grew up who completely embraced all the aspirations of globalization and wanted much more than the government in power did. But they were still a minority in their own countries. And now, during this protracted Arab Spring, we observe that this progressive minority made rather high demands on their governments, and in a number of countries they seized power. But it is absolutely not clear what they will do with this power now, because they still have before them a traditional society of inertia in which the majority of the population lives. Attempts to create some democratic regimes will most likely lead to a fairly rapid loss of power by these people and only because they will not be able to satisfy those overly high expectations that exist. And in this regard, I have a suggestion that I want to pose as a question for our participants: can we expect some form of counter-revolution in these countries? Or the development of a revolution, but not the kind that we would like? I remind you that we are in St. Petersburg. This is the cradle of revolution. Here in 1917 the February Revolution took place, also a bourgeois-liberal revolution. And by the end of the year, in October 1917, the Bolshevik Revolution took place. Maybe in the Arab world something similar or some kind of counter-revolution in a more open form, already on more traditionalist principles, might take place? This may be radical Islamic trends or simply some trends that will encourage people to live by the

laws of traditional society, and not seek to further modernize and liberalize. And these values of traditional society, I think, are fully shared by the majority of the population of this region.

J. Defterios:

Some of the points, we have two distinct paths here that we could follow. Dr. Hassan, do you want to jump in on the question? Two different paths to revolutions going forward; which path do we end up with?

Dr. Hassan:

Well, I do not think anyone can predict right now whether the current momentum will turn into something more politically institutionalized in five years or in 10 years' time. That is something I think is very difficult to predict now. But I think there is one thing that is very clear, and that is there was a consensus whether you are left or right, Islamist or liberal, there was a consensus on the need to change the rules of the game.

And I think that consensus on the need to change the rules of the game through a certain better streamlined governance, accountability, and rule of law, that is what will be an exigency that everybody will be expecting, whether it is more Islamist, if that is how it will turn out, or whether it is more liberal.

And that will be the basic tenet of whatever emerges. But I do not think that because of what happened anyway society will live with one dominant colour in terms of the politics of the future, I think it will be more representative, I think it will be more diverse. I think Iraq is a very good example of where this diversity is coming out. True, there are some difficult moments that the country is going through, but I think the diversity that is there is very important, and the way it is working together and the way it will move forward will be very important.

J. Defterios:

We never talked about Shi'ites and Sunni divides 10 years ago, at least not outside of the Arabic world. Is this going to be a world, Prime Minister Primakov, where it is a very distinctive two-party system, religious party system that dominates and, Minister Dabbagh—I know you brought this up in the pre-comments—so is that what we are going to look at in the Arab world that it is Sunni on the one side and Shi'ites on the other, and the dialogue does not improve in the future? Do you want to pick it up from there? We are a little bit short on time so I am asking you to be very direct, but is this the number one challenge for the region there?

A. al-Dabbagh:

Here it is important to say that sectarian differences of course exist. But in the countries of our region and in Iraq there are no internal problems, although there are those regimes that use sectarian conflicts or bargaining chips to ignite such conflicts. Now, it is difficult to see a sectarian sub-current, for example, in the events in Syria or in Lebanon. There are certain political forces there that are trying to play this card and, of course, in Egypt, for example, there were clearly exaggerated sectarian clashes. Currently, there are no problems, now people are in harmony. There are certain simple problems between people, but in their nature they are very friendly with respect to one another. We are ready to live and live for a long time together with the Jews, and the Jews who lived in Arab countries have fond memories – this is Iraq. They lived there in peace and harmony with other peoples. But here there are political circles that use these very sectarian factors to ignite conflicts. The same thing is happening in Libya. Libya is a country that may well be an example for “Al-Qaeda.” This is a play on words because the word “qaeda” means “base.”

J. Defterios:

This is Saudi Arabia's work, is this what you are suggesting?

A. al-Dabbagh:

I want to say that the crisis lies in the fact that existing faiths or different existing sects or movements try to deny each other. We can say that Al-Qaeda is based on a particular branch of Wahhabism, but the problem is still not this, but the fact that Islamic circles and Islamic institutions have to find a way out of the current situation. And, as our friend Mr Primakov believes, there was resistance to the occupation – yes, that’s true. And at the same time we should remember that the sectarian conflicts that were ignited did not reflect the true state of things, because people everywhere are generally the same, but there were political circles that used ideological factors in their own interests. Thank you.

J. Defterios:

Let me give you a chance of calling on you, I wanted to hear your analysis of what you have heard around the table, so far in your remarks.

Speaker 1:

Thank you, John. I wanted to speak about religious studies in studying the regions and academic discipline, which actually started in religion. And I am going to speak not about this particular region, because what I think is taking place in two places in Middle East and in North Africa is not a local thing and that is not a local issue, which could be explained by economic or political issues.

This is actually a global thing, which took place all over the world, and which is now called 'Fundamentalist Revolution', and it means that there is a tendency all over the world, in different corners of the world, even in the countries which we perceive to be, so to speak, progressive or democratic countries.

In those countries we found different sorts of fundamentalism. It could be different sorts of nationalists or it might be some particular extremist group and

we see them basically as Islamic groups. But that is not all the problem of Islam, and that is not a problem of conflict between Shia and Sunni Muslims.

But that is a problem for fundamentalism, which arises in terms of worldviews, in different countries, in different regions, in different cultures as a reaction against globalization. That is a process that took place not only in the Middle East in particular.

And when we look at this region, we should not try to explain consequences. That is not a problem for me in terms of economic issues, and what was said here actually could explain why particularly in the Middle East region or in North America, this particular revolution took place as a result of things that could arise in any part of the world.

And that is what anthropologists of religion and sociologists of religion found out, not in this world, which we perceive to consist of third-world countries. That is a very strong problem with extremist groups, perceived to consist of cults or sects. But that is actually a reaction toward very deep problems, which our culture is going through nowadays; I mean culture and human civilization. That is, the thing that asks us to be, speak and think globally.

That is also the problem of fraternization of religion that we perceived religion as different interactions of institutions. But actually, what was found out, about religion for the last 30 years, is that religion is getting more atomized.

So we should not now speak about Al Qaeda or the Roman Catholic Church, or any other large institutions; we should speak about particular local practices, which might be more influential than large institutions, such as churches, or particular extremist organizations.

And that is a problem, because generally speaking when we try to describe particular controversies or struggle in this region, in this country, we try to speak about a confrontation between organizations or institutions. But we should speak of local practices, which are much more influential, such as the tribalists in Lebanon or in Egypt.

In this sense, I have two points. First, we should clearly understand that the atomization of religion should be taken into account because in this particular situation, local practices, which are sometimes not seen as religious or influential, are much more important than a confrontation between organizations.

And that is also a point, that there is a so-called 'fundamentalists' revolution', which means that there is a tendency with fundamentalists to understand democracy as an absolute value in the same way as understanding an Islamic country or Islamic culture in terms of absolute value.

J. Defterios:

OK. Thank you very much for the insight. Does anybody have a comment around the table about what was brought up?

This was a backlash of globalization and not understanding the local practice and local religions.

Dr. D. Yergin:

Well I just want to say, looking ahead to the rest of us here. Well, you would know, I think particularly well, Egypt is in a really bad state financially; tourism is down, foreign companies are not going to be investing in Egypt, the economy is not working very well.

And so by the end of the year or early next year, there is bound to be very strong disappointment, because the economic situation will in fact have become worse and not better, even with the bailouts coming from the gulf countries.

Walid, I do not know if you would agree.

W. Chammah:

You are absolutely right, and we get back to the being people disillusioned, and I think that is the role of the West and Western institutions: to be prepared to step in and provide financial, economic support as soon as possible. I do not think we

can let Egypt slip away just because we are thinking in the short-term as to what should happen.

Egypt, probably, will go into a deflationary era at this point. There is no money from tourism, no money from foreign investment, people are on strikes, and we are going to go from 5.5% growth rate to at best a zero, in my opinion.

And we have a population that is eager and unemployed. I think it is up to the West, and I think what they have done recently through the G-20 and the G8, providing support for it was in the right place.

Now, we need to make sure that the money is going into Egypt and into Tunisia.

J. Defterios:

Well, it also creates an opportunity for much greater dialogue between the Middle East institutions and the G8 and the G-20 as well.

So, the framework looks quite good. What the G8 has established and whether it can be carried into the G-20 context is what is particularly engaging those with the resources and the GCC to put money behind that sort of effort.

A. al-Dabbagh:

Money comes from Europe and from the United States. This is a definite problem and Mr Primakov talked about the fact that this method that is used in Libya to resolve problems is the wrong way. Many countries are now experiencing economic problems. For example, Tunisia. There is a need for surgery in the region, but an operation is always difficult. It is necessary to cut the human body. We have to experience the pain that is being experienced by the Arab world in order to recover. Is the alternative that Qaddafi or Saddam Hussein have to remain? No, this is unacceptable. Of course, we must allow some blood to spill so that the operation can be performed, but we will recover. We cannot allow these horrible regimes to continue.

J. Defterios:

The final thing I would like to bring up is that these are two different approaches for the uprisings, and this is the danger zone for Egypt. There is a strategy now to throw eight ministers into jail and try the entire Mubarak family, and basically go all the way to the bottom before it can come back up again.

And I recently had a conversation with the prime minister of Tunisia in an interview in our programme who took a very different approach – that we have to close the chapter on the past as quickly as possible so we can move forward. Which is the right path at this juncture? Do you need to scrub the cupboard clean, like they are trying to do in Egypt, to clean up 30 years of what they did not like? When you say that in the case of Tunisia, we had 23 years of leadership, a similar scenario but 'let us close the past'.

W. Chammah:

I think Mr Al-Dabbagh here should be the biggest expert on that

J. Defterios:

It will come to you, Dr. Hassan but, now, please...

A. al-Dabbagh:

No, we need to make radical changes. Cosmetic changes are not allowed. Whether it is in Yemen, Tunisia or in some other states. A change in scenery has occurred, but a change in scenery should not necessitate fundamental changes. Some compromise may be reached, people want to overthrow the regime. The people who collaborated with Hosni Mubarak cannot remain in Egypt now. This regime was a dictatorship with respect to its people. How long the process of change will take, I don't know, but it needs to be done.

J. Defterios:

Dr. Hassan wanted to come in, and I am going to give you the last thought here.
Dr. Hassan? Thank you.

Dr. Hassan:

Well, maybe for some, it is necessary but, look, I do not think the whole region is, therefore, in line for open surgery. I think there are countries that are stable countries that are doing the right thing, and they should be encouraged to do the right thing. I think, at the end of the day, change under conditions of stability is far, far better than having forced change under conditions of total turmoil. So, I think we have to distinguish the case and situation of each country. Some countries do have strong institutions that can be improved, reformed and built on, including Egypt. And we should not just erase everything and start from scratch. Maybe in other countries, the situation is very different, and we have to. But, what is, I think, very important here is to make sure that when the money is invested, we do not create another economic problem for these countries. Yes, Egypt could be going through rough times. Jordan could be going, too, through rough times, because tourism will also decline. The investment sentiment is OK, we are stable, so we might have an edge there. But, overall, the region will suffer, economically.

Just borrowing more money to stay afloat is not the right solution. The right solution would be directing investments, directing low-cost development funding towards the right areas, the right sectors, to make the economy float but also to make those that are most marginalized feel the difference. But, not to add also more scores on the countries' debt profile that will carry over for the next 10 or 20 years and which will have to be paid for later.

J. Deferios:

OK, good. Mr Primakov?

Y. Primakov:

I think that we have ignored a very important issue. This is the influence of mass media on what is occurring now in the Arab world. Do you understand? For example, take Libya. Two weeks ago Qaddafi's two twin grandchildren, a son and a two-month old granddaughter, were killed and nobody said anything. Okay. This really has no impact on Qaddafi who has declared that he wants to die in his own country. Does public opinion of any kind exist or not? Take Libya in general. What is going on there? Is it really not clear that a significant portion, if not the majority of the population, supports Qaddafi, no matter what he was? Nobody idolizes him, nobody says that this is an ideal figure. Nobody overemphasizes his importance. But at the same time, we need to realize that there is a really complicated picture there, if we remember history and remember the division of tribes in Libya. Remember that now they are fighting against Qaddafi under the banner of King Idris, and remember that King Idris was based on Cyrenaica. Why? Because before he became king, he was already the head of the Senussis. Everyone, so to speak, sweeps this aside. Nobody says anything about this. Now there is the example of Syria. Here little attention is paid to the fact that militants fire at the Syrian troops, who unfortunately also fire back. But there this is not just the suppression of demonstrations, it is almost the start of a civil war. You know, all this aside, I in general, unfortunately, want to say that our television, in Russia and in other countries, also followed CNN, followed your images. Sometimes I even saw with my own eyes: they show an anti-government demonstration in Jordan, and the people there are carrying portraits of the King of Abu Dhabi. This is done and many play on this.

J. Deferios:

One thing that has actually changed in that region since I have been covering it over the last 20 years is that when we went to the region even 15 years ago, you

could launch a half-hour newscast of just the sheikhs visiting each other, shaking hands with each other.

So beyond the work that we have done at CNN or the other competitors in the pan-regional bases, one phenomenal influence over the last five years has been the advent of Arabic pan-regional broadcasting, which is actually leading to what Mr Primakov is suggesting.

And then we have gone in to the next phase of mobile communications and social networking, which is another discussion altogether. We have to close because of time. I want to thank our panellists and the contributions from the floor, and we look forward to seeing everybody throughout the sessions tomorrow. Thank you very much.