



U.S.-Arab Economic Forum

Houston, Texas

2006 Report

Report on the Proceedings

Summary

Under the theme, “One World. Two Cultures. Endless Possibilities,” leaders and senior officials from Arab nations, executives from Fortune 500 corporations, diplomats and U.S. government officials gathered in Houston, Texas for the 2nd U.S.-Arab Economic Forum (USAEF), which ran from June 26-28, 2006.

Organized by the American Middle East Economic Affairs Committee (AMEAC), a non-profit entity that strives to be the premier platform for facilitating economic growth, trade and investment between the U.S. and the Arab world, the 2006 USAEF was co-hosted by the American Arab Chamber of Commerce, ACCESS, the Bilateral U.S.-Arab Chamber of Commerce and the Greater Houston Partnership.

World leaders, including H.E. Amre Moussa, Secretary General of the League of Arab States; H.E. Abdullah bin Hamad al Attiyah, Minister of Energy & Industry, State of Qatar; Ambassador Karen Hughes; and H.R.H. Prince Turki Al Faisal, Ambassador of the Kingdom of Saudi Arabia, came together to discuss in depth everything from scenarios for peace in the Middle East to the enhancement of economic ties that surpass oil and gas projects. Participants had the opportunity to examine leading challenges and opportunities influencing both regions, including global energy, U.S. security, economic stability, and foreign policy – with further discussions revolving around trade, political Islam and democracy, healthcare, governance, ICT, education, tourism and employment.

The U.S.-Arab relationship confronts its share of challenges, however; great opportunity exists to strengthen the bond between the two regions and improve the lives of all. In this context, the 2006 USAEF culminated with the introduction of key initiatives aimed at increasing person-to-person contacts between Americans and the people of the Middle East, including the U.S.-Arab Leadership Program, the Women’s Business Council, the Coalition of Chambers of Commerce, and three task forces to explore ways in which Arab Americans can work with leaders of the U.S. and Arab world to address key issues relevant to both sides, influence government policymaking, facilitate business interaction and promote cross-cultural dialogue within the areas of Energy and Environment, Trade and Investment, and Education and Dialogue.

It is our hope that participants returned to their communities to carry on the message of a shared civil society. We have a vision wherein diversity, tolerance and a spirit of collaboration serve to create a better future for us all.

Overview of the Proceedings

When discussing the area of energy and environment, challenges outlined included managing geopolitical challenges that stem from growing competition for oil between U.S. and emerging economies (China, India); relieving the strain on the U.S.-Arab relationship due to the dramatic increase in oil prices and political risks; achieving alignment between U.S. President George W. Bush's energy policy and actions (as well as views of energy stakeholders, such as oil companies); and balancing the long-term environmental sustainability with the immediate focus on economic growth. The opportunity highlighted in this area was to coordinate stakeholders to work in partnership on energy policy development and environmental sustainability efforts.

The second key area of discussion revolving around trade and investment acknowledged the challenge to improve the Arab investment climate and addressed the need for business regulations and enforcement. The opportunity includes maximizing revenues that remain inside the Arab world for local/regional development and transforming the image of Arab countries from a high-risk investment destination into vibrant emerging economies (e.g., the Dubai brand).

In comparison, the area of education and dialogue developed a significant reaction, where challenges outlined included eliminating the mutual stereotyping and the focus on the "clash of civilization"; increasing representation of Arab Americans in U.S. domestic politics, policy and advocacy institutions; emphasizing cross cultural understanding in Arab & American educational systems; aligning Arab educational institution's curriculum with employer demands of skill; and accepting youth as active stakeholder in decision-making process in Arab governments and societies. Alternatively, this area presented a handful of opportunities including sustaining the prevailing sense of optimism and injecting a sense of urgency for action; building on the strong foundations of Arab-American relationships to continue dialogue and overcome current gaps; transferring knowledge and technology to/from the Arab world through Arab-American diasporas; promoting the continued emergence of Arab women as more active and educated economic and political actors; engaging more Arab youth in economic and political processes; leveraging partnerships in higher education between Arab and American institutions to create a ripple effect; harnessing new sources of information (Internet and Satellite TV) to provide youth with wider access to information and challenge traditional educational systems; and incorporating creative and non traditional approaches, such as humor, music, arts, sports, etc, to foster human connections and break down cultural barriers.

In Depth: Challenges & Opportunities

Energy and environment

In the area of energy and environment, several factors, including U.S. President George W. Bush's stated goal of "replacing over 75% of oil imports from the Middle East by 2025", the disagreement of oil executives for energy independence, record breaking prices for oil, coupled with the diminishing supply of oil from several countries and the growing needs of oil by China and India, raised considerable questions about the future of the U.S.-Arab economic relationship.

In this context, the USAEF further elaborated on individual challenges and opportunities raised in the area of energy and environment, where the first challenge outlined in this area revolved around managing geopolitical challenges stemming from growing competition for oil between U.S. and emerging economies (China, India).

This challenge led to the discussion of the rapid development of countries such as China and India, who served as a catalyst for a wide scale search of oil supplies and developed new strategic partnerships to meet their growing demands. This is resulting in new geopolitical issues, changing the dynamic of established relationships and forcing the creation of challenging new ones, such as China's support of Iran and Sudan, despite threats of nuclear proliferation and questionable human rights records respectively. The growth of these economies will continue to shape the relationship (and alliances) between energy consuming and producing countries.

Some panelists expressed concern over the future power of the United States as these new and changing relationships between countries such as China, India, Iran, Venezuela, Russia and Nigeria may redefine the balance of power and pull clout from under it.

Consequently, Sam Hamdan, co-founder and chief strategist of AMEAC, asked T.H. Chase Untermeyer, Ambassador of the United States to the State of Qatar, to present the U.S. administration's perspective on the energy geopolitical landscape and comment on a statement made by Secretary of State Condoleezza Rice before the Senate Foreign Relations Committee: "We have to do something about the energy problem... I will use the word 'warping' – diplomacy around the world. It has given extraordinary power to some states that are using that power in not very good ways for the international systems, states that would otherwise have very little power. It is sending some states that are growing very rapidly in an all out search for energy states like China and India, that is really sending them into parts of the world where they've not been seen before, and challenging, I think, for our diplomacy."

To which Ambassador Untermeyer noted that in order to maintain reliable sources of energy and maintain good relations with countries with whom the U.S. may have political differences, the United States is supporting the democratization process in the world to allow the realization of the legitimate aspirations of people within those countries.

While the U.S.-Arab relationship was seen as vital to the energy system, the changing dynamics will have implications on the geopolitics of the world.

The second challenge referred to relieving the strain on the U.S.-Arab relationship due to the dramatic increase in oil prices and political risks.

It was noted that by the end of June 2006, prices at the pump nationally were averaging three U.S. dollars. Great dissatisfaction among consumers grew particularly against the large oil companies who were reaping record-breaking profits. This turmoil over price, coupled with President Bush's announced goal of "replacing more than 75% of our oil imports from the Middle East by 2025," generated great discussion over the desirability of U.S. energy independence, where participating panelists express their concern in meeting the president's stated goal of breaking the oil addiction. Instead, oil executives, such as J. Stephen Simon, Director and Senior Vice President, Exxon Mobil Corporation, opted for energy interdependence and supply diversity, in particular promoted a focus on breakthrough technology instead of current energy alternatives, stating that "we do not see any of those alternatives as providing a meaningful alternative to oil and natural gas in the near or the long term. What we do think is needed are some breakthroughs in the technology, so we've chosen to invest in technology that we hope will lead to some meaningful alternatives down the road."

The high price of oil began serious questioning of the United States' addiction to oil. However, as Janet Clark, Chief Financial Officer of Marathon Oil Corporation pointed out, "we are not addicted to oil, but to cheap oil." She further noted U.S. customers have grown to expect supply at a cheap price without understanding the ability to deliver the product. John D. Hofmeister, President of Shell Oil Company, agreed, saying the U.S. is transitioning from an era of entitlement where low prices were the norm to one where the U.S. population faces the real cost of energy.

While consumers' concern over gas prices and record breaking profits in oil continue to dominate – the response to the question of what the fair price of oil would be, considering that the average price of a gallon of gasoline is around \$3 dollars, -- resulted in panelists collectively agreeing that the stated price was fair.

Hofmeister explained, "It's a market driven price, based on supply and demand. Oil remains a bargain in the world scheme of things. We are experiencing a fair price today. Considering what it delivers, it is a fair price."

"What establishes a fair price is what the conditions are in that particular point in time," Simon added.

Panelists also diffused the idea that the United States should become energy independent in order to increase energy security. According to Hofmeister energy interdependence is fundamental to the future of sustained economic growth.

Clark agreed, saying, "Even among oil companies relationships have evolved to become more collaborative and find themselves sharing technology and resources."

"The real challenge to forging better energy policy," said John Watson, President of International Exploration & Production at Chevron Corporation, "is to find more sources of energy and strengthen U.S.-Arab ties."

To underscore the continued importance of the U.S.-Arab relationship, particularly as it relates to energy, Simon pointed out that no country imports more energy than the U.S. and no region exports more energy than the Middle East. Given that 21% of total petroleum imports in 2005 came from the Middle East, the stability and success of the global energy system rests on this relationship.

Overall, panelists agreed the energy system requires strong U.S.-Arab partnerships, which will lead to positive benefits for all, including sorely-needed jobs for the burgeoning young population in the Middle East.

Furthermore, energy diversity allows breathing room for an unforeseeable lull in supply resulting from natural disasters or geopolitical responses. “Katrina showed us: diversity of supply allowed our economy to keep going when our oil supplies were devastated, and yet people talk of unreliable foreign oil,” said William Berry, Executive VP of Exploration and Production at ConocoPhillips.

The third challenge stated achieving alignment between the U.S. president’s U.S. energy policy and actions, as well as views of energy stakeholders such as the oil companies, especially in view that the president called for “replacing more than 75% of oil imports from the Middle East by 2025,” suggesting “the best way to break the addiction to foreign oil is through new technology.”

While many of the oil executives have stated that energy independence is unrealistic and unachievable, some criticisms have also been directed at President Bush for not properly funding R&D in technology and for eliminating tax credits to reward those who buy more fuel efficient cars – hence contradicting his own policy.

Some delegates argued that much of strain on the U.S.-Arab relationship stems from inconsistent U.S. energy policy and the lackluster support for it. Oil company executives, large stakeholders in the energy system, expressed their disagreement with the call for the U.S. to be self-sufficient.

Berry expressed concern over the confusion this causes producers. The United States is the world’s largest energy consumer. Over half of the 20 million barrels used by the U.S. a day is produced outside of the country, even though the companies are based in the U.S. It is the official and implied policies, including the restraint on infrastructure development, that give U.S. producers a mixed signal as to the desirability of their energy. “What is the U.S. telling us, does it want our energy or not? Should we invest in developing capacity?” Berry asked.

Given the United States’ dependency on oil, oil executives recommended means to achieve energy security and encourage supply diversity by increasing government efforts aimed at developing efficient consumption and increasing energy efficiency; development of domestic energy sources; coordination of permitting at the federal, state, and local level to encourage development by energy suppliers of infrastructure; the creation of uniform fuel standards applicable to the many boutique fuels; and development of non-fossil fuels, including renewables.

Lastly, the fourth challenge in this area stressed balancing long-term environmental sustainability with the immediate focus on economic growth, where it was cited that the impact on the pocketbook tends to cause people more immediate concern, steers focus to improving economic growth and overshadows the environmental concerns that accompany rapid development. The state of the current energy relationship highlights a disturbing disconnect between energy policies and environmental reality.

Berry stressed the need for the U.S. government to improve fuel efficiency standards for all sectors of the economy, including the auto industry. He noted standards were the same today as they were 20 years ago. The growth in the number of gasoline types and in ethanol use prompts the need for fuel standards applicable to the boutique fuels.

H.R.H. Prince Turki Al Faisal, Ambassador of the Kingdom of Saudi Arabia to the United States of America, agreed with the need to increase sensitivity to environmental issues and make oil a more ecologically friendly energy source, while stressing the need for businesses and the private sector of both regions work on the issue as a great deal of work needs to be done to address the issues of global warming.

Alternatively, the opportunity which resulted from this area, encouraged coordinating stakeholders to work in partnership on energy policy development and environmental sustainability efforts.

The strain on the U.S.-Arab relationship resulting from growing new demand, high prices, and mixed messages on policy presents an opportunity for energy stakeholders to come together to openly discuss the sources of tension, create strategic policy solutions, promote collaborative research, and joint consumer education campaigns. Together these players can also find ways to facilitate energy and environmental investment and promote efficient use of energy resources. They can also join together to create awareness and education campaigns to provide consumers with a better understanding of how the energy system works and the political context in which it is developed to create a new generation of educated, demand and environmentally conscious consumers.

As Watson explained, “we should still empathize with those who are paying the fuel bill every month.” He added that to help explain the prices consumers are paying, it is important for the industry to – through the media – explain energy to the average American.

To which Hamdan added that this education campaign would help to reframe the energy debate from a global competition over resources, wars and geopolitical risks, and environmental hazards to introducing new opportunities for our next generations consisting of cooperation and knowledge exchange, environmental sustainability, innovation and creativity as well as sharing of wealth, development, freedom and prosperity.

Trade and Investment

The energy sector has been a cornerstone to the Arab World, but local and regional development has not always benefited from the oil riches. While the energy sector remains important, the tide is turning, as more markets and revenue sources are created through increased trade, business development and the creation of regional and economic blocs.

Encouraging this economic diversification requires the development of trade policies and infrastructure to improve the investment climate and meet the needs of the U.S.-Arab relationship and the global economy. Panelists and participants highlighted many areas in need of transformation for the region to realize the benefits of business, trade and investment, including improvements in business regulations and enforcement and the incorporation of youth into the economic development process.

Overcoming these challenges is worth it, as “business is an obvious way to break down barriers of misunderstanding and replace them with bridges of understanding,” said Chebbani. “Partnering with government officials, business leaders and economic visionaries helps increase the dialogue on important bilateral issues, facilitate economic growth and create a shared stake in a prosperous future.” It is this outlook on the value of business and trade that is leading countries to increase transparency, break down monopolies, and create economic and political openness to improve trade relationships and create economic opportunity.

Arab countries are starting to see the impact of these efforts as more of the oil revenue, as well as revenue from other sources, is staying inside the Arab world and being invested wisely to strengthen these emerging economies. This is creating a ripple effect as the image of these nations is improving and becoming more attractive to foreign and domestic investors.

T.H. Ambassador Shaun Donnelly, Assistant, United States Trade Representative, noted Jordan as an example, which has been able to increase trade and created 30,000 new jobs. The implications of this are promising for the millions of youth who will need jobs in the near future and compliments trade building efforts such as the development of free trade agreements with the United States.

Given the above, the trade and investment area also resulted in its share of challenges and opportunities at the forum, starting with the challenge of improving the Arab investment climate and address the need for business regulations and enforcement.

Accordingly, panelists prioritized the need to remedy the issues faced by businesses in the Arab region, which requires structural commitments of constituents if the region is to attract foreign direct investment. Several areas of transformation were noted, including the adoption and enforcement of strong legal frameworks and the development of a strategic macroeconomic policy, secure intellectual property rights (IPR), active civil society actors including governance “watchdogs,” and educated and trained human capital. Specifically, panelists and participants noted the need for:

- Adoption and enforcement of a strong legal framework: Panelists expressed the need for countries to provide an effective and impartial mechanism for settling disputes, as well as the ability to negotiate directly with a client and negotiate contracts that are enforceable under a rule of law. This is fundamental for the development of open and free market competition as well as for the establishment of formal business practices.
- Strategic macroeconomic policy: Strategic allocation of public funds, economic liberalization efforts and incentives for growth were identified as necessary components to a strategy for targeting investors to the Middle East. Many panelists discussed the impact of a stable macroeconomic policy, including John B. Craig, Vice President for the Middle East Region of The Boeing Company, who stressed the importance of liberalization particularly in aviation, a vital industry in terms of growth. Craig explained that passengers who require safe, reliable, short, nonstop and low-priced flights heavily influence this industry. As the markets grow and travel needs increase, the industry requires three main things for success: a favorable regulatory environment, airplane aerospace capabilities and airline strategies. Freed of government regulations, industries will be able to operate efficiently and offer low fares demanded by passengers.
- Secure Intellectual Property Rights (IPR): Businesses in the Arab World face a strong need to strengthen their intellectual property rights if the investment climate is to improve and if the region is to be competitive. T.H. David Bohigian, Assistant Secretary Market Access and Compliance at Commerce, U.S. Department of Commerce, informed participants and panelists that U.S.\$5 trillion of the U.S. market is dependent on intellectual property. Without protecting IP, “there is no way forward,” as companies will not go to a place where their technology will be stolen. The State of Qatar, the Sultanate of Oman, and the Kingdom of Jordan are good examples of countries that have improved IP laws and have been taken off the “watch list.” In Jordan, for example, intellectual property agreements led to the development of the pharmaceutical sector, according to Bohigian, who added that such growth requires the collaboration of the private sector government. For example, Bohigan noted that the U.S. Commerce Department works closely with U.S. businesses to make sure their voices are heard and helps share the story of businesses when regulations are being devised.
- Active civil society actors including governance “watchdogs”: Governance is crucial to development, as in the absence of governance any country with aid will be unable to thrive. The focus on governance over the past fifty years has centered on corruption. Typically governments seek to strengthen audit and finance management capacity. While necessary, these efforts are insufficient without the development of external actors such as NGOs, media, citizen groups, and business groups who can keep the government accountable. Jerry O’Brien, Senior Advisor of USAID underscored this point by noting that countries that develop a free media and civil society have a correlation with a decrease in corruption. Panelists and participants agreed it was in the best interest of the region to foster leadership within and beyond the private and public sector to strengthen the investment climate.
- Educated and trained human capital: The Middle East suffers from a severe case of “brain drain” as well as limited production of highly skilled, well-trained employees to meet the needs of modern corporations. In order to improve the talent pool, a strong focus must be placed on creating and retaining a stable, local and educated workforce. Developing this human capacity involves a revamping of the education system to better align curriculum with the needs of the private sector, integration of technology and the infusion of risk taking and innovation within the curriculum. Retention efforts, noted Chad C. Deaton, Chairman and Chief Executive Officer of Baker Hughes Incorporated, include more investment in facilities to create working environments that are safe, healthy and clean. Also it is crucial that businesses in the Arab region provide current employees with opportunities for advancement and development, such as employee rotation, to allow for talent to transfer around the world.

In contrast, the first opportunity resulting from this area of detailed discussion acknowledged maximizing revenues staying inside the Arab world for local/regional development. This is a stark reversal from the experience of the early 70s, which launched the drawing of funds from the Middle East. Today liquidity, from oil and other sources, has remained in the region and has driven up prices of assets in the stock market and real estate.

According to Shirish Apte, CEO of CEEMA Corporate and Investment Banking, CitiGroup, a lot of these funds are being deposited into active investments, which provide investors with a higher return than that of the financial markets. Numerous governments have set up their own investment companies – such as the Dubai Investment Corporation – and are investing their monies strategically through the purchase of assets. Both inter and intra-regional development and investment is on the rise and stands to increase as the public sector in Arab countries are taking the lead in encouraging construction by building roads and airports with the support of European and Asian countries in an effort to modernize themselves – a plan similar to Dubai's renovation.

On the surface, this is positive, but panelists noted underlying trends that will impact the future of the U.S.-Arab relationship, including a drop in investment in the U.S. and the low sophistication of the new Arab world investors. September 11 was a defining moment that caused Arab investors to forgo the U.S. for other available opportunities in Europe and China. In a poll question to the audience, 16% of respondents thought Arabs would invest oil revenues in the U.S., compared with 58% and 23% in the Arab World and China/Asia respectively. Apte summed this up by saying, "If they don't feel comfortable traveling within a country, they don't feel comfortable investing." This highlights the need for increased cross-cultural exchanges to rebuild trust between the two regions.

The quality of investors within the region is worrisome, as the majority of them are not qualified or sophisticated. According to Linda DiFede, senior vice president of Comerica Bank - Texas Division, 60% of the investment market is being driven by first time investors – as was the case with Saudi Arabia in April, when lack of monitoring and corporate transparency, coupled with small-time and first-time investors' ignorance of the fundamentals of investments and the long-term phenomenon of unmonitored margin lending by banks led to a plunge in the market. This prompts the need for governments to be proactive in emerging markets and provide the tools to keep markets rational, educate investors, and take action when markets rise quickly. Nevertheless, while maintaining revenues within the Arab World remains a challenge, it also continues to present great opportunities.

The second opportunity consequential from this dialogue included transforming the image of Arab countries from a high-risk investment destination into vibrant emerging economies (e.g., the Dubai brand).

Therefore, the long term economic sustainability in the Arab region requires a transformation in how Arab countries are perceived by investors, backed by solid transformations in the investment climate and the promotion of tourism to increase cultural exchange.

The image of political instability and social unrests has unfortunately driven the perception of the Arab World, deterring investment to the area and tainting the progress being made. Further contributing to this, 71% of the audience, is the lack of pro-activeness on behalf of Arab countries in shaping their brand image as attractive destinations for business. Arab countries need to focus on re-engineering themselves and establishing a more positive brand. The image of a vibrant emerging economy is embodied by the UAE, in particular Dubai, which has restructured and positioned itself for success in tourism and knowledge based industries. Accompanying this goal are efforts such as visionary real estate projects, public sector governance transformations, investment in infrastructure and the development of new sectors. Through this Dubai is creating employment and traffic into the region. Other countries must do the same in identifying their strengths and developing beyond oil and agriculture.

Delegates argued that structural improvements in the financial sector, more friendly business investment climate supported by growth in the tourism and infrastructure sector can be the catalyst for changing the image of the Arab World. In this context, H.E. Dr. Taher Jehaimi E., Secretary of Planning, Libyan Liaison Office, shared the benefits of Libya's restructuring plan with the audience, illustrating that the plan consisted of liberalizing the foreign exchange regime, establishing a single flexible exchange rate – resulting in a more independent central bank – transforming laws to modernize the banking sector and encouraging banks to open branches within the country. The plan also liberalized the commercial sector, virtually eliminating tariffs, and introduced tax-free investment for five years to foreign investors.

Mr. Hamdan highlighted the role of transparency in implementing sustainable economic policies across emerging democracies such as Iraq. He shared with USAEF delegates the concerns of some analysts about Ambassador Paul Bremer's 100 orders for Iraq and asked H.E. Dr. Sami Al-Araji, Iraq's Deputy Minister of Industry and Minerals, whether "these orders were designed to create a favorable environment for U.S. corporations." Hamdan was referring to a few orders, such as capping the income tax rate for foreign corporations at 15%, granting 40-year ownership licenses to foreign corporations, privatizing 200 state owned enterprises, granting immunity to foreign contractors from Iraqi laws, and placing U.S. appointed auditors and inspector generals in every ministry to ensure the implementation of orders. H.E. Dr. Al-Araji expressed his new government's commitment to build a free Iraq based on fair policies that ensure the participation of all Iraqis— supported and balanced with the involvement of foreign companies that can assist in the development of the Iraq energy, industrial, technology, finance and education sectors.

While the Traditional Administration Law was declared void, no mention of a void has been made for the Bremer Orders, leading Mr. Hamdan to argue that the continued existence of the laws might perpetuate a perceived economic occupation in Iraq by very few benefiting U.S. companies, and therefore, will be much more difficult to end than the military presence in Iraq. H.E. Dr. Al-Araji did not counter such analyses, but stated the laws were not necessarily drafted to favor Iraqi companies or foreign companies. He further added the laws were under review pending final decisions for structural adjustments and incorporation into the new Iraqi law.

In this context, Dan Raviv, Best Selling Author and Foreign Correspondent, CBS News, supported the call for economic transparency and highlighted the important role that the U.S. and Arab business media must play to inform the general public as well as the U.S. and Arab private sector about emerging policies and business opportunities across all markets to ensure equitable participation and transparent procurement of contracts.

While Iraq continues the development of a restructuring plan, the changes to Libya's economic landscape have attracted more firms to the country, including oil giants Shell and ExxonMobil, and have boomed the tourism sector leading to a high demand in hotel construction and expansion of its airport. But despite the Arab world's advances and its rich history, the question of why it continues to fail in tourism remains.

"Travel and tourism is the largest industry in the world, but it is not given the attention it deserves," explained H.E. Munir Nassar, Minister of Tourism & Antiquities, Kingdom of Jordan. The main reason people need to travel is diversity - different cultures, religions, and languages. While these countries and these differences have emerged over centuries, Arab nations must now leverage these attributes and develop the infrastructure and financing systems necessary to improve the brand of the region.

Other panelists also expressed the value of tourism in changing the image of emerging Middle East economies. Nassar noted tourism could be used as an agent for cultural dialogue. Having people actually visit the area will allow them to see the progress being made and shed the preconceived notions held of the area. To which Raviv said, "These days, there are so many options available for acquiring knowledge and getting to know the world, but nothing beats tourism, nothing beats going there."

Education and Dialogue

Another area critical to economic growth includes developing an educated and trained pool of human capital and knowledge of cultural differences. However, this area requires severe aid in developing, since in terms of human capacity, the Arab region suffers from a misalignment between the educational curriculum and employers' skills and training demands. Another pressing problem is the lack of sponsoring local talent development, which leads to the importing of expatriates. Furthermore, educational institutions in the U.S. and the Arab region are not sufficiently emphasizing cross-cultural understanding. This presents a challenge, as perceptions of the other side are formed through biased media or formulated in a knowledge vacuum, perpetuating stereotypes.

However, innovations in educational institutions and paradigms are helping Arab education systems become competitive and leverage the strengths of international education institutions. New partnerships are being formed to promote new ways of thinking and promote inter/intra-regional understanding, while using alternative means of education - for example, humor – as powerful tools for transforming how populations learn about and perceive others.

“The U.S.-Arab relationship must not solely be based on the oil economy, but must be one that is also culturally engaging,” said T.H. Congresswoman Sheila Jackson Lee, 18th Congressional District of Texas, who explained that cultural engagement and exchange also plays a critical role in economic growth.

The aftermath of 9/11 and the tenuous political situations in the Middle East unfortunately drive the perception of the Arab World in the media. As a result of the overtones of fear and violence, the core social and political issues tend to get lost in the media coverage, and subsequently in the general public discourse. The converse is the same, as Arabs develop misguided perceptions of Americans, which cloud progress and disintegrate the fabric of the U.S.-Arab relationship. While Arab Americans were identified as a unifying force between the regions, their ability to advocate within the U.S. is seen as limited due to the lack of political and institutional representation.

Given these challenges, the opportunity is present for the U.S. and Arab World to practice greater levels of tolerance, education, and understanding to ensure an economically thriving and secure world. H.E. Amre Moussa, Secretary General of the League of Arab States, had an optimistic view of the future. He acknowledged the tensions surrounding the U.S.-Arab relationship, adding that although both the U.S. and the Arab World were proud nations, he firmly believed that the relations should be based on common interest and active interaction. Moussa advocated for both sides to rise above the tension and animosity, and instead be vigilant in efforts for prosperity.

This optimistic outlook was shared by many, including Nasser Beydoun, Co-Founder and Chief Operating Officer of AMEAC, who said, “After September 11, the Arab American community could have thrown their collective hands up and quit, but we had too much faith in the United States and too much hope in the Arab world. We knew relationships could be better, friendships stronger and perceptions straightened.”

The challenges and opportunities outlined from this dialogue started with the first challenge of eliminating mutual stereotyping and the focus on the “clash of civilization.”

This challenge specified that the U.S.-Arab relationship suffers from a widening cultural chasm as biases, stereotypes and misunderstandings continue to be a reality among Americans and Arabs. Ambassador Karen Hughes shared her observations of “concern, suspicion, even mistrust of America’s motives and some of our policies” among Arabs and “concern, suspicion and mistrust directed at the Arab world” in the United States and noted these were impacting the U.S.-Arab relationship as illustrated by the Dubai ports matter, which “hit a deep nerve of worry among our population about America’s security in a post-9/11 world.”

These mutual stereotypes and misunderstanding are a result of many things, but panelists and participants discussed, at length, the impact the media has on this issue. The growing number of cable news channels catering to viewers’ political views is seen as fortifying a divide and raising concern over what Oliver Cornock, the Regional Editor of the Oxford Business Group, calls the creation of a seemingly impenetrable divide, the clash of civilizations.

“While we live in what is arguably the most well informed era,” Cornock notes; the crux of the problem is “the representation of Arabs and Americans in the media is all too often full of stereotypes. Were they not so inflammatory, they might even be funny.”

Responding to the comparison of Al-Jazeera to Fox News, Abderrahim Foukara, Editorial Director of the Al Jazeera Washington Bureau, denied comparison and instead shared his belief that the media’s role is to be an agent of change and noted the strategic role played by Al-Jazeera in the promotion of democracy and freedom of speech. He also chastised “tasteless reporting” which hijacks images of nations, identity, religion, and/or religious symbols.

Despite this perspective, panelists noted the dangers in the rise of biased media outlets, pointing out that such activities perpetuate an Arab anti-American sentiment, radicalize people, and distort news stories – which in turn convert political moderates into strong conservatives unwilling to listen to other viewpoints.

Jeff Franks, Chief Correspondent of Reuters, noted these biases will make it more difficult for Arab countries to prove their image to the U.S. and create trust among the two populations. Achieving mutual understanding will be difficult as many panelists agreed with Cornock’s claim that the U.S. harboring anti-Arab feelings are not unwarranted.

“Islamaphobia seems to be instilled in the American psyche,” said Dr. James Zogby, Founder and President of the American Arab Institute (AAI), who underscored the need to reach out to the American public, not the Beltway, in order to change the hearts and minds of the public and bring true awareness of the Middle East. He noted more Americans are “not sure” than “have a bad opinion” of Arabs, which signals a knowledge gap where individuals are not aware of whom Arabs truly are. He noted the opposite is true as well.

While lack of educational media content plays a large role, so does the lack of cultural exchange and one-on-one contact between populations. In the U.S., only 38% of American voters have passports and are more likely to hold favorable views toward Arabs than those who don't. Moreover, John Zogby, the President of Zogby International, noted a high divergence between those who have traveled to the Arab world than those who have simply traveled overseas, signaling a need for more direct interaction.

Despite being chastised for perpetuating stereotypes, it was agreed the media has great potential to do good. This requires acknowledging the cultural chasm and understanding that the knowledge gap is not unique to the U.S. "Arab people in their community hunger to learn more, they want to see stories of people to people, and business to business," said John Zogby. A call for greater understanding was made among panelists who want more "real people" shown and portrayed in the media.

The second challenge stated increasing representation of Arab Americans in U.S. domestic politics and policy and advocacy institutions, especially since Arab Americans have settled in the U.S. since the 1880's.

According to the 2000 census, at least 3.5 million Americans are of Arab descent; however, the representation of Arab Americans in U.S. domestic politics and institutions is limited. It wasn't until the 2000 campaign that both major presidential candidates addressed Arab Americans. This limited representation is a cause for concern for Arab Americans. Stronger advocacy on behalf of Arab Americans is necessary to reduce the amount of racial profiling and violations of civil rights of Arab Americans as occurred post 9/11.

Ismael Ahmed, Executive Director of ACCESS, noted that Arab Americans have the potential to be an effective lobby, but the Arab American community must support Arab Institutions, as there are "fine Arab organizations but resources are low—they are understaffed and under budgeted." This call for increased civic engagement is echoed in candidate and fundraising processes. Currently, there is no effective way of cultivating pro-Arab leadership or funding candidates. This results in a political leadership pipeline vacuum and perpetuates the cycle of limited representation.

While representation may be limited, Maya Berry, Principal of the Midamr Group, highlighted the value of Arab Americans for the U.S. and the Arab World, saying, "Arab Americans serve as a bridge to the Arab World and aid in coalition building."

Beydoun stressed the importance of Arabs reaching out to "natural allies" in the U.S. and encouraged people to "look at the greatest common denominator, our Arab heritage" rather than focus on the differences between Arabs and regions.

This discussion was followed by the third challenge: accepting women and youth as active stakeholders in the decision-making process in Arab governments and societies, considering that youth in the Arab region are quickly growing. However, job creation and opportunities lag behind. As a result, the younger generations are feeling despair as they lack access, equal opportunity, and free education. These feelings of uncertainty pose greater social implications as Dr. Alan E. Goodman, President and CEO of the Institute of International Education, pointed out, "It breeds fear and fear breeds hatred."

The lack of youth incorporation into the political or decision-making process is very unfortunate, as they have much to contribute. Goodman underscored this point by saying, "The great thing about youth is they see the world without barriers on the road to success."

Creating opportunities for youth and incorporating them as active stakeholders calls for a focus on small business development, education, the use of alternative means like sports and music, and most importantly, engaging youth to share their vision of the world. Through the incorporation of youth voices and ideas will the younger generations truly feel hope of receiving education, starting a business, earning money and voting. Furthermore, they will be able to shape policies and programs and provide feedback on the effectiveness.

This point was followed by the fourth challenge of emphasizing cross cultural understanding in Arab & American educational systems particularly since youth play a significant role in the development of the U.S.-Arab relationship – nevertheless, biases in the media and lack of one-on-one interaction continues to skew the perception of both Arabs and Americans. Without the support of educational and governmental institutions in cultural education and exchange, the leaders of tomorrow are denied the opportunity to learn, according to Karen Linean Mroz, Executive Director of the Friends of UNRWA Association, Inc. It becomes more difficult for this generation to let go of preconceived notions, as they lack the opportunity to experience day-to-day issues. This is detrimental to the development of trust and knowledge, necessary for economic relationships.

While many believe opportunities for students studying in the U.S. have decreased mainly as a backlash from September 11, panelists moreover pointed the persistent challenge of inefficient bureaucracies that hinders students from receiving their visas. Jehaimi recalled over 30 years ago, where there were 4,000 students from Libya studying in the United States. “Now, there is only a handful,” he said, illustrating the decline in cultural exchange between the U.S. and the Arab World.

Overcoming these challenges require all sectors to focus on promoting interactions among populations and extending opportunities to students beyond sciences and into the liberal arts.

“Nations need to learn from each other and develop more on a country level particularly for the development of the youths future,” said Princess Lolwah Al-Faisal, Vice-Chair of the Board of Trustees and General Supervisor of Effat College in Saudi Arabia, adding that, “Education institutions need to offer practical training, as this will not only be a source of economic growth, but also peace and stability.”

The fifth and final challenge in this area of discussion outlined aligning Arab educational institution's curriculum with employer demands of skills, to which Ambassador Theodore Kattouf, President and CEO of AMIDEAST pointed out that young Saudis were unprepared for the modern workforce because they lacked IT and English language skills. This issue is applicable to the entire region, which suffers from brain drain, lack of skilled workers, outdated curriculum and an academic and professional environment where researchers are unable to grow.

Dr. Phillip A. Salem, President of Salem Oncology Centre, noted a great need for nurses and medical technicians, but the education system did not produce enough to meet the demand. Of those who did graduate, political instability and an academic and professional environment, where physicians/researchers are unable to grow, caused many to either leave the country in search of better opportunities or has left them without a job.

Warren Whitehead, Assistant Vice President of St. Luke Episcopal Health System, expressed the need for governments to provide incentives for men and women to become physicians and stay in their own country. Furthermore, he recommended governments create an environment conducive to research and promote greater partnerships with the U.S. to provide the Arab region with a comprehensive understanding of the American system.

In order to meet these needs, J. Stephen Simon, Director and Senior Vice President of Exxon Mobil Corporation, emphasized the role companies like Exxon Mobil can play through greater investment and the transferring of skills and technology to help these emerging economies. “To meet this challenge we must continue to work together,” he said, “leveraging our respective strengths to meet our needs and those of the worlds.”

Conversely to the challenges outlined in education and dialogue, the first opportunity stated sustaining the prevailing sense of optimism is prevailing (61% of the audience), and inject a sense of urgency for action.

In this respect, panelists and participants viewed the future prospects of the U.S.-Arab relationship, particularly doing business in the Middle East, with optimism. This feeling of optimism stems from the advancement made in the establishment of new business relationships given the diversification of the Arab economy, the advancement of youth and women, and the potential for continued collaboration between the regions. Moussa noted the positive impact that reform is making on the Arab World as it pursues an agenda of “change, development and modernization” as its main avenue to a better world.

However, the lack of urgency for action was noted as a potential stumbling block for existing opportunities within the Arab World. Wide scale and radical reforms in education, entrepreneurship and governance are needed to face the challenges of the Arab World, namely creating 90 million jobs for the fast growing population. While there is a realization that the public sector cannot create these jobs alone, the sense of urgency has still not trickled down to all areas of the population or spurred actions to speed up Arab competitiveness, despite the fact that the opportunity to diffuse this challenge is present for all sector leaders.

Panelists outlined the second opportunity as building on strong foundations of Arab-American relationships to continue dialogue and overcome current gaps, in view of the fact that Arab Americans, specifically women and youth, serve as a bridge between regions and establish a strong base for continued trust building, cultural exchange and support.

Given all the challenges existent between the U.S.-Arab relationship, Arab Americans are key in strengthening the fundamental human value of trust. However as Zafar Siddiqi, Chairman and CEO of CNBC Arabia, reiterated, “Trust can only be built over time and requires resolve,” noting that “if the intent of every one is to find a solution, we shall find one.”

John Zogby also expressed optimism particularly in the role the Global Generation (America's 18-27 year-olds today) can play in strengthening the U.S.-Arab relationship. This generation is more favorably disposed to the world and most likely to go online and watch satellite television. This is encouraging, given that Americans who watch cable television are more positive towards the Arab World as are those who more regularly go online.

Panelists and participants also pointed to the growing women's peace movement and their ability to be strong bridge builders between regions. Networks of women in the U.S. and the Arab world are able to mobilize within their regions, strengthen civil society and aid in private and public sector efforts of embracing peace. While transnational networking is important, H.H. Dr. Shiekha Hissah S. Al-Sabbah, Chairwoman, Council of Arab Businesswomen, noted networking within borders is on the rise as Arab women who migrate to the U.S. realize their need for other Arab women as they integrate into U.S. society. She pointed to a newly formed committee of the Arab Businesswomen's Council, which allows Arab women and Arab-American women to work together and support each other as a model for networking.

On the subject Dr. Thuraya Al-Arrayed, Consultant, Saudi Aramco, added that the opportunity to help the Middle East is not limited to Arab American women but can be extended to the whole world. However, the challenge is to move away from stereotypes and inherited views and instead focus on “seeing what is really there and through the good will in your heart, look to see what you can do to aid the development of the region.” Al-Arrayed added that while Arab Americans are critical to the development of the Middle East, “finding solutions cannot be a one-sided issue, it is the job of the people of that region, who can determine what is truly best for them and meets their aspirations.” Partnerships with Arab Americans and others, can aid these aspirations particularly if specialized fields or people are not available in the region.

Al-Hazzaa concurred, “There are a lot of things we have to change ...because we are governed by religion and culture ...we have to move at a pace that is comfortable with our people.” Encouraging the need for more mentors, Al-Hazzaa recalled

Saudis of her generation studying in the U.S. had very few professional role models and were thus considered as pioneers. Hence, the lack of role models and the opportunity for professional women to accomplish more in Saudi Arabia than in the United States underlies her encouragement of Western educated women to go back to the Middle East.

The third opportunity, which involved transferring knowledge and technology to and from the Arab world through Arab-American Diaspora, stated that the Arab American Diaspora is critical in bridging the U.S. and Arab regions and debunking stereotypes that threaten trade and investment. ICT tools are also facilitating the communication and knowledge exchange necessary for trade and human capacity building.

The Arab American Diaspora can transfer knowledge to the Arab World by physically returning to the region to work or by promoting understanding of the region within the United States. Similarly, professionals in other disciplines can propel knowledge of respective specialized fields into a region suffering from severe brain drain, encouraging the transformation of laws and practices to create opportunities for professionals as well as retention strategies.

Within the United States, the Diaspora plays a significant role in educating the American public that the Arab World “loves the U.S.” As Mularkech Haiyan, Chief Officer of Projects for Dubai Properties noted, “the difference between the people and the government must be communicated so that people of both regions can look at each other as equals.” This is increasingly important, as global counterparts are a necessary requirement in today’s flattening world.

Promoting the continued emergence of Arab women as more active and educated economic and political actors was highlighted as the fourth opportunity in this area.

Although fully incorporating women into the education, economic and political systems has been a challenge for the Arab World, great progress has been made through governance reforms and development of women role models and risk takers who are serving as catalysts for continued improvement, while expanding the role of women within society.

Transformations in the legal frameworks and government policy are beginning to eliminate barriers for women. In Kuwait, for example, women recently were bestowed with equal political rights. Nevertheless, governments must also consider building of schools and hospitals as big a priority as building mosques. Similarly, it is essential for institutions, such as banks, to encourage and enhance investment in women, whose participation and contribution in the economic system is critical to the region’s competitiveness.

Parallel to the progress made institutionally, women are contributing to advancement by changing social norms and expectations among women as well as society. The misconception that a woman can either be a mother or a professional woman is being eliminated and replaced with the idea that one can be both. Additionally, the majority of youth are gradually being raised with more freedom and encouragement to ensue a field of respective talent and interest instead of being boxed in certain role.

Pioneering women are helping reinforce this concept. Al-Arrayed’s decision to join the private sector as opposed to the academia was different and innovative and made her a role model to other young women. It is her work and others like her that has contributed to a change in paradigm.

Encouraging women to explore new fields – economic, social, or political – is important for the continued advancement of women. Al-Sabbah advocates that women be allowed to take risks, find themselves and have the confidence to challenge themselves.

It is these risk-taking women that set the groundwork for work in non-traditional areas and advance into new areas. Vice President, Senior Economist for the Middle East/North Africa Region, Emerging Markets Research & Strategy of JP Morgan, Florence Eid's risk taking led to the establishment of a Business Plan competition – a plan inspired by the 50K Entrepreneurship Competition of the Massachusetts Institute of Technology and spearheaded by the American University of Beirut's School of Business. Considered a great success, the plan is now being emulated by others because it increased exposed women and all creative minds with an opportunity to develop the ideas and entrepreneurial spirit.

The fifth opportunity in this area revealed the importance of engaging youth in the Arab World and the U.S. to become the catalyst for hope and influence the economic, social and political landscape.

Moussa pointed to the positive externalities for youth that will result from the economic reforms currently taking place in the region as well as the growing participation of NGOs. Stakeholders all agree and understand that economic development in the Middle East must translate into jobs for youth as Watson noted, "Young people need work for social stability."

Moving onto the next point, leveraging the emerging partnerships in higher education between Arab and American institutions to create a ripple effect was highlighted as the sixth opportunity in education and dialogue, where MIT, Harvard, Cornell, were cited as some of the higher education institutions establishing partnerships with Middle East institutions to convey knowledge, curriculum, faculty, and research – aligned with the needs of the private sector – to the Arab world to develop the next cadre of leaders. These partnerships were seen as great opportunities for program development, which can serve as models for other institutions. Participants noted that such collaboration should be leveraged to foster the much-needed educational exchange between regions.

Building on knowledge sharing, the seventh opportunity, proclaimed leveraging the new sources of information (Internet and Satellite TV) to provide youth with wider access to information and challenge traditional educational systems.

In recent years, the Arab region has experienced increased transfer of information given advances in technology, Internet use and satellite TV, among other things. These new mechanisms are changing educational systems and impacting the political and socio-economic systems. This advancement provides youth of the Arab world the potential to obtain, develop and contribute new ideas while encouraging them to apply themselves in a more distinctive, enhanced or even rapid manner.

Enhancing access to ICT is a high priority for many countries as its applications, such as e-governance, boost cities' economies and improves the lives of its citizens. It is these types of advances to people's lives that show how technology can increase the competitiveness of a country. In support of this notion, a recent report referring to the impact of mobile phones on the economy showed countless jobs created with each new established network.

Egypt and other Arab countries have very ambitious agendas to increase the creative use of technology and the Internet; however, proliferation is slow overall. According to Dr. Saad Hammad Al-Barrak, Managing Director & Deputy Chairman of Mobile Telecommunications Company (MTC), only 24% of the Kuwaiti population has access to telecommunication tools despite several years of development.

Investing in infrastructure necessary to support the growth of ICT is critical to reap the benefits from its use and applications. Ali Faramawy, Vice President of Microsoft Corporation, for example, highlighted the benefits of using IT education. It transforms students into active seekers of education instead of passive acceptors of curriculum. It also encourages teamwork, pro-activeness, transcendence of borders and promotes tolerance.

Like IT education, satellite television and other information means are providing youth with new outlets of knowledge while challenging traditional education provided at school and amongst the local community. This presents great opportunity to leverage these technologies to foster cross-cultural education and increase understanding among those who historically have been divided. It also presents the opportunity to expand the horizons of the younger population and encourage them to pursue different fields of interest that they otherwise would not have been exposed to.

Finally, the eighth opportunity described incorporating creative and non-traditional approaches, such as humor, music, arts, sports, etc, to foster human connections and breakdown cultural barriers.

Throughout the forum, entertaining clips presented significant issues in a non-traditional way. These clips, the works of David Lewis, a journalist and filmmaker, were very powerful and sparked laughter as well as dialogue at the forum, presenting great hope of the positive changes that can occur when an audience can laugh together, eliminate the taboo from a topic and proceed to seriously discuss an issue. Similarly, other mediums such as music, arts and sports can be used to promote cultural exchange. They are universal, as music transcends language, arts promotes self-expression and reflection and sports builds teamwork. Through these mediums, participants are united for a single purpose and develop common ground, regardless of background, creating a sense of unity and platform for exchange.

Call to Action

Like its predecessor held in Detroit, Michigan in September 2003, the 2nd U.S.-Arab Economic Forum (USAEF) once more effectively bypassed everyday discussions and instead focused on issues substantial to improving living standards, raising the bar on education, the empowerment of women as well as efforts to increase understanding and cooperation between the United States and the Arab world through trade and economic collaboration.

While Beydoun stressed the importance of forming sustainable bridges between the two regions and developing pro-Arab leadership as an important foundation for a lasting peace in the Middle East, Hamdan associated the “USAEF” to the Prophet “Youssef” and asked participants to support the forum to become the symbol of U.S.-Arab perseverance and urged them to visualize the forum as the precious stone that will sustain efforts in bringing together the strengths of the U.S. and the Arab world – namely their knowledge, diversity, culture, commerce, science and governance. He insisted on those present to get involved and focus on how to leverage the potential of 700 million Americans and Arabs in order to have their voices heard, enable knowledge, educate, protect the environment, involve women, improve transparency and create an effective lobbying engine to push the regional agenda at the global theatre.

Accordingly, the 2006 USAEF concluded with the introduction of three new initiatives aimed at increasing person-to-person contacts between Americans and the people of the Middle East, which include the U.S.-Arab Leadership Program, the Women’s Business Council, and the Council of Mayors to explore ways in which Americans can work with leaders of the Arab world to address key issues relevant to both sides, influence government policymaking, facilitate business interaction and promote cross-cultural dialogue within the areas of Energy and Environment, Trade and Investment and Education and Dialogue. Below is a brief overview of the 2006 USAEF outcomes:

- The U.S.-Arab Leadership Program aims to take 1,000 young American leaders to the Arab world each year in an effort to foster a first-hand understanding of the region and its people.
- Women's Business Council aims to bring businesswomen from the Arab world together with their American counterparts for the purpose of networking and sharing their experiences.
- Council of Mayors to promote the development of strategies for greater U.S.-Arab municipal cooperation and the development of effective economic and social policies.

There is work to be done, but the groundwork has been laid. The U.S. and Arab world have much to learn from each other: from a business perspective, from a socio-economic perspective, from a cultural perspective – the list is only as long as we choose to make it. The possibilities are truly endless.

For additional information about the 2006 U.S.-Arab Economic Forum, please visit www.usaeforum.org, which features archived photographs, session summaries, media coverage of the event and more.

