

OVERVIEW AND SUGGESTIONS FOR IMPROVING KEY AREAS IN US FOREIGN POLICY TOWARDS THE ARAB REGION

A Civil Society Perspective

[May 2012]

We, civil society organizations from the Arab region¹, authors of this position-statement, perceive that ongoing changes in the Arab region necessitate the revision of several areas in US foreign policy towards the region. While US foreign policy needs to heed various factors that shape the political, economic, social, and cultural contexts in each country, the following suggestions focus on factors that apply to the global foreign policy of the United States towards the region.

The statement is developed and presented in the context of a visit by a delegation of civil society groups to Washington DC from 14 to 18 May 2012, organized by the Arab NGO Network for Development. It addresses the following policy issues: (I) the centrality of recognizing the Palestinian rights to democratic and development processes in the Arab region (II) rebuilding the credibility of US foreign policy: expanding dialogue with various stakeholders (III) rethinking trade and investment relations (IV) the need to remodel US development assistance and (V) rethinking debt of Arab countries to the United States.

(I) The Centrality of Recognizing the Palestinian Rights to Democratic and Development Processes in the Arab region

We believe that there is a need to recognize and support the rights of the Palestinian people and their quest for a just solution to the Israeli-Palestinian conflict as a central condition to any progress towards political stability, sustained democratic practice, and sustainable development in the region. Seeking a peaceful, just and sustainable solution to the Palestinian-Israeli conflict necessitates the respect of the spirit and letter of all relevant UN Resolutions and the people's right to self-determination and the right of return. ***The lack of genuine constructive efforts on the Palestinian-Israeli peace process and the continued domination of the interests of security in dealing with the region contribute to undermining the credibility of US policy there.***

(II) Rebuilding the Credibility of US Foreign Policy: Expanding Dialogue with Various Stakeholders

In its quest to balance its foreign policy with security concerns, the US administration has often resorted to double standards in judging the Arab peoples' uprisings and revolts². At times, the US has favored its security interests over calls for encouraging popular uprisings. The agenda of the US foreign policy in relation to security of energy sources, the Palestinian-Israeli conflict, and countering terrorism and radical Islamism is best served by openly and unequivocally supporting the peoples' will, which will ultimately prevail in the face of oppressive regimes.

Rebuilding the credibility of US foreign Policy towards the Arab Region necessitates deepening dialogue with all factions of the social and political spectrum, including with civil society organizations. This must be backed by a clear strategy that

¹ Representing constituency from 10 Arab countries (Egypt, Tunisia, Palestine, Lebanon, Jordan, Morocco, Bahrain, Yemen, Sudan, and Iraq), working on issues of human rights, development, international cooperation, and democratic governance. The list of participants in the delegation is annexed.

² The US has built a security umbrella over the Gulf States, where it has military facilities in 5 out of the 6 states of the GCC. It is the primary military partner of numerous other Arab countries including Morocco, Tunisia, Egypt and Jordan.

supports the desire of the people to see genuine democratic processes, including in countries with vital military and energy interests for the United States.

(III) Rethinking Trade and Investment Relations

In light of the changes gripping the Arab region, US policy makers are grappling to resolve whether the US should seek investment and trade agreements to support democratic transitions, tailor a regional approach to trade and investment, or whether existing trade and investment agreements have benefited people or achieved their intended goals in the region³.

The regression of economic and social indicators in the Arab countries -- including rising unemployment and inequalities and a decrease in productive capacities -- have unmasked disconnect between the design of trade and investment policies on the one hand and peoples' rights on the other hand, including the right to development. For example, while the Qualified Industrial Zones (QIZs) have increased foreign direct investment (FDI) into Jordan and Egypt, the impact on increasing productivity and employment of the local population has been minimal⁴. Worse, the QIZs have been associated with serious violations of the rights of foreign and domestic workers⁵. Additionally, Moroccans express serious concern that the impact of their free trade agreement (FTA) with the United States would be marginal at best and hold detrimental effects of increasing poverty at worst⁶. ***Various stakeholders in the Arab region are calling for rethinking trade and investment policy frameworks in favor of a new development paradigm that generates decent jobs and emphasizes productive sectors including industry and agriculture.***

Within this context, there is a need to de-couple trade and investment policies from other foreign policy interests and to see them as economic tools designed within national development strategies, in a manner that does not restrict national policy space for development. Accordingly, we see the need to rethink the rules established through FTAs and QIZs to ensure their relevance to development objectives and to increase FDI in support of building productive national economies and creating decent jobs. Transparency and access to information on negotiations of investment treaties or FTAs are a necessity, starting at the stage of pre-negotiations. An impact assessment from a development and human rights perspective, including ex-ante and ex-poste to any agreement, should be considered a pre-requisite and should inform negotiations as well as the periodic revision of agreements.

It is crucial that the Deauville Partnership talks with Arab countries engage civil society organizations and enhance transparency of negotiations, especially under the Trade, Investment and Integration Pillar.

(IV) The Need to Remodel US Development Assistance

US development assistance to the Arab region has been closely linked with promoting foreign policy and strategic military goals, while not necessarily serving democracy, development, and human rights. The Congressional Research Service reports that American taxpayers have disbursed more than \$60 billion to Egypt alone since 1981. Approximately \$34 billion came in the form of grants that required Egypt to purchase

³ See: Rebecca Nelson, Mary Jane Bolle, Shayerah Ilias, "US Trade and Investment in MENA: Overview and Issues for Congress", by Congressional Research Service (January 2012).

⁴ For more information, refer to UNCTAD study on QIZ in Egypt and Jordan 2009.

⁵ See: <http://www.menaobservatory.org/statement-on-labor-strikes-in-the.html>

⁶ See: Ahmed Galal and Robert Lawrence, "Egypt-US and Morocco-US Free Trade Agreements", Working Paper No. 87, Egyptian Centre for Economic Studies, Cairo, July 2003, and "Morocco's FTA Fever"- GRAIN- September 2007.

American-made military equipment⁷. Although the aid to the Egyptian military has remained steady over the last decade — at about \$1.3 billion per year — civilian economic assistance has dropped to \$40 million yearly⁸. The State Department's decision to resume military and economic aid to Egypt has provoked significant concern among Egyptians⁹ and is seen as provision of arms to a discredited military establishment. Such decisions are taken while the US opposes the negotiations of an effective global Arms Trade Treaty, which covers ammunitions among the conventional arms to be regulated by the treaty¹⁰.

A recent example of counterproductive assistance policies is President Obama's \$770 million "Middle East and North Africa Incentive Fund", which renders development assistance contingent upon certain kinds of economic, political, and trade reforms. ***The conditionality of macro-economic and institutional reforms in return for aid – which is reminiscent to the failed structural reforms era of the nineties– could stymie national efforts to open up economic and social policy-making to democratic participation and to respond to peoples' development needs, rights, and aspirations.*** All allocations should be fully transparent and in consultation with national stakeholders including civil society in the recipient country.

Additionally, strengthening US development assistance necessitates the restructuring of USAID's grants and awards systems in favor of decreasing bureaucratic red tape and increasing local ownership of projects¹¹. ***Civil society organizations from the Arab region request that USAID abandon the two pre-conditions for funding, the Anti-Terrorist Clause and the Partner Vetting System both of which are unnecessary, lack due process, violate privacy, lack transparency, and increase administrative burdens¹², in addition to being immoral and defeating the purpose of civic work.*** For example, the Palestinian NGO Network is concerned that conditional funding will further marginalize Palestinian civil society groups that refuse to adhere to USAID's measures and significantly weaken local ownership and sustainability of project outcomes¹³. Strategies to ensure short-term success of projects, including provision of sizeable salary bonuses and expensive foreign expertise, makes these projects locally unsustainable and renders them ineffective in the long run.

In short, increasing the effectiveness of US development assistance in the Arab region requires:

- Decoupling aid policy from the pursuit of security and military interests and/or imposing/ promoting specific economic and trade policy conditions;

⁷ See: Jeremy Sharp (2012) "Egypt in Transition"- Congressional Research Service; Michele Dunne has highlighted in her article "Rethinking US Relations with a Changing Egypt" the steady flow of U.S. security assistance (\$1.3 billion annually) versus the steep fall in economic assistance over time (from approximately \$800 million annually in the 1980s to \$250 million in 2011).

⁸Ibid. See as well: <http://personalliberty.com/2011/02/04/us-aid-to-egypt-has-benefited-american-businesses-800384455/>

⁹ In this context, Gallup Surveys on US aid in Egypt have shown that Egyptian opposition to conditional economic aid continued to climb in early 2012. In February 2012, more than 8 in 10 Egyptians said they opposed imposing conditions on U.S. economic aid, up an 11 percentage points since December 2011 and up 30 points since April 2011 when Gallup first posed this question. See: http://www.gallup.com/poll/153512/Egyptian-Opposition-Foreign-Aid-Increases.aspx?utm_source=google&utm_medium=rss&utm_campaign=syndication

¹⁰ See letter from Amnesty International entitled: "No US certification of Egypt government on Human Rights" noting: "Amnesty International opposes the funding, sale, or transfer of arms internationally where there is a substantial risk that the specific arms in question will be used to commit or facilitate serious human rights violations"; Sanjeev Bery, Amnesty International's advocacy director for the Middle East and North Africa (14 March 2012). Between 11 December 2011 and 5 February 2012, the Egyptian Procurement Office (EPO) of the Armament Authority, Ministry of Defense shipped a total of 349 tons of military and dual use equipment with a value of at least USD\$35 million supplied on seven US-flagged cargo ships, which are managed by American President Lines Maritime Ltd. This was monitored and documented, along other ships from China, Russia, by international organizations like Amnesty International and the Transarms and the International Peace and Information Service.

¹¹ See the work of Thomas Carothers; Carnegie Endowment.

¹² See: "NGOs Respond to USAID's Proposed Anti-Terror Screening" by Sarah R. Eremus; at http://www.icnl.org/research/journal/vol10iss1/special_2.htm

¹³ See: "Matrix of Control: The Impact of Conditional Funding on Palestinian NGOs" (August 2011); MA'AN Development Center.

- Maintaining clear centrality of sustainable development and human rights objectives as the sole long-term aims of development assistance;
- Enhancing cohesion and coherence in the use of foreign assistance resources including focusing on country ownership, aiming towards self-sufficiency of local partners, and deciding on priorities based on full partnership with recipient governments, civil society organizations, and other national stakeholders;
- Guaranteeing full transparency and access to information at various stages of decision making;
- Suspending unnecessary and distorting conditions of development assistance; and
- Avoiding double standards on sponsoring programs that obstruct opportunities for social change and social inclusion of marginalized groups, primarily persons with disabilities.

(V) Rethinking Debt of Arab countries to the United States

Debts accumulated by defunct regimes have left people bearing the burden of paying from their very own pockets for illegitimate decisions and have limited the policy space available to exercise sovereign and democratic economic and social policy-making.

Debt relief could result in immediate support and expansion of public policy space in countries undergoing political and economic transitions. Arab countries' debts to the United States amount to substantial proportions of their foreign debt, the service of which consumes sizeable portions of these countries' expenditures that would have otherwise been channeled in support of the development needs of the population¹⁴.

The United States' support of a debt audit for the debts carried by each of Tunisia and Egypt is crucial, with the perspective of identifying and cancelling odious debts. Moreover, the United States is requested to support the Egyptian, Tunisian, and Libyan peoples' efforts to recover national assets stolen by fallen dictators and siphoned off via European and American financial entities.

Participants in the Delegation		
Hanaa Edwards	Iraq	Iraqi Al- Amal Association
Izz Deen El Asbahi	Yemen	Human Rights Information and Training Center
Salah Al Jouchi	Tunisia	Civic Constitutional Commission - Al Jahez center
Saad Felali	Morocco	Transparency Morocco
Abdel Nabi El Ekry	Bahrain	Transparency Association
Nada Alwadi	Bahrain	Bahrain Press Association
Allam Jarrar	Palestine	Palestinian NGO Network
Majdi Abdel Hamid	Egypt	Egyptian Association for Civic Engagement
Osama Safa	Lebanon	Lebanese Association for Electoral Reform
Ziad Abdel Samad	Lebanon	Arab NGO Network for Development
Mohamad Loutfy	Lebanon	Lebanese Physically Handicapped Union
Kinda Mohamadieh	Lebanon	Arab NGO Network for Development
Ibtesam Al Atiyat	Jordan	St. Olaf College and Jordanian Women's Union
Hasan Abdel Ati	Sudan	Sudanese Civic Forum

For inquiries regarding the delegation's visit, please contact: Arab NGO Network for Development; emails: annd@annd.org and kinda.mohamadieh@annd.org; website: www.annd.org; Tel: 00961-1-319 366

¹⁴ For example, the Egyptian government spent around EGP 106 billion in 2011 on total internal and external debt services, which exceeds annual amounts allocated for education, health and all other public investments. Egyptian debt to the United States amounts to \$3 billion of a total of \$32 billion in foreign debt (see: Popular Campaign to Drop Egypt's Debts <http://www.dropegypstdebt.org/>).