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Constructing the Arab Region's Engagement in the Emerging Global Future

Policy Recommendations

Beirut Institute Summit Edition II

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Disclaimer

The views expressed by speakers, presenters, and moderators of the second edition of the Beirut Institute Summit Edition II are their own. This document was originally written in English and translated to Arabic. Beirut Institute Summit Edition II, Abu Dhabi, May 2018

Executive Summary

Beirut Institute Summit Edition II is a driving force focused on mobilizing a rich diversity of minds to think collaboratively and innovatively about the future of the Arab region. In May 2018, we convened Beirut Institute Summit Edition II in Abu Dhabi, building on the success of the first Beirut Institute Summit Edition I that was held in late 2015. The Summit took place in the context of a period of rapid and historic transformation in the Arab region and globally. Given the disruptive geopolitical, technological and socio-economic changes underway, our deliberations centered on designing practical policy recommendations for constructing the Arab region's engagement in the emerging global future. The final recommendations constitute five fundamental strategic imperatives:

- 1. Strengthen the Forces of Order:** Systematically create the conditions and capabilities necessary for sustainable regional stability
- 2. Accelerate Connected Regional Economic Development:** Intensify Arab-led investment in regional economic development and integration
- 3. Promote Whole-Of-Nation Good Governance:** Expand models of good governance to better integrate individuals and local communities
- 4. Empower the Diverse People of the Arab Region:** Activate a tolerant, inclusive, future-oriented vision for the Arab Region
- 5. Embrace a Technology-Fueled Future:** Expand Arab integration with and leadership in global innovation networks

The recommendations in each of these areas represent the proposals around which there was greatest alignment among the Summit participants. They reflect the remarkable expertise and experience of those participants and the richly collaborative dialogue to which they contributed. Taken together, the proposals represent a roadmap by which the Arab region can engage in, benefit from and contribute to the global future in the highest interest of all of its diverse people.

Introduction

Beirut Institute Summit Edition II: Beirut Institute Summit Edition II is a collaborative initiative impacting the Arab region, proactively. We convene a wide spectrum of thinkers including political leaders, senior policy makers, prominent intellectuals, leading CEOs, and civil society leaders to reflect on the evolving relationship between the Arab region and the world. In May 2018, we convened Beirut Institute Summit Edition II in Abu Dhabi, building on the success of the first Beirut Institute Summit Edition I that was held in late 2015. Our focus was on designing actionable policies and innovative solutions to turn back the forces of destruction and advance the construction of the Arab region's engagement in the emerging global future.

Document Purpose: The purpose of this document is to summarize the key policy recommendations that emerged from the discussions among the remarkable, diverse group of prominent government officials, public and private sector luminaries, and next generation leaders who gathered at Beirut Institute Summit Edition II to collaboratively generate frank, innovative and compelling insights regarding the specific courses of action by which the Arab region can most effectively construct its engagement in the emerging global future in the highest interest of all of its people. While the recommendations outlined here represent the proposals around which there was greatest alignment, they do not constitute a single, agreed upon consensus of the entire group. They are offered here as a distilled, practical set of recommended courses of action for consideration by policymakers. The practical value of these recommendations is a function of the remarkable expertise and experience of the Summit participants and the richly collaborative dialogue to which they contributed.

Strategic Context – Accelerating Transformations in the Arab Region and Beyond: The Arab region is in the midst of a rapid and historic transformation in parallel with a period of arguably an unprecedented transition in the world – technologically, geopolitically, economically and socially. How the visionary reforms of key actors in the region intersect with the structural shifts underway globally will deeply affect the future trajectories of each. Building on the growing momentum of change, the outcome will be shaped by the choices we make today to construct the Arab region's engagement in the emerging global future. These choices will unfold in a strategic environment that is very different than that in which the first Beirut Institute Summit was held in October of 2015. The change we have witnessed over the last two years has been stunningly disruptive in virtually every dimension – from the geopolitical and economic to the social and technological. Consider that in January 2016, JCPOA (the Iranian nuclear deal) entered into force and then 18 months later the United States announced its withdrawal from it. In the same period, Russia significantly deepened its military engagement in Syria and in late 2017 Iraqi Prime Minister Haider Al-Abadi declared victory over Daesh in Iraq. Throughout this period, Iran intensified its engagement in Syria and its support for the Houthis in Yemen. Globally, in the same timeframe, we witnessed both Brexit and the election of Donald Trump. It was with a focus on this disrupted strategic context that Beirut Institute Summit Edition II convened in Abu Dhabi on May 12 and 13, 2018 to design a roadmap for the Arab Region in constructing its engagement with the emerging global future.

Overview of the Recommendations

1. Strengthen the Forces of Order

Systematically create the conditions and capabilities necessary for sustainable regional stability

- 1.1. Establish the Strategic Foundations for Regional Stability
- 1.2. Neutralize Active Conflicts through Comprehensive, Coalition-based Action
- 1.3. Strengthen Nation-States and Local Governments
- 1.4. Revitalize Progress on the Issue of Palestine
- 1.5. Institutionalize Arab-led Mediation and Dispute Resolution

2. Accelerate Connected Regional Economic Development

Accelerate Arab-led investment in regional economic development and integration

- 2.1. Increase Regional Economic Integration and Development
- 2.2. Harness Connective Infrastructure to Drive Regional Integration and Growth
- 2.3. Intensify Efforts to Create Environments Conducive to Entrepreneurship Across the Region
- 2.4. Establish Effective Frameworks for Facilitating the Creation of Public-Private Partnerships Aimed at Development of Public Goods

3. Promote Whole-of-Nation Good Governance

Expand models of good governance to better integrate individuals in local communities

- 3.1. Support progress toward the emergence of a new social contract in cooperation with citizens
- 3.2. Strengthen decentralized local representation and voice in policy-making by empowering local bodies
- 3.3. Reduce sectarian political divisions by advancing inclusive political processes

4. Empower the Diverse People of the Arab Region

Activate a tolerant, inclusive, future-oriented vision for the Arab Region

- 4.1. Promote the values of inclusion, tolerance and progress
- 4.2. Enable the region's future leaders
- 4.3. Systematically empower the region's women
- 4.4. Embrace an inclusive and future-oriented vision for the region

5. Embrace a Technology-Fueled Future

Deepen Arab integration with and leadership in global innovation networks

- 5.1. Invest in enhancing the connective infrastructure of the Arab world
- 5.2. Leverage technology to empower local governments, increase transparency, advance legal literacy and combat corruption
- 5.3. Deploy new technologies to drive more efficient and sustainable management of critical resources across the region

1. Strengthen the Forces of Order

Systematically create the conditions and capabilities necessary for sustainable regional stability

For the Arab Region to construct its engagement in the emerging global future effectively and capitalize fully on the vast potential value of its unique position at the crossroads of three continents, geopolitical stability is a fundamental requirement. In the two years since the first Beirut Institute Summit, the global context in which that stability must be achieved has changed profoundly. Several new regional realities have become very clear. First, the demonstrated ability and willingness of Arab states to lead the construction of a new, sustainably stable regional order has increased significantly, but continues to be constrained by a lack of strategic alignment and institutional integration among key states. The exception has been the deepening relationship between Saudi Arabia and the UAE, which represents a powerful source of momentum that can now be extended more deeply to inspire and align the rest of the region. Second, agreement on the JCPOA did not alter Iran's strategic orientation in the region. Instead, Iran has intensified its destabilizing efforts through the use of proxies to disrupt and build influence in fragile states. This strategic orientation continues to be one of the root causes of geopolitical instability in the region. Finally, there are signs that great power rivalry has returned globally and is being played out in the Middle East in ways that not only are contributing directly to regional instability and vast human suffering, but that also in many ways do not serve the long-term strategic interests of the external powers themselves. The very complexity and uncertainty of this context creates significant opportunities for regional leaders to break the momentum of the forces of disorder and strengthen the forces of order. The effort to do so must be based on shared strategic interests – both in the region and globally – centered on the widely shared benefits of advancing stability, integration and growth. The following policy recommendations outline an Arab-led pathway for constructing a new, sustainable architecture of regional order:

1.1. Establish the Strategic Foundations for Regional Stability

Any attempt to establish a new regional order that does not take into account and even harness the enduring strategic interests of the global actors influencing the region will not be sustainable. External alignment, of course, is no longer sufficient – if it ever was. A clear foundational requirement of regional order is the strategic alignment and operational integration of those states in the region that seek to create such an order. Therefore, leading Arab countries in partnership with their key international allies must:

- **Drive Great Power Strategic Alignment on Shared Regional Interests:** Arab leaders in partnership with their key international allies must design and drive a diplomatic effort to identify a framework of shared strategic interests among the United States, Russia and China centered on stabilizing the Middle East. Such an agreement would align the incentives of external actors with the aspirations of the people of the Arab Region and make a new regional order sustainably stable. To understand why this is now possible, it is necessary to acknowledge how the global context has changed. First, the complex, interdependent rivalry between the United States, Russia and China is one of the key forces shaping the emerging global geopolitical environment. The United States has demonstrated its sustained commitment to its strategic partners in the Arab Region. In parallel, Russia has demonstrated the ability and willingness to project its more limited, but still significant power to advance national interests

and increase its strategic relevance more broadly. In the Middle East, the strategic misalignment between these three powers has contributed directly to regional instability. However, given Russia's achievement of its core objectives in Syria and China's long-term strategy for connecting the Eurasian heartland through its Belt and Road Initiative ("BRI"), there is now an opportunity to build strategic consensus among the great powers centered on the shared security and economic interest of Middle East regional stability. The strategic basis for a foundational consensus in favor of regional stability is there. What is required now is an Arab-led diplomatic initiative to build it.

- **Deepen Arab Strategic Integration:** Within the Arab region, there is a clear need for a new institutional foundation for integrated stability. While legacy regional institutions and the UN have important roles to play, a sustainably stable regional order requires a new structure composed of Arab nation states that can drive meaningful strategic alignment and integration. Building on the recently deepened partnership between Saudi Arabia and the UAE, this new alliance should include, but not be limited to security cooperation including in integrated missile defence to counter the growing ballistic missile threat, maritime navigation, military training, counter terrorism and longer-term efforts to counter extremism. Just as important, this new institution should also accelerate the strengthening of cooperation on political and diplomatic issues and drive deeper economic integration, including alignment of the geoeconomic instruments of power to maximize their aggregate effect. Only by including deeper alignment of all instruments of power can such an alliance drive the comprehensive change needed, from cooperatively creating a secure military context for political progress to proactively delivering services and support to those most in need and thereby preventing the emergence of strategic vacuums that others in the region have so skillfully exploited. This long-discussed institutional integration is vitally important to the future of the region and its ability to engage and play its proper role in the global environment as it creates a means of achieving the strategic alignment and unity of voice necessary to wield decisive influence on key issues.
- **Revitalize Sustainable Coalition Capabilities:** As part of any new regional alignment structure, Arab leaders must also build, rebuild and revitalize coalition capabilities such as those that demonstrated such remarkable effectiveness in Eastern Syria and Iraq against Daesh. These Arab-led coalitions would consist of integrated, mission-focused networks that fuse local personnel and capabilities with the enabling technology platforms of external allies to deliver potent influence where it is most needed in pre-conflict, conflict and post-conflict settings. Central to this concept is that coalitions be both comprehensive and sustainable. They will be comprehensive in that they will include military, diplomatic, economic development and humanitarian assistance components. They will be sustainable by virtue of new military capabilities that allow secure space to be created with greatly reduced costs in terms of casualties and resources. Sustainability is critically important to the effectiveness of these coalitions because the change they will be intended to advance requires a consistent, long-term and reliable presence.

1.2. Neutralize Active Conflicts through Comprehensive, Coalition-based Action

As the Arab region builds new forms of strategic integration and renewed coalition capabilities, it must in parallel take comprehensive action to stabilize active conflicts with all possible urgency. Therefore, including by applying the revitalized coalition capabilities outlined above, regional leaders must accelerate action to neutralize conflict in the following theatres:

- **Syria:** There was agreement that progress toward a more stable regional security architecture must start in Syria. The currently active coalition should maintain a presence in Syria and continue to advise and support the Syrian Kurds and Arabs in the fragile stabilization of the southeast Euphrates valley. This support, however, must not be limited to military capabilities and assets. Military support is necessary, but insufficient. The effort must leverage revitalized coalition capabilities to deliver comprehensive support to the communities in those regions, including with respect to governance and the restoration of basic services. The political effort must focus on preserving maximum possible autonomous governance in the more remote regions of Syria and ideally to secure some level of Arab and Kurdish representation in the cabinet. In those areas, significant and aggressive investment in reconstruction should be undertaken as a demonstration of what next-generation Arab-driven governance support can deliver in terms of both basic services and technological connectivity. Finally, in the vast majority of Syria where the regime will retain control, all reconstruction support should be tied to progress toward a viable, transparent political solution to the crisis.
- **Yemen:** To the extent the active conflict in Yemen persists, it serves the strategic purposes of the Houthi rebels and their supporters. Pressure on the Houthis to compromise must continue to be applied and significant international efforts must be made to intensify the strategic costs to Iran of its destabilizing support of the rebels. In addition, the coalition-led efforts in Yemen must continue to focus on an inclusive political settlement. The parameters of the required process and ultimate solution are defined in the Gulf Cooperation Council initiative and implementation mechanism agreement, the outcomes of the comprehensive National Dialogue Conference and relevant Security Council resolutions and statements. The process must include Yemen's diverse community groups as well as women's organizations. Given its incentives, Iran cannot be expected to contribute to this effort. In the meantime, it is imperative to continue addressing the humanitarian situation and to work toward the establishment of a tangible body to drive a major reconstruction of the country and its human infrastructure. A comprehensive approach to Yemen must also include support for the Yemeni state and its employees including, but not limited to military personnel. This is essential to preserving some governance capacity, ensuring the delivery of basic human services and thereby reducing the vacuums that extremists and rebels so rapidly fill.
- **Libya:** The Libyan issue can only ultimately be resolved by the Libyan people. There has been excessive internationalization of Libya's internal political process in which many diverse, often competing external entities have worked at various levels and with a varied set of Libyan actors without an integrated, coordinated strategic vision. This multiplicity of uncoordinated, counter-productive initiatives has delayed resolution of the core issues and is contributing to deepening chaos in the country. Therefore, the international community must align itself around a single, coherent process of political dialogue in which Libyan players have decisive weight. In this process, the role of the external entities should be focused on facilitation of dialogue between the Libyan players. In addition, a condition of participation in the political process must be a clear renunciation of terrorism.

1.3. Strengthen Nation-States and Local Governments

The use of militias and other non-state actors as a means of destabilizing and controlling states represents a fundamental and intensifying threat to regional stability. Only as a system of strong, well-governed nation-states with a monopoly on the use of force can the Arab region sustainably create regional order. Therefore, regional leaders and the international community must:

- **Buttress Arab National Institutions, Identity and Whole-of-Nation Good Governance:** To create the conditions for a stable system of nation states in the region, two apparently contradictory, but in fact complementary approaches are required. On the one hand, the central governments of nation states that seek to advance good governance and the nation state system must be robustly and innovatively supported by leading Arab countries. This effort must include not only strengthening currently weak institutional structures that once strengthened would reinforce the principles of good governance, but also intentional efforts to reduce the multiplication of power and security centers. A key goal must be the systematic reduction of arms not under the control of the state. On the other hand, it is also increasingly clear that effective national governance requires strong, aligned governance at the local level as discussed elsewhere in this report. Only effective local governance can provide the degree of interaction necessary to compete effectively for legitimacy with non-state actors operating at that level. At both of these levels, efforts must be made to translate the improved governance capacity into renewed national identity driven by effective whole-of-nation governance performance.

In this context, the Kurds merit special attention and concerted action. With a population of over 40 million, the Kurds are spread across several countries in the region and lost half of their territory in the aftermath of their independence referendum. Given their wide presence, the plight of the Kurds is a central issue within the challenges facing several countries in the region including Iraq, Syria, Turkey and Iran. Initiating a process of dialogue through which viable, peaceful pathways for their enfranchisement could be collaboratively provided would contribute to the stability of the region in a multiplicity of ways.

- **Provide Proactive Support to those in Need Outside of the Most Active Zones of Conflict:** While addressing current conflicts and strengthening weak national governments are critical and urgent priorities, sustainable stabilization of the region also requires proactive support for populations in need outside of the most active conflict zones. An Arab-driven effort to deliver development assistance and humanitarian aid is both morally necessary and strategically powerful as a means of preventing the emergence of governance vacuums that can be exploited by non-state actors.

1.4. Drive Progress on the Issue of Palestine

For many in the region, the Israeli-Palestinian conflict was considered the source of regional instability, an existential crisis which must be solved before the region can focus on more material problems, such as unemployment, healthcare, and innovation. For others, decades of oscillation between seeming progress and catastrophic failure, combined with the emergence of new, more pressing conflicts, including that in Syria, have resulted in disappointment with the lack of progress toward a final solution. In this context, it is important to focus on the immediate, practical steps necessary for achieving progress, while not abandoning the ultimate commitment to a comprehensive and sustainable peace. In particular, it requires the following:

- **Facilitate Palestinian Reconciliation and Strategic Unity:** Regional leadership must with all possible effort advance sustainable political reconciliation of the various Palestinian factions. Only with a united effort can the Palestinians hope to achieve a long-term resolution to the conflict and begin to construct the institutions necessary to govern effectively once a resolution is achieved.

- **Launch an Integrated Regional Effort to Revitalize the Arab Peace Initiative:** Given that the terms of a sustainable, impartial solution are clear as defined in the Arab Peace Initiative, the challenge is to achieve implementation of a two-state solution on those terms given the recent decisions of the Trump Administration with respect to Jerusalem and the Israeli law declaring the country the ‘Nation-State of the Jewish People.’ Under these extremely challenging circumstances, active Arab unity and leadership in support of a two-state solution is of historic importance.

1.5. Institutionalize Arab-led Mediation and Dispute Resolution

The Arab Region has a rich tradition of dispute resolution, including the Prophet Mohammad’s example as a mediator. A recent example is the mediation of Saudi Arabia between Ethiopia and Eritrea. Currently, however, the region lacks an institutionalized, accessible and professional mediation and dispute resolution system. While international organizations such as the UN are active regionally in these activities, there is an important opportunity for leaders in the region to create Arab capacity to do this important work directly. In particular, regional leaders should:

- **Establish an Arabian Mediation Support Unit (AMSU):** Building on existing institutions, regional leaders should design and institutionalize an Arab-led mediation and dispute resolution entity (an Arabian Mediation Support Unit or “AMSU”). This organization would serve be the regionally focused platform of the United Nations Mediation Support Unit. It would feature autonomous professional integration of mediation processes and skilled mediators trained to apply world-class practices in the management of dispute life cycles. While connected to the GCC, this entity would independent from it to ensure broad regional legitimacy. The International Mediation Institute, Cambridge University Lauterpacht Center for International Law as well as the governments of Germany and Switzerland would all be well-positioned to serve as resources for capacity building and technical assistance.

2. Accelerate Connected Regional Economic Development

Accelerate Arab-led investment in regional economic development and integration

The near-term global economic outlook is positive, including in the Middle East where the IMF expects average growth of 3.6% through 2022. However, the escalation of protectionist trade measures and the growing political momentum of populists around the world are making the long-term economic outlook increasingly uncertain. In this context, the need in the Arab Region for transition to a new model of sustainable, locally-driven economic development, both on the national and regional level, is more urgent than ever.

2.1. Increase Regional Economic Integration and Development

In the midst of an escalating trade war between the US and China, there is an ongoing debate about whether or not globalization will prevail in the long-term. For the Middle East, a region that is heavily reliant on foreign aid and global trade, this question is of central strategic importance. As traditional global powers reconsider their commitments to international governance bodies and retreat from promoting the continued advance of an integrated liberal world order, leadership across the region must step in to fill the void. This requires both the creation of new regional institutions and a deepened commitment to greater regional economic integration.

- **Establish an Arab Development Bank:** To decrease reliance on international and multilateral financial institutions and accelerate Arab-led progress towards regional economic development, the leadership of the region should jointly establish an Arab Development Bank focused on driving sustainable growth and realizing the vast human potential of the region. This entity, modeled on successful counterparts like the Asian Development Bank and potentially designed as a more targeted investment arm of the Islamic Development Bank, would pool the resources of the Arab world and channel them into investment in long-term solutions to the critical challenges plaguing the region, including refugee assistance, conflict resolution and reconstruction, youth employment and entrepreneurship.
- **Expand Regional Economic Integration Efforts:** Though many attempts have been made at regional economic integration, the Middle East remains one of the least economically integrated regions in the world. Greater integration, in terms of trade, human capital flows, and investment, is foundational to enhancing regional stability, reducing citizen inequality between countries and fostering long-term growth. While full implementation of the broad and ambitious regional integration efforts introduced to date, including the Greater Arab Free Trade Zone (GAFTA) and the Arab Common Market, would be fundamentally transformative, leadership can begin with more targeted reforms to accelerate intra-regional engagement, encourage knowledge transfer and idea exchange, and increase confidence among involved parties. These reforms should target critical barriers to integration, including protectionist visa policies, high trade tariffs, and costly non-tariff barriers to trade such as complex licensing procedures and lengthy customs processes. In parallel with these reforms, the region's leadership should invest in enhancing regional interoperability through integration of regional transport infrastructure and the expansion of regional energy pipelines.

2.2. Harness Connective Infrastructure to Drive Regional Integration and Growth

The Middle East is one of the least economically integrated regions in the world, significantly constraining growth, productivity and strategic alignment. Connective infrastructure – physical, human & technological – represents a powerful means of deepening regional integration, driving innovation and igniting growth. The world has entered the Fourth Industrial Revolution, the combination of super connectivity and advanced production technologies that is transforming the requirements of economic competitiveness. To realize the transformative power of this revolution, the countries of the Arab region must accelerate infrastructure development.

- **Accelerate Infrastructure Development:** To drive inclusive economic growth and competitiveness across the region, there must be an acceleration of proactive investment in growth enabling infrastructure. This must include core logistical and other forms of foundational physical infrastructure as well as digital infrastructure to enable the people of the region to access and make productive use of new and emerging technologies. For example, the shift from fixed to mobile networks required to ensure that countries can benefit from the rapid advance of the Internet of Things will require massive investments in 5G infrastructure such as towers and fiber optics. Financing these investments must involve deep partnership with the private sector and international investors. Physical and digital infrastructure, however, are not enough. The region also requires significant strengthening of its institutional infrastructure, including through improvement of the regulatory environment and enforcement of the rule of law. These efforts must contribute to setting conditions that enable governments to engage in dialogue with industry and academia regarding how best to increase and speed the progress of the needed investments.
- **Proactively Manage Chinese Investments:** Through its new “Belt and Road” initiative, the Chinese government is investing heavily in expanding infrastructure along the path of the historic silk route, passing directly through parts of the Middle East and East Africa. Learning from the experience of other target countries, regional leadership should proactively seek to ensure that Chinese investment translates into local growth and develop partnerships with China that extend beyond its infrastructure needs. For much of the Middle East, China is now the leading trade partner, overtaking the US. The Belt and Road Initiative has already translated into major investment, including \$20bn in financing pledges from Chinese companies in Egypt alone.¹ For the region, the promise of this influx of capital in terms of expanding trading capabilities and accelerating domestic economic growth cannot be understated. However, there are also risks associated with this investment, as demonstrated by the experience of other Chinese investment targets such as Pakistan and Sri Lanka, including cultural backlash, unrealized economic promises, and ultimately unmanageable debt. Anticipating and mitigating these risks requires a proactive effort by regional leadership to ensure that the investments made by China translate into productive development. Further, leveraging this infrastructure investment and building on increased bi-lateral trade, regional leadership should also look to design new, effective trade agreements which expand their partnership with China beyond oil by expanding market access within China and broader East/Southeast Asia and potentially necessitating a certain level of localized production.

¹ “The Middle East is the Hub for China’s Modern Silk Road,” Middle East Institute, August 2017

2.3. Intensify efforts to create environments conducive to entrepreneurship across the region

Despite noteworthy exceptions², those with entrepreneurial ambitions across much of the Middle East still lack the necessary legal protections to risk starting a business and struggle to access the necessary capital. For those entrepreneurs that are successful, expanding beyond national borders proves extremely difficult. Regional leadership must rapidly and systematically address these challenges and promote the establishment of a healthy regional environment for entrepreneurship as a means of both stimulating economic growth and innovation, and as a critical step in halting and reversing the brain drain that has cost the region significant human capital.

- **Create Favorable Legal Conditions for Entrepreneurship:** As youth populations across the region continue to grow, further effort needs to be made to create real opportunities for socio-economic advancement. While levels of entrepreneurial activity across the region vary, total entrepreneurial activity is well below that in other developing regions across the world and the generally low Ease of Doing Business scores highlight that significant institutional barriers to such opportunities still exist. Governments across the region should accelerate efforts to eliminate such barriers, including the currently complex and costly processes in many countries for setting up a business, harsh bankruptcy laws, and limited intellectual property protections.
- **Cultivate Promising Start-ups and SMEs:** Beyond government-led policy reforms, additional effort will be required on behalf of regional governments, as well as private investors and civil society organizations, to cultivate a thriving entrepreneurial environment and SME community within regional countries. New sources of capital should be made available, including direct government funds as well as less traditional models such as public crowdsourcing. Private investment in regional start-ups should be increased. Incubators, mentor networks and other skill-building programs should be established and expanded. Grassroots level social entrepreneurship initiatives aimed at solving regional challenges around connectivity, education, security, etc. should be enabled and promoted. And to the extent possible, relevant processes, communities and information should be digitized, leveraging social media and other emerging technologies for faster, cheaper, and broader engagement.
- **Foster a Supportive Cross-Regional Ecosystem:** One of the measures of a successful business is its ability to scale, yet many successful entrepreneurs in the Middle East struggle to expand beyond national borders despite strong intentions to do so. According to one regional study, while 72% of regional start-ups intended to expand their regional presence, only 34% had in fact opened new regional offices.³ Incentivizing and enabling such expansion efforts should be a key priority for regional leadership, particularly within the Gulf. In addition, new cross-regional programs should be established to further stimulate entrepreneurship within the broader region. This could include a series of regional conferences for entrepreneurs and innovators in specific sectors to share the latest technologies and expand professional networks. It could also include a pan-Arab, skills-focused regional student exchange and internship program, designed based on successful international models such as the Erasmus program in Europe, that would better prepare Arab youth for the rapidly evolving economic environment in collaboration with existing regional start-ups and private sector companies.

² For example, souq.com – the online marketplace that was recently purchased by Amazon.

³ Country Insights: Exploring Trends and Challenges to Scale for Startups in Egypt, Jordan, Lebanon and the UAE, WAMDA Research Lab, September 2015

2.4. Establish effective frameworks for facilitating the creation of public-private partnerships aimed at development of public goods

Economic activity in the Middle East has historically been dominated by the government, either through direct investment or through large national oil, utilities, and other companies. As part of transitioning to a more sustainable economic model, governments across the region must do more to activate the private sector. Specifically, governments should leverage the public-private partnership model, especially in the context of the development of public goods, both to ensure that investments are made more efficiently and to increase the private sector's stake in the future prosperity of the region.

- **Expand the use of Public-Private Partnerships:** To enable broader and more effective application of the public-private partnership model across the Middle East, regional leadership should further define the guidelines governing such partnerships, building on relevant recent legal reforms including in Saudi Arabia and Lebanon. These guidelines must ensure transparency and accountability, thereby eliminating the potential for corruption, while also integrating the concepts of corporate social responsibility by setting clear targets (including for human capital development and resource management) to which private sector partners can be held. With these guidelines in place, regional leadership should identify and open new opportunities to the private sector, with a focus on the development and provision of public goods, especially delivery of large-scale infrastructure projects where private sector participation is most likely to increase efficiency and service quality while lowering the cost to citizens.

3. Promote Whole-of-Nation Good Governance

Expand models of good governance to better integrate individuals and local communities

Around the world, trust in central governments continues to decline given their remoteness from the immediate concerns of citizens, growing fiscal challenges and too often irrelevant political battles. In parallel, the delivery of citizen services is being rapidly transformed by the advancement of new technologies and process innovations driven by leading cities. In this context, the opportunity to strengthen the governance of the Arab region at the local level is clear. Empowered local government is not only often more responsive to the needs of the public, it is also more resilient and allows for policy experimentation at lower risk. At the citizen level, more inclusive participation and engagement increases the sense of ownership and personal stake in the national and regional future. Recognizing this, political leadership across the region must work to strengthen the agency of individual citizens and governance capacity of local bodies as a means of strengthening nation states – at the cellular level. In countries where legitimate leadership and consensus is lacking, the international community must work with local actors to cultivate such leadership or develop an alternative system that is responsive to the local people.

3.1. Support progress toward the emergence of a new social contract in cooperation with citizens

Across the region, it is becoming increasingly evident that many of the traditional methods of earning citizen allegiance, including significant employment incentives, generous subsidies on necessities including water and energy, and access to free services including healthcare and education, are no longer sustainable. Governments must begin to redefine what it means to be a citizen, providing credible channels for individuals to invest in the future of their countries, and offering opportunities for productive employment and meaningful engagement in return.

- **Eliminate Labor Policies that Discourage Productive Economic Participation:** Throughout the Middle East, public sector employment is the preferred form of social support, and for the oil exporting countries it is often accompanied by compensation significantly exceeding (often by 2 to 3 times) that in the private sector as a means of distributing national wealth.⁴ Additionally, these government jobs are often coupled with a range of other benefits, including shorter working hours, additional holidays, and high job security. While efforts have been made to reform these labor policies, their long-term prevalence across the region has limited productivity growth and innovation, hindered skills development, discouraged private employment and entrepreneurship, and enabled corruption. Governments across the region should work to actively eliminate these distortive policies, instead leveraging the capital spent covering a bloated public-sector wage bill to invest in productive sectors of the economy, develop infrastructure, and support promising start-ups and entrepreneurs.
- **Introduce a Coherent Taxation System as a Sustainable Source of Income and Citizen-Level Buy-In:** Around the world, taxes serve as the primary source of government funds enabling the development of critical infrastructure and the provision of basic services including education, healthcare and security. Taxes are also an important manifestation of the social contract, giving individuals and corporations a stake in national political stability and economic

4 "Public Wage Bills in the Middle East and Central Asia," IMF, 2018

growth. Arab leadership should work to systematically implement coherent tax policies consistent with the unique economic landscape of each country and building on the considerable progress already made (e.g., in implementation of the VAT) and enabled by new digital technologies, to create a steady source of government income, reduce dependence on foreign aid, increase transparency and accountability, and eliminate the practice of creating ‘imaginary jobs’. Most importantly, however, regional leadership should leverage taxation as a means of ensuring that every citizen is invested in the future of their country and the region.

- **Commit to Consistent, Transparent Application of the Rule of Law:** While reform of labor policies and introduction of a coherent tax system will contribute to a realignment of the relationship between citizens and their governments across the region, realizing a new and sustainable social contract in cooperation with citizens will require building the trust in institutions that is foundational to a highly functioning state. To build this trust, regional leadership must commit to ensuring the consistent and transparent application of the rule of law, carried out by independent judicial bodies. This will attract broad investment from individuals and corporations currently deterred by a lack of accountability and systematic corruption. It will also help to undermine non-state actors in the region by providing an alternative channel for expressing opposition and challenging injustice.

3.2. Strengthen decentralized local representation and voice in policy-making by empowering local bodies

As central governments across the region redefine the social contract, they must ensure that the new expectations of their citizenry are met on the ground in reality. In this effort, the role of local authorities supported by and aligned with a strong central government will be critical. Direct citizen-level engagement will also be essential, both to ensuring accurate understanding of their expectations and supporting the government in meeting them.

- **Enhance the Financial and Administrative Decision Rights of Local Authorities:** For many countries in the Middle East, where citizens identify more with various ethnic, religious, racial, and other groups, than with their nation and trust in national institutions is extremely low, targeted decentralization of decision-making power is an important means of building state legitimacy & ensuring more effective provision of public goods.⁵ By empowering local authorities, regional leadership will create the critical foundations of national stability and growth.
 - **Increase Local Delivery of Public Services:** Regional leadership should amend relevant national governance laws, where applicable, to selectively enhance the financial and administrative autonomy of local authorities in delivering basic goods and services, including healthcare services, infrastructure projects, and tax collection without undermining the ultimate authority of the national government. Additionally, funding should be allocated and distributed to local authorities according to clear guidelines (e.g., size of constituency, economic development levels, social needs, etc.) to support this delivery.
 - **Build Capabilities at the Local Level:** To ensure the consistency, quality, and integrity of service provision, central authorities should set service delivery standards for local authorities and train local officials. The necessary digital infrastructure should be provided, or built, to enhance service delivery and enable collaboration across local authorities and between local authorities and the national government.

⁵ “Few worldwide have a lot of trust in their government,” Pew Research Center, October 2017.

- **Encourage Civic Engagement:** At the citizen-level, regional leadership should encourage broad civic engagement, including among youth and women. Through this engagement citizens will feel an increasing degree of responsibility for the decisions of their governments, thereby enhancing the perceived legitimacy and ultimate authority of these governments and diminishing the appeal of subversive, foreign-sponsored non-state actors.
 - **Enhance Access to Information:** A critical starting point for broader civic engagement is public access to information. Regional governments should build the required capacity and systems to provide citizens with easily accessible, current data that can be trusted across a robust set of national indicators. This will enable citizens to measure progress towards various government targets and better understand their national challenges and priorities.
 - **Enable Public Debate:** Empowered by this information, citizens should be encouraged to openly debate and discuss national development priorities thereby enhancing support among the citizenry for both foundational and transformative investments and initiatives. This can be done through broadening discussions on policies and programs, especially as they relate to the development of basic public goods (e.g., health, education, infrastructure). It could also be done through a kind of “digital majlis,” or other online platform enabling engagement across a wider share of the population. This type of platform would allow for the application of robust analytics by the government, leveraging emerging technologies, of public opinions, sentiments and perspectives.
 - **Ensure Fair and Equitable Representation:** To involve the citizenry in actual decision-making, regional leadership should allow for fair and equitable representation in local councils and administrative bodies. Where applicable, free municipal elections should be held to achieve this representation. At the national level, where applicable, independent electoral commissions should be established to manage and oversee the election process, thereby increasing voter confidence in the process’ outcomes.
 - **Engage Civil Society:** At the community level, support should be provided and channels for ongoing collaboration and consultation established between the national and local governments and student bodies, business councils, NGOs, media outlets and other local organizations. This will both encourage deeper engagement and raise awareness on critical local economic, social and environmental challenges.

3.3. Reduce sectarian political divisions by advancing more inclusive political processes

One of the themes most emphasized across the discussions at Beirut Institute Summit Edition II was the vital importance of advancing more inclusive political processes across the region as means of deconstructing counterproductive sectarian divisions and realizing the value of the region’s remarkable diversity. Specific recommendations included the following:

- **Provide Committed Support to Legitimate Local Actors:** While the strengthening of good governance at the levels of national and local government is a fundamental imperative, international institutions must also selectively but actively support legitimate local actors that seek inclusive political engagement rather than espousing sectarian rhetoric. This can include community organizations, civil society entities or grassroot networks depending on the reality on the ground. By selectively supporting capable, trusted regional players, bolstered by sustainable, committed international support, the international community can help prevent

the emergence of governance vacuums where functioning governments no longer exist and thereby establish bulwarks against the emergence of local militias.

- **Support the Transition to New Forms of Governance:** In some cases, creating sustainable political stability may require supporting the gradual transition to more inclusive forms of government. Where appropriate and strongly supported by the local population, the international community should support this transition as a means of avoiding conflict and reducing tensions between the various distinct ethnic, racial, religious or regional sects. Similar transitions in the region and around the world can provide insights into both the successful and unsuccessful elements of such a transition.

4. Empower the Diverse People of the Arab Region

Activate a tolerant, inclusive, future-oriented vision for the Arab Region

The Arab region continues to face the challenge of sectarian divisions fueled by actors increasingly skilled at manipulating narratives to sow dissent and fragmentation. In that context, now more than ever, regional leadership – political, religious, civil society, and private sector – must take it upon themselves to drive towards a more inclusive and tolerant future for the region. This vision must feature respect for tolerance and moderate Islamic values, youth participation, and women’s empowerment, guided by visionary regional leadership focused not only on national advancement, but on engagement and integration across the Arab region.

4.1. Promote the values of inclusion, tolerance and progress

The declared defeat of Daesh late last year in both Iraq and Syria was a victory for the values of inclusiveness, tolerance, and progress that should not be understated. However, the hateful, subversive ideology that allowed Daesh to become such a potent force remains pervasive throughout the Middle East and across North Africa. Efforts to undercut this ideology through political inclusion, education and the creation of jobs are certainly critical, but more must be done to directly counter this interpretation of Islam, both at home and abroad.

- **Combat Dangerous Long-Standing Cultural Myths and Stereotypes:** Key to countering the extremist narrative deployed by Islamist militant groups is combatting the myths and stereotypes in which that narrative is grounded, including with respect to the role of women and the value of scientific exploration. There is a role for traditional institutions of Islamic teaching, such as Al-Azhar, in this effort, and such institutions should be better resourced to this end. In addition, recognizing the success of Daesh in leveraging social media to spread its message and attract and recruit foreign fighters, there is an urgent need to empower and enable new institutions, such as the Global Center for Combatting Extremist Ideology (Etidal), that use digital platforms to reach a broader, younger audience and engage this community in a dialogue on the role of Islam in shaping a positive future for the region.
- **Penalize Divisive, Sectarian, and Violent Rhetoric:** While generating space for ideological diversity, regional leadership must eradicate the rhetoric behind the Islamist militant movements across the region by persecuting the promotion of intolerance, violence or radical extremism by religious institutions, the media, or individuals online, through social media, or other methods of propagation.
- **Rehabilitate Extremists:** As radicalized foreign fighters begin to return home from Syria and Iraq, the challenge of their rehabilitation becomes increasingly critical. Regional countries should lead the effort to design effective programs that enable rehabilitation and reintegration, limiting the chance of recidivism to the extent possible, and proactively counter extremist elements within society as they begin to emerge. These regional centers should collaborate with global counterparts, sharing information as well as experiences and best practices.

4.2. Equip the region's moderate future leaders

According to the 2018 Arab Youth Survey, a survey of 200 million 18-24 year-olds from across the Arab world, more than half of Arab youth believe that over the past 10 years the region has moved in the wrong direction. For the youth of the Levant, this share is 85%.⁶ With 60% of the population in the region under 25 years old, it is impossible to ignore this sentiment when considering the region's role in the emerging global future.⁷ Regional leadership must find ways to tap into the potential that this ambitious, digitally literate group represents and productively engage them in generating innovative solutions to the political, economic, social, and environmental challenges plaguing the region.

- **Overhaul Education Systems Across the Region:** Across much of the Middle East, students underperform their global peers in basic subjects including Math, Science and English language and the skills necessary to compete in a rapidly changing economic environment are often deprioritized in favor of religious and cultural teaching. Addressing these issues goes beyond reform of the basic curriculum, requiring an overhaul of the entire educational system. Regional leadership must drive this transformation, setting and enforcing strict teacher performance standards, promoting teaching styles that favor critical thinking and problem solving over rote memorization, and integrating emerging technologies in innovative and adaptive ways. At the university level, funding for scientific research and experimentation using new technologies, including AI, genomics and robotics, should be dramatically increased and partnerships with leading foreign universities and research institutions expanded. The private sector should be a partner in this transformation, translating education into productive employment – through scholarships in critical subjects, internship opportunities, and vocational training – and supporting in the commercialization of student innovations.
- **Create a Pan-Arab Education Marketplace:** Overhaul of the education system is a long-term endeavor. However, for the nearly 20% of the population in the Middle East aged 15 to 24 that will enter the workforce over the next ~5 years, it may come too late. It is therefore critical that these students are given the opportunity to build the knowledge base and skills necessary to compete in the emerging global future. To do this, regional leadership should create a pan-Arab marketplace for education, regulated by the government, but funded jointly with international organizations and private players, and taking full advantage of the revolution in technology to deliver high-quality educational material on a massive scale. As the sponsor of this marketplace, regional leadership can ensure that it is designed to account for the unique linguistic and cultural dimensions of the region, expanding Arabic language digital content and acting as a platform for transmitting moderate Islamic values to the vulnerable young adult population that has historically been the target of exploitation by subversive and extremist forces.
- **Promote Volunteerism:** Around the world, volunteerism is an important means of driving civic engagement, giving a voice to marginalized groups, and identifying and building solutions to local, national or shared global challenges. In the Middle East, where youth make up a significant portion of the population, and youth unemployment hovers around 30%, volunteerism can also serve as an alternative to extremism, providing young adults with a sense of purpose, national identity and control over their future. Acknowledging this, Saudi Arabia's Vision 2030 has set an ambitious goal of 1 million volunteers per year by 2030. Leadership across the region should similarly prioritize volunteering within the national agenda, and together with academia and civil

6 Arab Youth survey 2018, ASDAA Burson-Marsteller, 2018.

7 "Middle East and North Africa: Youth Facts," YouthPolicy.org

society organizations, contribute the necessary resources, infrastructure and capital to create organized volunteer opportunities across a range of national priority areas as a critical means of enhancing inclusion and empowerment of youth.

4.3. Systematically empower the region's women

Globally, 2017 was a transformative year for women as the “me too” (#نمك_أنا) campaign brought the issue of sexual harassment onto the world stage, with the hashtag trending in over 85 countries. In the region, it was also the year that Saudi Arabia committed to lifting a ban on women driving. Despite this progress, female labor force participation across the Arab world remains the lowest by far of any region at just over 20%, and less than half that of the global average.⁸ Female political participation is even less equitable, though this reflects the global struggle to integrate women into the historically male-dominated political sphere. Building on the progress of the past year and a half, more must be done to ensure that the region's women are able to achieve their rightful place in political and economic decision-making. Realizing women's full economic and political potential will be critical to the region's engagement in the emerging global future.

- **Remove Barriers to Female Social and Economic Equality:** The starting point for establishing greater gender parity across the Middle East is the rapid deconstruction of legal barriers and institutionalized discrimination found to varying degrees across the region. The reversal of the driving ban in Saudi Arabia was a critical step in this regard. Yet across the region strict guardianship laws and educational and workspace separation requirements, among other legal barriers, reinforce the inequality between men and women. For example, in Lebanon a mother cannot pass citizenship to, or open a bank account for, her children; these rights are reserved for the father. Further basic protections against sexual harassment, childhood marriage, and even workplace discrimination are often lacking. Removing these barriers and introducing these necessary basic legal protections must continue if regional countries plan to realize the full economic and political potential of this half of society.
- **Activate Broader Economic and Political Participation Among Women:** Beyond the legal and regulatory barriers hindering women's economic and political participation, women across the region also face a range of unofficial barriers including culturally-grounded stereotypes and discrimination, unequal access to funds, and a lack of mentors or role models capable of championing their cause. According to one regional survey, women across the Middle East are 10-20% less likely than their male counterparts to have access to a mentor, or someone able to advise them on how to manage a business;⁹ with a regional average of national parliamentary seats held by women of only 16%, the same can be said for political role models as well.¹⁰ Women in power positions across the region, with the support of civil society, as well as academia and the private sector, must work to build networks and communities that foster and support women's economic and political advancement, and advocate for the future that women in the region want. By driving the dialogue, the women of the region can counter the stereotypes and biases that have enabled their oppression historically and define a new cultural standard around what it means to be a successful woman in the region.
- **Design Leadership Development Programs Targeting Young Women:** For young women in the region today, the limited number of strong female role models is especially damaging.

8 “Labor Force Participation Rate, Female (% of female population ages 15+),” World Bank

9 “Lack of Mentors May Hinder Women's Entrepreneurship in the GCC,” Gallup, 2012

10 “Proportion of Seats Hel By Women in National Parliaments (%),” World Bank

Gender stereotypes and biases begin to influence girl's own perceptions, interests and academic performance long before they will ever make a major career choice or life decision, according to one study as early as 6 years old.¹¹ Combatting these stereotypes among girls and young women across the region is therefore critical to cultivating a more inclusive future generation of regional leaders. Broad leadership skill-building programs designed for this group, such as the Girl Scouts of America, have been proven to do just that, leading to higher confidence, educational attainment and civic engagement among members.¹² With the emergence of the Fourth Industrial Revolution, similar programs focused specifically on building the capabilities likely to be necessary in the workforce of the future, such as Girls Who Code, are also becoming increasingly important. Such programs are already being introduced by women leaders in the region. For example, the Ma Tkhafi (Fear Not) Initiative led by Raghida Dergham, Founder and Executive Chairman of the Beirut Institute, is encouraging women and girls across the region to "Dare to Dream" through a transformative platform on which they can share multimedia narratives capturing both their traumas and their triumphs. In partnership with the private sector, regional leadership should do more to support the establishment and development of such programs and promote broad participation in them among young Arab women.

4.4. Embrace an inclusive and future-oriented vision for the region

In many countries across the Middle East, marginalization of different ethnic, religious or other identity groups has undermined the authority of national governments, creating vacuums ripe for exploitation by foreign powers. These adversarial forces initially address the gap in provision of basic services and public goods, including healthcare and education, ultimately also taking up responsibility for security and transforming into an armed state within a state capable of challenging the central national authority. The proliferation of this tactic means that now, more than ever before, regional leadership must design, construct and activate a new vision for the Arab region – one that is inclusive and forward-looking, aimed at creating opportunities for all of society in the emerging global future, not just the elites.

- **Extend Bold, Visionary Leadership Across the Region:** Setting a new direction for the Middle East, one that overcomes the divisive sectarianism that has plagued the region historically, requires visionary leadership. Today, leadership of that caliber is visible in a number of countries as they advance historic, large-scale national transformations. These national efforts should be increasingly extended out into the broader Arab region, building on the momentum already established. Significantly expanding their role in global trade, attracting foreign investment and ensuring sustainable access to global innovation requires extending this visionary leadership beyond the resource-rich borders of the Gulf. This does not mean mirroring the same reforms or initiatives across the region; it means embracing this visionary attitude and building on this transformative momentum, adapting it to the distinct political, social and economic context of each country. This will enable more robust regional integration, a critical stimulant of economic growth. A central pillar of the new model of leadership required across the region is the increase presence of women in roles of leadership, including given their potent role as a deterrent against extremism.

¹¹ "Gender stereotypes about intellectual ability emerge early and influence children's interests," Science, January 2017

¹² "Girl Scouting Works: The Alumnae Impact Study," Girl Scouts, 2012

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- **Design Cross-Regional Socio-Cultural Engagement Programs:** Vision is only the beginning of the effort to realize a new direction for the Middle East. Targeted development funding, education reform and the advancement of women are all means of producing tangible change across the region in line with the new direction. Building on these efforts, regional governments and civil society leaders should also launch broader socio-cultural engagement programs that bridge sectarian divides, embrace alternative perspectives, and promote healthy competition. The Beirut Institute and the Summits that it convenes are powerful examples of how cross-regional engagement can be substantively deepened by embracing the diversity of the Arab region's people. In addition, the football match between Saudi Arabia and Iraq that took place in Basra in early 2018 is a good example of grassroots initiatives that can make a significant difference, as are the multitude of regional art and music festivals hosted by the UAE each year. Ensuring that these efforts extend beyond the Gulf and integrate the broader Arab world will be critical to their effectiveness.

5. Embrace a Technology-Fueled Future

Expand Arab integration with and leadership in global innovation networks

The world is at a critical juncture, facing the next wave of industrialization driven by deeply transformative emerging technologies. Our society is increasingly saturated with data, and rapid advancements in artificial intelligence are significantly expanding our ability to process this data in ways that both complement and replace human intelligence. Machines are becoming ever more sophisticated, bridging the divide between the digital and physical worlds. In parallel, breakthroughs in genomics are dramatically enhancing our power to alter fundamental biological code. This profound transition, like each wave of industrialization before it, will empower certain countries and enable them to more effectively meet the needs of their people, as other countries get left behind. Ensuring that the Arab region is competitive in this emerging global future means effectively tapping into and embracing the disruption. Recognizing this, leadership across the Arab region must invest in guaranteeing access to global innovation and adopting and leveraging new technologies effectively to solve the region's unique challenges, especially in the face of accelerating climate change.

5.1. Invest in enhancing the connective infrastructure of the Arab world

For the Middle East, harnessing the promise of the Fourth Industrial Revolution, at least in the near term, begins with ensuring access to the innovation already taking place around the world. To do this, regional leadership must invest in connecting the Arab world internally and to key global innovation and exchange networks.

- **Enhance the Region's Digital Infrastructure:** While the rest of the world competes to take the lead in 5G connectivity, much of the Middle East and North Africa continues to face fundamental challenges in terms of ICT infrastructure availability and network quality. However, with a large population of tech-savvy youth the region is well positioned to benefit from the digital economy. Regional leadership should therefore continue to invest in ICT infrastructure upgrades and design complementary policy frameworks that encourage digital innovation and entrepreneurship while also enhancing privacy and security.
- **Integrate into Global Value Chains:** As the technologies of the Fourth Industrial Revolution transform global value chains, the Middle East, especially the GCC, must too transform from primarily a commodity exporter to a high value-adding hub of global trade. This involves ensuring that ongoing logistics infrastructure upgrades integrate the latest internet of things enabled technology solutions, as well as investing in advancing and adopting 3-D printing technology in order to localize production where increasingly advantageous, particularly in the context of just-in-time, specialized component production. This also involves greater regional interoperability and coordination in order to enhance the efficiency of intra-regional trade and ensure the development of complementary, differentiated trade capabilities across the various regional countries with trade hub ambitions.

5.2. Leverage technology to empower local governments, increase transparency, advance legal literacy and combat corruption

Digital technology has already proven a powerful tool for enhancing citizen-level engagement and increasing the responsiveness of governments to the needs of their citizens. In the context of an

increasingly young, urban, and digitally enabled population, regional leadership must further invest in integrating new technology into public service delivery and local development.

- **Digitize Government:** Technology is democratizing access to public services, as well as constitutions, laws, and contracts, in the Middle East and around the world. It is eliminating opportunities for corruption and enabling cheaper, faster and fairer resolution of legal disputes. Regional governments have the opportunity to proactively embrace this transformation and leverage these new technologies to enhance the consistency of public service delivery and to enable more efficient and more productive engagement with citizens, the private sector, civil society, and even across government. To do this, these governments should invest in developing and deploying the necessary digital infrastructure at the local, state and national levels, looking to successful examples in the region such as the UAE.
- **Focus on Cities:** It is estimated that by 2050, 60% of the global population will live in cities. In the Middle East and North Africa, nearly 65% of the population already does.¹³ The Middle East is a region built around cities with a rich history spanning thousands of years. Building on this history, regional leadership should invest in smart solutions to the most critical urban barriers to economic growth and productivity, human mobility, and environmental sustainability. Leveraging the Internet of Things (“IoT”) and other new technologies for more efficient public transport, improved utilities provision, safer infrastructure, and more responsive public services such as waste collection, local and municipal governments can cultivate transformation of the region’s congested and polluted urban centers into thriving, interconnected hubs of innovation and economic activity.

5.3. Deploy new technologies to drive more efficient and sustainable management of critical resources across the region

Climate change, some research suggests, represents an existential threat to many countries in the Middle East. The region faces severe food and water scarcity, combined with rising temperatures and sea levels that could make parts of the region uninhabitable by mid-century. Meanwhile, many of the region’s economic powerhouses are working to diversify their economies, reducing their dependence on oil. Managing these diverse resource challenges requires deep and sustained commitment on behalf of regional leadership. However, by investing in the technologies and innovative capabilities necessary to address the dual challenges of sustainable resource management and economic diversification, it also represents an area where the region can be at the forefront of innovation, exporting new solutions to countries around the world facing similar constraints.

- **Invest in New Technologies for Sustainable Resource Management:** The Middle East and North Africa is the most water-stressed region in the world. Rapid population growth is exacerbating this crisis, while also driving up energy demand. Yet in 2017, fossil fuels still accounted for 97% of the electricity generated in the Middle East.¹⁴ In this context, the region faces both the most critical challenge, but also the greatest opportunity for sustainable resource technology R&D and innovation. By establishing centers of excellence for the rapid advancement of renewable energy and water productive technologies, with a specific focus on solar power and innovative wastewater treatment and desalination systems, the region can not only make meaningful progress towards tackling the acute resource crisis it faces, but also become a global leader exporting these innovations to other parts of the world.

¹³ <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS>

¹⁴ “Middle East countries plan to add nuclear to their generation mix,” US Energy Information Administration, March 2018

- **Advance Regional Food Security Cooperation:** Acknowledging the shared concern of ensuring food security, especially in the context of diminishing water resources and rising temperatures, regional leadership should proactively expand cross-regional cooperation in the areas of food production and storage. This should include the establishment of a regional food trading hub and investment in new food storage and warehousing capabilities that eliminate waste. It should also include research and development partnerships focused on new agricultural technologies that minimize the use of water, land, and other resources. Finally, it should also involve coordination with relevant international bodies, such as the UN Food and Agricultural organization, to share best practices and access global data platforms for better resource management.
- **Establish a Cross-Regional Petrochemicals Innovation Cluster:** The petrochemicals industry in the Middle East, specifically in the GCC, has realized dramatic growth over the past nearly four decades. Capitalizing on this growth, and the broad investments and substantial assets in this sector across the region, in the face of trends shaping the sector globally and impacting the region's natural advantage, including expanding shale production in the US, will require a new strategy and significant innovation on behalf of regional leadership. This could be enabled through establishment of a cross-regional petrochemicals innovation cluster as a hub of deep sectoral expertise and a target for strong foreign investment, that focuses on conducting research in engineering and production deploying the latest technologies including artificial intelligence.
- **Proactively Manage the Impacts of Climate Change:** Experts estimate that intensifying climate change and the resulting increase in temperature could make the Middle East, or at least parts of it, uninhabitable by as early as the mid-21st century.¹⁵ This accounts for measures to limit temperature rise globally, agreed as part of the 2016 Paris Agreement. Adapting to this potentiality, and even reversing this trajectory, will take a concerted effort on behalf of regional leadership.
 - **Cultivate Sustainable Behaviors:** Through awareness programs and enforcement measures, as well as committed reduction in related subsidies, the region's leadership should work to reduce water and energy consumption across the population. It should also focus on advancement and adoption of new, more sustainable technologies including for citizen-level solar energy production and water-efficient farming.
 - **Pursue Cross-Regional Coordination:** Acknowledging shared challenges, the region should work together to generate shared solutions. First, regional leadership should establish a Commission for the Protection of the Tigris and Euphrates as a means of protecting this significant and ancient natural water source. Second, regional leadership should expand green belt policies and investment in nature and wildlife reserves as both a means of teaching sustainability and generating economic impact in more remote areas. Finally, regional leadership should institutionalize collaborative, forward-looking climate change innovation to better manage and mitigate the impacts of increasingly frequent sand storms, rising sea levels in the context of rapidly growing coastal cities, and broader desertification.

¹⁵ "Climate-exodus expected in the Middle East and North Africa," Max-Planck-Gesellschaft, May 2016

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