

Overview and Suggestions for Improving Key Areas in US Foreign Policy Towards the Arab Region

A Civil Society View

We, Arab Civil society organizations¹, authors of this position-statement, perceive that ongoing changes in the Arab region have necessitated 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 Arab countries

The statement is developed and presented in the context of a visit by a delegation of civil society groups to Washington DC from 14-18 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 acknowledge that recognizing and supporting the rights of the Palestinian people and their quest for a just solution to the Israeli-Palestinian conflict remains central to any progress towards political stability and sustained democratic practice in the region. Seeking a peaceful, just and sustainable solution for 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 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.

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.

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.

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 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, and whether existing trade and investment agreements have benefited people and countries in the region or achieved their intended goals³.

The regression of economic and social indicators in the Arab countries, including rising unemployment and inequalities, and a decrease in productive capacities, have revealed a disconnection between trade and investment policies and agreements and development processes. For example, while the Qualified Industrial Zones (QIZs) have increased foreign direct investment (FDIs) into Jordan and Egypt, the impact on increasing employment of the local population or increasing productivity has been minimal⁴. Even worse, the QIZs have been associated with violations of the rights of foreign and domestic workers there⁵. Additionally, Moroccans express serious concern that the impact of their FTA with the United States would be marginal at best and hold detrimental effects of increasing poverty at worst⁶. ***Various Arab stakeholders are calling for rethinking trade and investment policy frameworks in favor of a new development paradigm that emphasizes such productive sectors as industry and agriculture, and generate jobs.***

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 that need to be rethought within nationally designed development strategies, in a manner that does not restrict national policy space. Accordingly, we see the need to rethink the rules established through FTAs and QIZs to ensure their relevance to development objectives and to increase FDIs in support of building productive national economies and creating decent jobs. Transparency and access to information on negotiations of investment treaties or free trade agreements 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 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

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.

US development assistance to the Arab region has been closely linked with promoting foreign policy and strategic military goals, while not necessarily serving democracy and human development. The Congressional Research Service reports that American taxpayers have disbursed more than \$60 billion to Egypt since President Hosni Mubarak came to power in 1981. Approximately \$34 billion came in the form of grants that required Egypt to purchase 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 in March that military – along with economic – aid to Egypt would resume soon, has provoked significant concern among Egyptians and is seen as provision of arms to regimes that violate human rights, while opposing the negotiation of an effective global Arms Trade Treaty (ATT) that covers ammunitions among the conventional arms to be regulated by the treaty⁹.

In this context, Gallup Surveys on US aid in Egypt has shown that Egyptians' opposition to U.S. economic aid continued to climb in early 2012. In February 2012, more than 8 in 10 Egyptians said they opposed U.S. economic aid, up an 11 percentage points since December 2011 and up 30 points since April 2011 when Gallup first posed this question¹⁰.

President Obama has proposed, as part of the 2013 budget, a \$770 million “Middle East and North Africa Incentive Fund”, which links more support to economic, political, and trade reforms. Such aid that is conditioned on specific macro-economic and institutional reforms could over-ride the processes of democratizing economic and social policy-making processes, and rooting these decisions in peoples' demands and development priorities. Such forms of aid should be limited. If undertaken, decisions on allocations and on the kinds of reforms requested should be fully transparent and should be decided with full participation of national stakeholders in the receiving country, including civil society organizations.

Besides, 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. ***Additionally, Arab civil society organizations 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***

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 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.

¹⁰ See: http://www.gallup.com/poll/153512/Egyptian-Opposition-Foreign-Aid-Increases.aspx?utm_source=google&utm_medium=rss&utm_campaign=syndication

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

civic work. For example, the Palestinian NGO Network is concerned that conditional funding will exacerbate the current marginalization of Palestinian civil society groups that refuse to adhere to USAID's measures and significantly weaken local ownership and sustainability of project results¹³. Moreover, strategies to ensure short-term success of projects, including provision of sizeable salary bonuses and expensive foreign expertise, made these projects locally unsustainable and rendered them ineffective on 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 specific economic and trade reforms;
- Maintaining clear centrality of sustainable development 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 the decision making,
- Suspending unnecessary and distorting conditions on development assistance, and
- Avoiding double standards for sponsoring programs that impede 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 the previous regimes have left the people bearing the burden of paying from their very own pockets for illegitimate decisions by previous dictatorships, 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 debts. Servicing these debts consume sizeable portions of these countries' expenditures, which would otherwise be channeled elsewhere in support of the rights of the population and their development needs¹⁴.

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, Tunisia, and Libyan peoples in recovering their national assets stolen and unlawfully confiscated by dictatorial regimes and siphoned off via European and American financial entities.

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

¹⁴ For example, the Egyptian government is spending 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/>).