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Business Leaders See Demographic Threat to Mideast, North Africa

Leaders call for reforms to attract investment, create jobs

By David Shelby
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Rabat, Morocco -- The Middle East is sitting on a ticking time bomb, according to Pakistani businessman and co-chairman of the Arab Business Council Muslim Lakhani.

Unless the governments and business leaders of the region confront the problem now, he said, they will be forced to deal with it later under less favorable circumstances.

The problem is growing unemployment, according to Lakhani. He says that within the next seven to 10 years, the number of unemployed people in the Arab world will surpass 80 million. If you look at the broader Middle East and North Africa, he says, the number will be closer to 200 million.

Lakhani is conveying this message to the government officials of the broader Middle East and North Africa at the Forum for the Future December 10 and 11 in Rabat, Morocco. As co-chairman of the Arab Business Council, he is reporting on the conclusions and recommendations of the Business Dialogue group meeting that took place November 25 and 26 in Marrakech, Morocco.

The Business Dialogue is one of the three main pillars of the Forum for the Future, which was designed to create greater interaction between the governments, business leaders and civil society representatives of the region in order to facilitate political, economic and social reforms.

Representatives of the Group of Eight industrial nations (G8) are also participating in the discussions. The G8 (Canada, France, Germany, Italy, Japan, the United Kingdom, the United States and Russia) proposed the creation of the forum at its summit in Sea Island, Georgia, in June. The Kingdom of Morocco volunteered to host the inaugural meeting.

"These millions of unemployed men on the street need to be integrated into the system," Lakhani said, "and if the leaders don't find a way to bring them in now, they will be forced to later. It's time to wake up and smell the coffee before it's too late."

He noted that there is an estimated \$1 trillion in Middle East capital that is currently invested abroad, and he said that although there are calls to bring this money back to the region, it will not happen until the governments provide sufficient incentives and safeguards.

"Money goes where money grows," he says, and until the governments create a level playing field for investors, the Middle East will not be able to attract the amounts of investment that it needs in order to ensure strong

economic growth.

"You need the rule of law," he says. "Investors put their money in places where they can get a fair hearing." He notes that most business contracts in the Middle East are not subject to adjudication in local courts but rather in courts in London, Washington and Paris where there is a perception that investors can get a fair hearing. "We need to create that in our part of the world," he says.

Lakhani also observes that investors put their capital in places where they can have ownership. He says that Middle Eastern governments have historically protected their local markets, and he notes that governments that have opened up to foreign ownership are seeing rapid growth in foreign investment and job creation.

The Business Dialogue group is proposing the creation of national competitiveness councils in each of the countries of the broader Middle East and North Africa to monitor factors that define the business environment and influence investment decisions. These would include such issues as import duties, tax codes, government transparency, the rule of law and the effectiveness of the judiciary. The councils would provide recommendations to their governments on how to improve the business environment.

The group also is proposing the creation of a regional Task Force on Investment (TFI), which would seek to raise awareness of investment opportunities across the broader Middle East and North Africa and encourage greater intraregional capital market integration in order to facilitate investment flows. The TFI will also work to enhance trade between the countries of the region and seek better access to the markets of the G8 and the Organization for Economic Cooperation and Development (OECD).

Lakhani says that the Forum for the Future creates a useful opportunity to achieve changes. "With the civil society and the Business Dialogue group wanting to make changes, this opens up more possibilities for progress."

He says that the inclusion of all the countries of the broader Middle East and North Africa in the discussions also allows for a more dynamic process. He says that countries that have already made progress in opening their markets and allowing freedom of the press, freedom of expression and the alternation of power through a democratic process can serve as an example to countries that are just beginning to make these changes. He says that each of the countries comes to the table with a different mindset and a different set of experiences and can positively influence reform efforts in other countries.

Lakhani believes, however, that the greatest potential benefit of the regional reform process is its ability to create greater tolerance. He says that as cross-border investment increases and creates jobs, it breaks down insular cultural barriers. It creates an environment of respect for different cultures and different opinions, which, he says, is the basis of democracy.

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