

THE WORLD BANK HOLDS A DISCUSSION ON "INVESTMENT PROSPECTS IN THE WAKE OF THE ARAB SPRING" - NEWS EVENT

Transcript of panel discussion provided by Financial Market Regulatory Wire
JULY 20, 2011

PANEL SPEAKERS:

HAMID BIGLARI, VICE CHAIRMAN AND HEAD OF EMERGING MARKETS AND CONTENT AT CITIGROUP

IAN BREMMER, PRESIDENT OF THE EURASIA GROUP

PHILIP HADDAD, CEO OF THE MUBADALA INFRASTRUCTURE PARTNERS

YASAR JARRAR, PARTNER AT PRICEWATERHOUSECOOPER

AFSHIN MOLAVI, SENIOR FELLOW AND CO-DIRECTOR OF THE WORLD ECONOMY ROUNDTABLE AT THE NEW AMERICA FOUNDATION

MOLAVI: Good morning, everyone. It's great to be here at the Multilateral Investment Guarantee Agency...I'd like to thank the Multilateral Investment Guarantee Agency for hosting this discussion. I'd like to, in particular, thank Roxanna Faily, who was the strategic -- provided invaluable strategic guidance and who's really spearheaded this initiative to host this vital discussion at this time.

So let's get right into it. I was asked to offer some contextual comments about the Arab Spring. As a -- as a recovering journalist, I still think in headlines, and so let me give you three brief headlines of what I'd like to talk about today. Number one, we're living in a new interconnected world of risk, and the subhead for that is, "Tunisian Vegetable Vendors and the New Black Swans." Number two, I'd like to take aim at the term Arab Spring. It's an imprecise term for a diverse region. I agree with the executive vice president of MIGA, who cautioned us against the use of that term. And I'll get into that in just a moment. And number three, I'd like to talk about something that's a little bit hard to measure. You can't run a regression analysis about dignity, but this is, I think, bridging the dignity gap in the region, is probably going to be the most important thing going forward in Middle East North Africa.

So let me begin with a cliché. We live in an interconnected world. We all know that. Sometimes we go too far when we think about this interconnected world. After all, not everybody -- billions of people don't have Twitter accounts, and they will live their entire lives without having Twitter accounts. But let me just add two words to it to make it more relevant to our discussion here. We live in an interconnected world of risk. So for example, when, in the year 2008, when the sub-prime mortgage crisis led to a banking crisis, which led to the fall of Lehman Brothers, we saw how interconnected our world of risk was.

But we can understand that. After all, this is the United States we're talking about. This is the U.S. financial system we're talking about. When something happens in the United States of that magnitude, we can understand how that would have an effect across the world. But what about Greece? What about Portugal? What about some of the smaller states and how they are affecting the region today, how they are affecting Europe and how they are affecting the world with their debt crisis?

And what about the young, frustrated Tunisian vegetable vendor? What about him? How could he affect and create risk for the global economy? Could his tragic death matter a great deal far beyond his village or his city or his country? The answer is yes. It can matter. Mohammed Bouazizi's fatal and tragic act of death by lighting himself on fire in response to a predatory municipal government that repeatedly

harassed him and deprived him of his dignity sparked an uprising in Tunisia that spread to Egypt and far beyond.

And when we look at the Middle East, North Africa region today, what do we see? We see the fall of too-long entrenched rulers. We see a civil war in Libya and NATO intervention, a near civil war in Yemen, regimes threatening uprisings in Syria, Bahrain and Yemen, uprisings and talk of uprisings across the region, oil markets rattled, tourists turning away, growth down, investment down, bank lending down. And these risks interconnect across the region. After all, the Libya crisis has exposed Algerian banks. It has hurt Tunisian exporters. And it will lower Egypt's remittances for the year, as 300,000 Egyptians have left Libya.

Black swans come in many forms, of course, but a Tunisian vegetable vendor was an unlikely one. And this is our new world of interconnected risk.

So let me get to my second point. Let me take aim at this term "the Arab Spring." I don't particularly like it. I'm not a fan of it. It's imprecise. You know it is -- it collapses and conflates this entire diverse Arab world into a single amorphous hole. I don't think I need to tell anybody in this room this, but it is worth repeating that Syria is not Oman, and Saudi Arabia is not Egypt, and Morocco is not Yemen. And yet, the world -- the word had entered the global lexicon, and I wonder if there will even be contagion effects simply from that media moniker, the Arab Spring. And I'd also like to ask our panelists what they think of the term, the Arab Spring.

But while there are many differences in each individual country, they do share some similar characteristics, and particularly their demographic profile. MENA is young. This gets my third point in my last point. More than half are under the age of 24. You've all heard the statistics. In some countries, 2/3 are under the age of 24. The Middle East North Africa region also has the largest number of unmarried males under the age of 29 anywhere in the world.

They are caught in a pernicious cycle of unemployment and underemployment, unable to begin life as adults, caught in a period of limbo that the Middle East Youth Initiative has dubbed "a period of waitthood," waiting for adult life to begin, waiting to get married, to get a job, waiting in a cafe or standing up against a wall, or to take a story from today's headlines, a 32-year-old man from Tunisia who told "Foreign Policy Magazine" just one week ago, "We're not listening to the noise of politics. Every day we wait. We wait for everything. We wait for jobs, we wait for dignity, we wait for one dinar from our fathers so we can go by coffee." And this man was a 32-year-old man.

You've heard the statistics before, but they bear repeating. MENA will need some 50 million new jobs by the year 2020 in order to avoid an increase in the unemployment rate. The direct cost of youth unemployment, the direct opportunity costs of youth unemployment is estimated at \$50 billion a year. These are statistics, of course. Mohammed Bouazizi is not a statistic. For him, the state is not the same state that many of us interact with. Many of us interact with the state in terms of the Davos trotting (ph) finance minister, the World Bank IMF visiting minister. For him, the state was that predatory municipal official who confiscated his scales and who told him he could no longer work - or who shook him down for a bribe.

That leads to the hopelessness that is encapsulated in so many of the slogans that we saw, the hopelessness that was encapsulated by Bilal Boudamous, who told the New York Times, "The police

cannot kill us; we are already dead. We live with our parents. We have no jobs. We have no future." In Cairo, the tents are proliferating again. Clashes are appearing again in Egypt. The revolution is not over. The irony, of course, is that many countries in the region over the past four or five years were starting to see real significant growth, starting to attract foreign investment. They had become part of the emerging markets investment conversation. Clearly, those growth numbers are no longer obtained. In fact, in all but Bahrain and the most crisis stricken Arab Spring countries, the World Bank forecast significant growth reductions. For Egypt, Tunisia, Libya and Syria, tourism is down 45 percent in Egypt, with one in seven Egyptians working in the tourism industry. This is not good news.

But we all know that revolutions are not good for economies in the near term. So what we're here to talk about is the medium term and the long term, and we have a very distinguished panel to chew over these issues. So we have a lot to talk about. So I will just turn it over to this very distinguished panel and thank them for coming.

So let me just turn it to you first, Hamid Biglari. Hamid Biglari, the vice chair of Citigroup, the head of global emerging markets. Hamid, when you think about the region today, when you look from a global perspective, you see a finite amount of capital, finite amount of resources being deployed around the world. How you think events of the so-called Arab Spring will affect investments in the Middle East North Africa region? Will it lose out?

BIGLARI: So I think to contextualize a response to your question, if you look at the MENA region as a whole, it has received less than its fair share of investment as measured by its share of global GDP. And so all things equal, one would expect to see investments in the region increasing, not decreasing. But all things are not equal, which is why we're having this conversation.

And so the high-level response to your question is that what we're seeing is a reduction in investor appetite towards the region, not a wholesale shift away from the region, number one. And number two, we're seeing a redistribution of where investment is going within the regions. So to peel the onion one level deeper, new investors are probably sitting out the region for now. There's a wait and see to see how the situation will unfold, what kind of governments will come into place, and what attitude they will have towards rational economic policy.

But as far as existing investors in the region, they're staying put. They're either reducing their exposure, but they're not getting out, or they are being extra cautious in terms of expanding their exposure. So the facts in the -- in Egypt are indicative. In terms of bond and equity holdings of foreign investors in Egypt, the last statistic I saw was that they'd been reduced from half from about 20 billion to about 10 billion. And if you look at FDI in a -- in an equivalent timeframe since the beginning of this year compared to last year, so about halved as well.

If you look at multinational companies, multinational companies are staying in the region, most of them. If you look at a country like Egypt, there's about 400 multinational companies that are operating. If you look at Indonesia, there's a couple of hundred multinational companies that are operating. You know, Apache is an interesting example. Apache has about \$8 billion of investment in oil and gas in the regions looking to invest another billion in the region even today.

So that's in terms of that dimension. The other dimension of it is that you're finding oil-rich states actually providing aid and investment to the countries that have been affected and thereby picking up some of the slack that is left by the reduction in other investor appetites. And then as far as is the

redistribution within the region is concerned, we're finding that more investment in shifting to so-called safe havens; for example, the GCC is attracting new investments. It requires infrastructure, it requires investments. And interestingly, Iraq is going to attract a lot of new investment. Iraq is already gone through this difficult phase. It has huge infrastructure needs. It is likely to become the second largest oil-producing nation after Saudi Arabia in time.

So there's a tremendous level of interest about going into Iraq. The fundamental open question is the question of security, and the U.S. can play a very important role in terms of giving some sense of confidence on the -- in that regard. But that's a sense, to give you a sense of some of the redistribution that is (inaudible).

MOLAVI: OK. And what about Egypt's decision not to take IMF assistance? What kind of message that's sent to markets, in your point of view?

BIGLARI: I think what -- what it's -- what it -- the concern that it caused was that, clearly, Egypt needs -- needs the help. And the fact that it didn't take it has caused some concern about an inability of the government in light of some of the anti-Western, anti-multi-lateralist views within the population to have some decision paralysis in terms of taking economically rational decision because of the general reaction to these issues. Those -- that's a very important dimension to this that investors are looking, which is what I alluded to earlier, which is will the -- first of all, what can governments will emerge, and when they emerge, will they take economic reactionary decisions? MOLAVI: Right, OK. And what was it that John Maynard Keynes said that markets can stay irrational longer than we can remain solvent. But ...

BIGLARI: We'll all be dead by then.

MOLAVI: Right, right. Let me go to Dubai and Yasar Jarrar. Yasar, it's good to see you. I would like to ask you. You've worked with governments across the region. You have advised the Dubai executive council, you've advised governments across the region. Are we headed as a result of the events -- shall we call them events rather than Arab Spring; after all, I said that I don't like the term Arab Spring, and then I keep referring to the term Arab Spring. So the events in the region, do you see governments taking on more populist policy measures? What you see in terms of governments? What worries you the most as you look around at the policy responses to the events in the region?

JARRAR: Thank you, Afshin. I think -- I think there's a -- there's a couple of things to -- to -- to put forward here. One of the things I would like to join you in taking aim at the term Arab Spring, because that -- there are so many -- there are so many issues with that term, specifically the fact that a spring is usually followed by a summer, and I think we are in for a very long period of a -- a set of Arab events as opposed to a moving summer afterwards and then maybe a relaxing Autumn. So I think there's a timeline issue here that we should keep in mind.

We have just seen the beginning of what is starting to be -- to be a complete reshaping of governance in the region. Now, within that context, what we see from governments now is a lot of reaction. And as you mentioned, there are many countries, and they have very different reactions to it. Some are started, like Egypt and Tunisia, where we saw the most of these events manifest themselves, are starting to just focus on the security issues and containment actions.

Having said that, there are other countries, specifically the GCC and the places where we see the governments taking immediate and swift actions to start -- to kickstart, I think, some of the public policy issues and the developments that have been totally lacking in the last 10 years and maybe did not get sufficient attention paid to them. So what we see is three types of reaction. We see a lot of focus on job creation and a lot of talk about youth. And that, obviously, is because that was where are the major issues that have started. This focus, unfortunately, will not be able to yield short-term results, because as we know, these, you know -- job creation is a -- is an outcome of many years of various, again, economic policies put in place. So there will not be short-term results of those, but we see a lot of focus on that.

And for the first time maybe in the region, the word politics. Politics is very famous in the Middle East as a discussion topic. For the first time, it's starting to mean about the people. So the context -- the context of discussing it has changed.

The second thing we see is major investments in capital projects and infrastructure. Now, these are probably less populous in terms of it directly affecting the citizens and much more aimed at maintaining some confidence and some economic activities going on, and we see a lot of announcements either within the GCC or from the GCC, as has been said, with -- into Arab -- other Arab countries. And the more interesting piece now that we have seen emerging at a very good pace is this whole dialogue between the governments and the citizens. The governments are trying to put in place various avenues for dialogue. They're allowing the press to have much more wider space for discussing some of these issues. So we see a lot of reaction from government. We see a positive medium to long term in the region, then its effect will be positive. There's a lot of investor worry and concern and a lot of wait-and-see attitude now.

But governments have taken the shock of the events of the last few months and have started reacting fairly quickly in the right direction. Unfortunately, public policy, as you -- as you all well know, doesn't yield immediate results. These are economic indication and social public policies that will take years to show. So the spring -- we might be in for a fairly long spring, I'm afraid.

MOLAVI: Thank you, Yasar, and I want to come back to you on that point. I mean you and I have been in the rooms where Middle East governments and ministers have talked a great talk of reform. And in some cases, they've actually implemented some of those policies. And yet, they've been unevenly implemented, they haven't led to the job creation that you talked about. So I want to come back to you on that.

But since we're talking about government, let me turn to Ian Bremmer. Ian, I always enjoy talking to you, listening to you. I thought what I would just ask you is just what's on your mind, because your mind is so -- is so supple on these issues. But I did want to ask you ...
(CROSSTALK)

BREMMER: Supple? Why supple? That's good.

MOLAVI: I did want to ask you about the Arab world in general. I mean are there other lessons from other parts of the world that we can draw upon as we think about the events. By the way, before I -- Harold MacMillan, the former British prime minister, was once asked what worries him most when he goes to sleep at night. And he said, "Events, my dear boy. Events." And so we'll call these the events. Go ahead.

BREMMER: Well, I -- I guess the first thing I should respond to is this question of whether or not I like the Arab Spring, the term the Arab Spring, because -- I like the way you phrase it. Do I like it? Yes, I like it. I feel -- emotionally it feels good. I like Coca-Cola commercials, right? I mean I like them. You watch them and they make you feel good. And that -- the Arab Spring was -- is created by, of course, it's a term. It's for Western media, Western consumption, and we like it. We liked the end of history.

MOLAVI: Right.

BREMMER: It was wrong, but we liked it, right? And the Arab Spring is wrong, but we like it. So I like it, but I don't agree with it.

And when I think about what that means in terms of lessons from other parts the world, and there are lots of parts the world we can look for lessons, but one of the most interesting ones would be the Eurasian Spring. I mean look at what happened in Georgia, and look at what happened then Ukraine, those colored revolutions and the people. You know, so they got rid of these governments, right?

And then there were lots of other folks and other authoritarian regimes across the region in Armenia and Azerbaijan and Moldova and Belarus and Ukraine and Uzbekistan. And all of them, you know, had aspirations. They didn't have cohesive oppositions. The local governments learned a thing or two. They learned that tariffs were important they wanted to buy off people or co-op people. They learned that sticks were important. You needed to have effective ways of monitoring and stopping this stuff before it became a problem. And what happened? I didn't see any other revolutions. And in Ukraine, the revolution we were so excited about turned out to not quite pan out the way it was. And Georgia is a little tiny place that got invaded by Russia, and now they have a smaller independent Democratic-leaning country.

Tunisia is a tiny little country, it looks like it's going OK- ish. Egypt has a little bit of Ukraine analogy going on, right? We got really excited. Look, we fetishized democracy, liberal democracy in the United States. It doesn't surprise me. It works well for us, generally speaking. But that doesn't mean that democracy -- and liberal democracy is the same as sectarianism, doesn't mean it's the same as foreign intervention.

I completely agree that Iraq is the most exciting investment story right now in the Middle East, and it should be, and we should be going. And I don't agree that the security is the main issue; I think governance is the main issue, because we invest in lots of places that have security problems, if they get local governance right...

But you know, Iraq was an external intervention, and were it not for what happens with the United States and its European allies in Libya, Gaddafi would probably be sitting on top of a lot more territory right now than he is. So clearly none of that to me looks like the Arab Spring. And one other thing -- I mean there are lots of -- again, lessons for the region.

A couple of quick things: One, the United States is clearly a taker, not a maker of policy in the region. And not only is that obvious sitting here in the States, but it's very obvious if you're sitting in the region, as countries know it, and they know that they're going to have to do more of this themselves.

Absolutely, the Saudis are providing more money now to a lot of these countries than they were before.

That's why the GCC is expanding. That's why they've invited the Moroccans and the Jordanians. The Saudis will have different notions of conditionality than the IMF will for what they get in return for their money, and it will not involve political and economic reforms in the same way that the IMF would. We should think about that. Chinese will feel the same way. Conditionality will be different, and that's going to matter.

And then, finally, just other lessons. The one other thing I would say is that, you know, look at what happened in Europe and look at the way that the Germans got so unsettled by the Greeks. Now, we've known for 20 years that the Greeks not paying their taxes, a tiny little peripheral country was going to come and bite you. But until it happened, no one did anything about it. And then the Germans suddenly got some gumption, got some leadership and said, "We've got to do this." They didn't do it well, necessarily. But it's a very different environment. And, you know, I can look at what happened in Bahrain, and I can see the Saudi reaction to that and the Saudi reaction with other GCC countries with that tiny little peripheral state, and we knew that as soon (inaudible) problems there we knew it for a long time, and we didn't do anything about it until we did.

The interesting thing is that if we get to increasing cohesiveness in Europe, if we get a common fiscal policy in Europe, from an international perspective, we're generally going to like that. If we get Saudi-led cohesion in the GCC, not so clear to me that the international community will respond in the same way, certainly in the United States, and the Arab Spring definitely informs them.

MOLAVI: Right. Excellent. That's great. Thank you so much, Ian. That's -- so all I needed to ask you is what's on your mind. So I appreciate it.

Let me -- I want to turn to Philip Haddad, and also Walid Bakr in Dubai, but -- because both of you are, in many ways, on the front lines of investing in the region and investing in two key aspects of the region's development that will have effects on some of the issues that we've talked about, youth employment, growth, et cetera. Philip Haddad at Mubadala Infrastructure Partners, Walid Bakr at Riyadh Enterprise Development, which is part of the Abraaj Capital Group. And Walid, by the way, we also thank Abraaj for hosting the video conference as well.

I'd like to first start with Philip. When you look around the region and you look at the events, as we are calling them, how has that affected your portfolio, your strategy? Have you shifted your thinking in terms of infrastructure investments? And let's get a sense of where you are today.

HADDAD: Sure. Certainly. Perhaps we should start with a little bit of context as, you know, my friend from SIFI said. If you look at the region, you know, last -- 2010 there was about \$38 billion invested in infrastructure, predominantly oil and gas, water and power. And starting -- we started to see a social infrastructure.

I think what's very important is, you know, we take a very long-term view across the region, and we continue to see a lot of growth and infrastructure spending, but also an infrastructure investment. I think tactically one has to look at the region differently. And in that sense, one has to time appropriately investment in those sectors.

So as far as we're concerned, we continue to see very strong fundamentals in the region, and as such, you know, certainly continue to be very bullish on the various parts of the region. And obviously, one cannot ignore the current events, as you said, but certainly, you know, we take a much longer view.

MOLAVI: OK, and what about -- since we are being hosted by MIGA here, let me ask you about a political risk insurance, because it does seem that a lot of companies were going in and investing without taking political risk insurance. And do you think that is becoming a much more important part of the thinking about companies who go in and make large investments? And the path that political risk insurance was, well, I know the minister, and if I'm in trouble, you know, he'll get me out of trouble. What is your thinking on that?

HADDAD: I think, obviously insurance and political risk insurance, at least in our business, is part of the toolkit. And certainly any learned investor, any wise investor would certainly look at the toolkit and look at the opportunity and size the kind of risk reward and hopefully make the appropriate choices.

Certainly, if you're operating in the infrastructure sector, there are many kinds of risks: A structure risk, operating risk, in certain instances political risk. And certainly, you would be well advised to consider as an investor or as a developer or as a lender those kinds of risks. And certainly our use of political insurance or construction insurance has not changed. And certainly it's part of the toolkit, and it's there to be used, not at the different allocations of risk to different countries, depending on the local circumstances, but certainly, you know -- it's part of the toolkit.

MOLAVI: OK, great. Thank you. And let me turn to Walid Bakr in Dubai. Thanks for being with us, very much, Walid. You're on the front lines of investing in small and medium enterprise development in the region. You visit Egypt often. You're traveling all across the region. What are you seeing in terms of the event? I -- but I feel -- when we call it the event, I feel slightly Orwellian, but when -- in -- it was, I think, Zine El Abidine Ben Ali the president of Tunisia called the death of Mohammed Bouazizi the incident. So -- but what do you see when you -- when you think about the event in the region?

BAKR : Thanks, Afshin. But I mean, currently, we call him the ex-President... (inaudible)
(CROSSTALK)

MOLAVI: Yes, right, right.

BAKR: Well, I mean, from our perspective, I'll give you the perspective of a private equity investor. And as you said, you were absolutely right. We're on the front lines because we are -- we are interacting with lots of companies who most of the founders during the revolution were actually in Tahrir Square. So you know, business were disrupted because people were busy feeling the -- affecting the change.

From an investor perspective, and let me put that perspective first. From an investment -- or investor perspective, in growth equity and small and medium enterprises, we remain optimistic over -- over the medium and long term, and of course, you know, how medium is medium and how long is long is the billion-dollar question. But I mean we are -- we are realistic, we're cognizant of the situation, but we remain optimistic. Why do we remain optimistic? For multiple reasons. First reason is that the economic foundations, even in countries like (inaudible) like Tunisia and Egypt, the economic foundations are still intact. The consumer -- if you look at a country like Egypt, you know, which I hope is (inaudible)

Do we have a lot of consumer market? We still have a lot of consumer market, you know. The 87 million people that we have living there, are still there. They're still demanding consumer goods, they're still demanding healthcare, they're still demanding education (inaudible). You know, lots -- lots of the foundations for, you know, (inaudible) activity are still there. So we still have the monuments, we still

have the temples, we still have the ferry business, we still have the beaches. Yes. Our we impacted over the short term because of political instability, because of the security situation? Absolutely. Is that going to continue forever? No, this is going to change.

And lastly, and -- but not least, definitely, is the fact that, we say it as a statistic, but it's fundamentally much more important than that when we say that half of the population is under the age of 34. But even more impressive, there are 38 percent, almost 40 percent is actually under the age of 15. Now, this well educated youth with very high literacy ratio. These truly global citizens that have grown up with Internet, are computer savvy, are really connected, they are -- they are more, you know, seeking self-esteem, self-actualization, involved in the community, being included in the broader perspective of their communities. Is that going to cause such an entrepreneurial (inaudible) movement over -- over the coming period? Absolutely.

So all of these elements together tell you that the foundations are strong and will continue to be strong, and it will -- it will actually improve over the coming period. Now, after that, some very important elements, and we're seeing that in Tunisia, and we're seeing that more fundamentally in Egypt because it's a larger country. There is a very strong sense of dignity and belonging that is developing currently. I mean you've broke -- your last point was bridging the dignity gap. The amount of national pride that is developing now in Egypt, and when you go to Egypt today and you see that, you know, for almost the first time in many, many years, you've really found, you know, proud Egyptians.

The number of exiled Egyptians that, you know, contact us everyday that are saying, "You know what? We're coming back to the region. We want to develop something. We want to give back. We want to, you know, start up a new venture. We want to, you know, do good and do well as well, and we're seeking help us for doing that," is actually -- this is, all of these elements together with the intact foundations are, you know, showing us there is promise. We have to be optimistic. We're cognizant of the current situation and challenges.

So we have a cautious approach, absolutely. But the decision, because of all of that, the decision that we have taken and other investors that we are thinking, especially in the SME space, is that we continue to be bullish. We are a patient captain by nature. So we are not seeking -- you know, we are not into a public market. So I'm not seeking, you know, the volatility of the market that (inaudible), the extra buck next month. And therefore, over the long term, and I'm seeking strong value creation.

The most important element for us is, you know, the challenging environment that we're in and how long will that last, which made us think, as -- if I'm -- I'm not investing in the macros of a country. So you know, whether -- whether is a developing or their real GDP is going from 1.5 percent or is going to, you know, 50 percent per annum, this is not what's going to make the portfolio of 10, 15, 20 companies that I invest in.

But I can (inaudible) make money with these selective companies or continue with the create value and be in the market even -- even in the worst place of the world. What's very important for people like us is to ensure in the country that I have a conducive environment that is supporting the success and the prosperity of these enterprises.

Now SMEs, the SME sector, is extremely important, and it's extremely important, and it will be in the center of focus of any government of any regime with any political, you know, tendencies, whether it's Islamists or liberal or secular or whatever. The SME support will be as focused for three simple reasons.

(inaudible) you know, employment is the greatest challenge. Now, if you thought to tackle the employment problem by, you know, lots of big enterprises or your industrial centers, the cost per job is extremely high (inaudible) supporting SME is basically your fastest way and your fastest ticket to support -- to support and absorb employment issues...

And third, but -- you know, last but not least, is the use inclusion. The nature of entrepreneurial activity and the nature of smaller medium enterprises, most of these are useless. And when you look at, you know, even unemployment figures, you'll find that if I talk about a country like Egypt where I have a 12 percent or 14 percent unemployment, you -- if you look at university graduates, in some areas unemployment among university graduates jumped up to 25 and 28 percent.

And based on that (inaudible) studied to be an M.D. or engineer will not accept to go, you know, work as a plumber or carpenter or (inaudible) because of social stigma because of many activities. Again, the promotion of entrepreneurship and supporting the SME (inaudible) provides an opportunity for these class (inaudible) to work and prosper. So there is (inaudible) direction of any like government that's going to come decisions support for SMEs will actually be on the top of the priority agenda.

MOLAVI: That's -- no, thank you so much, Walid. And so I guess we'll have to watch the business climate. I think we looked at Egypt and the World Bank, IFC doing business index, they seem to be gradually moving up the ranks. I think the last, they were at number 55 or so. But I guess we'll have to watch that space in terms of business climate.

Since we have talked about Egypt -- Hamid, if I may turn it over to you -- when you think about Egypt and when you think about Tunisia, you know, these are the two countries that are -- that are in the headlines right now. How do you think about them? How do you think differently about them? Where are the key challenges that you see in each of those countries?

BIGLARI: So I would say there are at least three differences that jump to mind. The first obvious one is size. Egypt has a population of 80 million, Tunisia has a population of 10 million. So factor eight population, a factor of four or five in terms of GDP. So obviously, from the size point of view, Egypt is vastly more important than Tunisia.

The second observation I would make is in terms of investor familiarity. So investors are far more familiar with Egyptian companies and Egyptian sovereign. If Egypt were to go out into the capital markets today to raise \$1 billion in bonds, it would have no problem doing that. The cost would be higher, but it wouldn't have it to have trouble doing that because of investor familiarity. That's obviously different in the case of the smaller countries like Tunisia.

The third observation I would make on that regard is actually in favor of Tunisia, which is, it is in many ways a more homogeneous society than Egypt is. It is more secular. It is better educated. It is less likely to be prone toward some of the more extreme elements of religion. And it has a larger entrepreneurial middle class. So if you factor that in, that will lead you to believe that it is -- had -- has a better ability to get its house in order faster than Egypt does.

So the punchline of all of that, I think, would be that it is more likely that Tunisia will get its house in order. It is likely to have credible election I mean obviously, these are based case user, always tail risk.

But it is more likely to get us (inaudible) it could become a poster child for the region as a - as a model of a country that actually got to the right place.

The flipside is that Tunisia -- no country is going to be made or broken by Tunisia. It's just too small on a relative basis the big prize is going to be Egypt. It is the cultural and political leader in many ways of the region, and it has more challenges. It came into this crisis with more challenges. It came into the crisis with larger imbalances that Tunisia did. And how it manages to sort its way through remains to be -- to be seen. And most important of all is the ability of the government to make -- to make economically rational decisions out this.

MOLAVI: Is it fair to say that, you know, you and those in the markets are taking a wait-and-see approach? And I guess what we're waiting for is these elections that are going to turn out in Tunisia and in Egypt. Is that fair to say?

BIGLARI: Well, we are very active in both markets. We were very active in terms of helping these countries get through the crisis in terms of getting cash to the countries and multinationals, our clients and so forth. But I think, as a general rule, it is absolutely right to say that investors generally are reducing their exposure. They're waiting to see what is the composition of the governments that are -- that are forming? What is their orientation towards economic policy? What is their orientation towards investments? And what is their orientation towards engendering a consumption in these countries? The answers to those questions, as we go through this transitional phase, are going to be absolutely critical in terms of investor appetite looking out.

MOLAVI: OK. Thank you so much. Ian, I'm going to ask a question that will -- that will sort of pain me to ask because it's -- I made part of my living doing this, studying the Middle East. But does the Middle East matter? I mean do we spend too much time worrying about the region and we -- if we were to take a global perspective, do we spend too much time worrying about the Middle East?

BREMMER: From a global perspective, sure. I mean if I think about just the last six months, and it's not just the Middle East, what's been exercising all of our folks as analysts around the world. I mean you've had this -- you know, Japan humanitarian crisis and disaster, and you've got the Eurozone issue. But the Middle East is gone certainly an inordinate amount of attention, and I -- don't get me wrong. I mean major energy producer, not insignificant population; it matters. Potential for macro geopolitical risks, especially given that, from my perspective, the Israelis are the big losers out of the events, and the Palestinians know it, and down the road that's probably not a good thing. So clearly, those geopolitical risks, as we get to the longer-term projections are looming and something maybe we should address.

But the big risk out there in the big change out there is the rebalancing that is occurring and needs to occur between developed and developing, and specifically between the U.S. and China, and specifically what's happening in Asia. And there's no question that a lot of folks that otherwise would've had their attention turned towards those issues in the last three days to six months have been paying an inordinate amount of attention to the Middle East, and that's probably unhelpful from a global -- from a macro policy risk perspective and from investment (inaudible).

MOLAVI: OK. Thanks. And Philip, if I may turn to you, and since, you know, we are in this setting at the World Bank group, where do you see -- what are you seeing in terms of the kind of partnerships? What would you like to see from the multilateral development banks in terms of their work with companies like yours and infrastructure development?

HADDAD: Sure. I think it's obvious that they can bring a halo to certain situations that will be very helpful for equity did come in and for other potentially lenders to come in. I think advising the governments, especially as we just talked about, in the area where there's a wait-and-see attitude, to probably help them prioritize what are the investments and what other areas that could be opened up and continued to be opened up before an investment.

But I think more importantly is to create the situations where there is concessional type lending that is required to approve an opportunity at the pathfinder transaction, perhaps in Iraq, perhaps in other parts of the Middle East. So I think they continue and will have increasingly a very important role to play.

MOLAVI: Thank you. I'd like -- I'd like to turn it over to -- we have many distinguished guests here who have thoughts, comments, questions, vigorous objections. We welcome them all. But before I do so, I wanted to just turn to Yasar and Walid one more time and -- you know, when we think about events in the region, I'm reminded of what the Russian revolutionary Lenin once said, when he said that sometimes decades pass and nothing happens, and then suddenly weeks pass and decades happen. And it does seem as if we've been living in decades over the past few months.

And Yasar and Walid, if you could just reflect briefly on, you know, you're both part of this new generation of Arab leaders and technocrats and leading figures who have advised governments who are on the front lines of business. If you reflect a little bit on these events, these decades that we've witnessed over the past few months, and very briefly, are you bullish or you bearish in the medium term?

JARRAR: OK, I'll start, Ashfin, by reassuring you about your job, because I think the Middle East will still matter for some time. You know, from for anybody who -- for anybody who drives a car, I think the price of oil matters. For anybody worries about international trade routes, be it by sea or by air, the -- by definition who drives of the east (inaudible) the east matters. Recently, for anybody who is interested in some cash, that's where -- in the sovereign wealth funds, especially if you're a (inaudible) supporter or a (inaudible) supporter the Middle East matters or not much at all is well. And anybody who is interested in a small market of 300 million people, that's majority use.

So it still matters. I am very bullish for the long-term, but Walid mentioned that, you know, it depends how -- how long is the long-term. See, the last, the last decades that we have gone through, the last decade literally probably spending the majority of my life, the modus operandi in the Middle East was keep things stable. Stability and geopolitics as Israeli-Palestinian conflict in there was this whole sort of unspoken agreement internally and externally to keep things stable.

By keeping things stable, by definition, we did not reform enough. We did not integrate in the global IT revolution. Reform is very difficult. In fact, in many sessions we will have had with the government officials over the last decade, people said don't use the word reform, please, because reform means that there's something broken and we need to fix it. Use the word development, because there's nothing broken here. We're just moving ahead. So there wasn't even an acknowledgment that there was something broken that needs to be fixed in terms of public policies and what have you.

Reform is very difficult, as well, because for reform, you need to have a minimal resistance of positive change attitude. And throughout those years of stability, there have been a lot of bases, power bases, economic basis and a lot of wealth created based on lack stagnation in terms of -- and there were no voices used or otherwise to be able to -- to change that.

Now, in those years, what we have lost is we have built inefficient public sector, extremely inefficient institutional structures, outdated laws and completely managed to destroy the capacities and skills of public sector officials and the work ethos. So now, when the political will is very genuine about reform and we -- there's no need -- there's no reason not to question that is not the case and there that we have the forces of resistance are sort of bowing down to the will of the people, we are faced with the will and the appetite for reform without a capable or even well structured public sector.

So we have destroyed the very tools that we need now to move ahead, and it will take some time; hence, we are more focused and bullish on the long-term as the modern media.

MOLAVI: OK, and...
(CROSSTALK)

(UNKNOWN): Good point.

BAKR : ...just to carry on with (inaudible), and -- and since Afshin has been using -- has been quoting lots of leaders. So let me use a quote as well. I believe it was Churchill at the -- at the end of World War II, when they asked them, you know, is this the end, and then his answer was, "This is not the end. This is not the beginning of the end. Maybe, just maybe, this is the end of the beginning."

And what's happening now, and our belief, in the Middle East, what happens is, you know, we've been through certain phase, and although there has been definitely lots of progress in recent years, that phase was for, for the bulk of it was characterized especially by the use, which is engine and the locomotive across has -- they have viewed it as a period of stagnation. And stagnation from there and not being able to, to realize that their role in developing this part of the world. And these, as I said, these are -- are global citizens. These are powers to be -- to be reckoned with. But they have been ignored. They have been excluded...

Now, from an investor -- from an investor perspective, again, what's done is done. The page has been turned. And what we have now is, number one, an opportunity to start on a clean slate. But more importantly, two very important elements: Number one, we have that power, that energy, that buzz from -- from that youth from one of the youngest nations on earth. We haven't been able to capture and capitalize on that energy for quite a long time.

You know, just a year ago, if you asked most of the Egyptian youth what do you want to do with your life after you graduate, and most of them their answer would be find a job in the U.S., find a job in Europe, you know, get out of here, go to Dubai, go somewhere else, while today, it's (inaudible) that energy, and now we have an unprecedented chance to capture this energy.

And the second very important element that -- and you have touched on probably indirectly when you asked does the Middle East matter. Now, maybe on a global scale, you know, it's a small part. Maybe it's got 300 million people that it has to be put in the context of 7 billion people. But today, we have the attention of the rest of the world. The Middle East has been recognized as something that matters. That feeling that it matters when you say "Arab Spring", we liked it.

Now this liking is providing us with the recognition. It's providing us with the respect. If you recall the protesters in Wisconsin that, you know, have been carrying the sign, as (inaudible) like an Egyptian walk

like an Egyptian, this kind of recognition, this kind of respect is, again, an unprecedented opportunity. It's a wonderful opportunity for us to step in.

So we don't like it in our business to use the words, you know, bullish and bearish because they tend to cast a big cloud over what's happening. Is there an opportunity, and there's a very good opportunity to really affect the change, positive change on the region? Absolutely. And is it, you know, do we have a great chance to start from -- on a clean slate, but with very strong foundations? Absolutely.

MOLAVI: Thank you, so much Walid.

[moderator opens up to audience questions/comments]