GLOBAL STRATEGY FORUM

CREATING A MIDDLE EASTERN ECONOMIC COMMUNITY

by
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Foreword by Lord Lothian PC, QC, DL

ACKNOWLEDGMENTS

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CREATING A MIDDLE EASTERN ECONOMIC COMMUNITY

FOREWORD

LIKE all revolutionary movements, the Arab Awakening burst upon the world in early 2011 both with breathtaking suddenness and as an overdue response to long-neglected societal tensions. Almost overnight, authoritarian leaders were swept from power on a wave of mass – but notably peaceful – demonstrations calling for change. Throughout the region the legitimacy of pro-Western and anti-Western leaders alike came under intense scrutiny as they faced demands for immediate and far-reaching reform. It was – and remains – an exhilarating moment both for the direct participants and for their well-wishers around the world.

However, the long-term implications of these developments are far from clear. Events are following different courses in different countries, with brutal repression in defence of the status quo taking place in some. What is clear, however, is that we can take nothing for granted. The early fervour of democratic transition has given way to a more sober realisation that the path ahead will not necessarily be smooth or peaceful. Reactionary forces together with sectarian movements with few ties to democratic traditions are competing with the mainstream proponents of political reform for future control of the levers of power. Added to that, the long-standing scourge of regional under-development is constraining the reform process.

Against this background, this paper by Hüseyin Gün, an Advisory Board member of Global Strategy Forum, is a most welcome contribution to the debate about how we in the West can best respond. He highlights the fact that, in a context of acute demographic and economic challenge, there are no easy – or cheap – answers. Without an infusion of new resources there is a risk that the democratic movement will be stillborn. He advocates a programme of economic aid on the scale of the Marshall Plan with Turkey, the region's largest and most dynamic economy, taking a leading role. It is a powerful argument which deserves to be taken seriously by all those who want the ideals of the "Arab Spring" to take root and flourish. I am delighted to be associated with it.

Lord Lothian PC, QC, DL
Chairman, Global Strategy Forum
May 2011

THE ARAB AWAKENING

What drives a man to douse himself in petrol and set himself alight? This was the decision that a twenty-six year-old fruit seller in Tunisia named Muhammad Bouazizi took on 17 December 2010. He did so because he was sick of being harassed by officials who had confiscated his cart earlier that day, and the lack of better work – he was said to be a university graduate. These two grievances struck a resonant chord: the consequences of Bouazizi's desperate last act of defiance are still reverberating across the Middle East and around the world.

The protests began in Sidi Bouzid, the town in which Bouazizi committed suicide, and rapidly spread across the country. On 14 January, ten days after Bouazizi died from his burns, the president (a former policeman), Zine el-Abidine Ben Ali, who had ruled the country for the previous 23 years, fled for Saudi Arabia.

Within days demonstrations started in Egypt. As in Tunisia, it was the death of a single man that galvanised protesters. This time it was Khaled Said, a twenty-eight year-old man at an internet café who had been beaten to death by police after he refused to pay them a bribe. A page dedicated to Said's memory on the social networking website Facebook attracted 375,000 followers and launched the idea of a 'day of rage' directed at the president.

President Mubarak responded with a television address that only showed how little he appreciated the demonstrators' anger. His pledge that he was going to stay on to investigate violence that the police – on his own orders – had perpetrated against protesters only caused the crowd that had gathered in Tahrir Square in central Cairo to shout louder. On 11 February, the president was forced to step down. He was within months of celebrating his thirtieth year as president of the country.

The protests have since spread. Colonel Gadaffi, in power since 1969, tried to procure loyalty by doling out monthly payments, which effectively doubled the average wage. But he failed to prevent the country breaking into two, and Libya now faces the possibility of a civil war in which western powers are now entangled too.

Alarmed by demonstrations, other leaders have tried to pre-empt similar fates. In Syria the president, Bashar Assad, sacked his cabinet and has signalled a willingness to replace the emergency law that has been in force since 1963. Otherwise he continues to resist calls for reform and at the time of printing, the Syrian security forces had shot dead hundreds of protestors. In Jordan, King Abdullah also sacked his prime minister and cabinet, but announced that he would allow street protests, after trouble started in the Bedu villages on which the royal family has traditionally relied for support. The opposition, who are calling for a constitutional monarchy in which the king's powers would be much more limited than at present, are not satisfied by these concessions.

In Bahrain, the king announced that he would be giving every Bahraini family 1,000 dinars – roughly five times the average private sector monthly wage – but this has not stopped escalating violence fed by sectarian tensions between the majority, Shia, population and the island's Sunni rulers.[1] Meanwhile the Saudi king, Abdullah, returned home from medical treatment in the United States to announce a $36bn splurge designed to appease potential malcontents. Like Mubarak he promised government employees a fifteen per cent pay rise, and also further sweeteners in the shape of grants for unemployed students, and $400 billion of expenditure on education, infrastructure and health care.

To the south the Omani sultan has promised 50,000 new jobs and unemployment benefit of $400 a month. Next door in Yemen, where dozens of people have been killed in clashes between protesters and the security forces, Ali Abdullah Saleh, in power since 1978, has said neither he nor his son will contest the 2013 presidential election. But tens of thousands of students at Sana'a university are continuing to demand his immediate resignation. They remember that Saleh broke a promise that he would not stand again before the last election, five years ago. His hold on power now looks precarious.

In a secret cable written in July 2009, and published by Wikileaks last year, the American ambassador to Tunisia summed up the problems of the country where this chain of events started. 'Many Tunisians are frustrated by the lack of political freedom and angered by First Family corruption, high unemployment and regional inequities. Extremism poses a continuing threat. Compounding the problems, the G[overnment] O[f] T[unisia] brooks no advice or criticism, whether domestic or international. Instead, it seeks to impose ever greater control, often using the police. The result: Tunisia is troubled and our relations are too.' Subsequent events have proved him right. As the peoples of the Middle East demand greater freedom, there is now an opportunity for western governments to offer help. The purpose of this paper is to examine how.

[1] *Agence France Presse, 'Bahrain's king gifts $3,000 to every family', 11 February 2011.*

THE ROOTS OF UNREST

The power of the fury that has galvanised people across the Middle East comes from the nature of the demographic change that has transformed the region. In the last quarter of the twentieth century, population growth across the Middle East/North Africa region far outpaced the global average. Helped by rising living standards, which led to a sharp fall in infant mortality, annual growth reached a peak of 3 per cent in 1980. Declining fertility since then means that a disproportionate number of people in the region – about a third, or 150m – are now aged between 10 and 24.

The 'Youth Bulge', as this phenomenon has been dubbed, will in turn ensure that the region's population growth will continue to outstrip the global rate. A United Nations forecast points to a 60 per cent increase in the population of the region by 2050, compared to growth of 38 per cent for the world as a whole.[2] It will put severe and lasting pressure on scarce resources like energy and water, and on jobs. The World Bank estimates that 40 million jobs need to be created across the Middle East North Africa region.[3] But, as the Population Research Bureau puts it: 'The fastest growth in the youth population will be in places that are the least prepared economically: Iraq, the Palestinian Territory, and Yemen.'[4]

Table 1: The Youth Bulge in Numbers

Country	Population under 25, % of total	Median age, 2005	Median age, 2050
Algeria	47.5	24	39.4
Bahrain	43.9	28.8	40.9
Egypt	52.3	22.9	36.1
Iran	45.6	23.4	40.6
Iraq	60.6	18.9	31.1
Israel	28.8	28.8	39.4
Jordan	54.3	21.1	37
Kuwait	37.7	29.2	40.1
Lebanon	42.7	27.1	40.2
Libya	47.4	24.1	39.2
Oman	51.5	22.5	37.2
Palestinian Terr.	64.4	16.9	28.9
Qatar	33.8	31.1	41.9
Saudi Arabia	50.8	23.3	36.0
Syria	55.3	20.6	37.1
Tunisia	47.4	26.7	42.5
Turkey	44.4	26.7	40.7
UAE	31.0	29.4	40.3
Yemen	65.4	16.7	27.7

Sources: UN, World Population Prospects: The 2006 Revision, 2007 The Economist, 'After Mubarak', 19 February 2011, U.S. Census Bureau, International Data Base

2 *United Nations, World Population Prospects: The 2006 Revision, New York, 2007.*
3 *World Bank, MENA Development Report, From Privilege to Competition: Unlocking Private Led Growth in the Middle East and North Africa, Washington DC 2009.*
4 *Roudi-Fahimi, F., and Mederios Kent, M., 'Challenges and Opportunities – the Population of the Middle East and North Africa', Population Bulletin Vol. 62, No. 2, June 2007*

The most immediate challenge facing the Middle East today is therefore finding jobs for the disaffected young people of the region. Traditionally, many regimes across the Middle East worked on a socialist model, using energy revenues to provide secure, low-paid state sector jobs and subsidise the cost of food and fuel. Population growth, and rising prices, are quickly destroying this magic formula. As Middle Eastern governments' debts mount, they cannot afford to provide jobs for all, nor artificially maintain the cost of scarce commodities below global market prices. Moreover, because the foreign exchange revenues generated by energy exports pushed up domestic currency values, other industries could not compete internationally, and have stagnated. Exports represent a smaller percentage of GDP in MENA (about 7.5%) than in any other area of the world, including sub-Saharan Africa.[5] As a consequence of what is widely known as the 'Dutch Disease', consumption, not production, is the chief characteristic of many Middle Eastern economies and there is relatively little export diversity – which is increasingly recognised as key to sustainable economic growth.[6]

Until recently, the economic underdevelopment that energy revenues have caused was not a serious concern for Middle Eastern rulers. They liked the monopoly on power that came with the ability to disperse oil-generated largesse as they wished. The private sector, such as it was, comprised businesses owned by friends and relatives of the ruling families who won contracts, and shut out competitors, through their connections. Today, however, this recipe means that there is very little true private sector enterprise to generate the jobs that protestors in every country so badly want. Simple requirements, like borrowing or transferring money are difficult because there is little competition in financial services and banking services are therefore predominantly state-run and basic. Monopolies run by the state or favoured 'privately-owned' companies, which are sustained by endemic nepotism and corruption, make it difficult for a truly independent private sector to develop. The business-hostile climate is well-illustrated by the time it takes to access three key utilities across the Middle East. It takes an average 62, 44, and 49 days to be connected to electricity, water and the telephone respectively across the region.[7]

It is this unpromising context, combined with low standards of education, that make the prospect of the 'youth bulge' so disturbing. Elsewhere in the world, particularly eastern Asia, young populations have fuelled strong economic growth. Yet in the Middle East youth unemployment has grown by a quarter since 1998.[8] Today 23% of young people in the region are unemployed and a further 27% are economically inactive. According to the International Labour Organisation, which surveyed the prospects for global youth employment last year, 'Only in the Middle East and North Africa are youth unemployment rates expected to continue the upward path in 2011.'[9] The challenge is to make the immense human potential of the Middle East an asset rather than liability.

Many Middle Eastern governments now find themselves in an impossible position. They are aware that fundamental economic reforms are needed, but the reforms themselves will only increase popular unrest in the short-term. Attempts by the Yemeni and Syrian governments to reduce fuel

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5 World Bank, MENA Development Report, From Privilege to Competition: Unlocking Private Led Growth in the Middle East and North Africa, Washington DC 2009.

6 World Bank, MENA Development Report, From Privilege to Competition: Unlocking Private Led Growth in the Middle East and North Africa, Washington DC 2009.

7 Noumba Um, P., Straub, S., Vellutini, C., 'Infrastructure and Economic Growth in the Middle East and North Africa', World Bank Policy Research Working Paper 5105, October 2009.

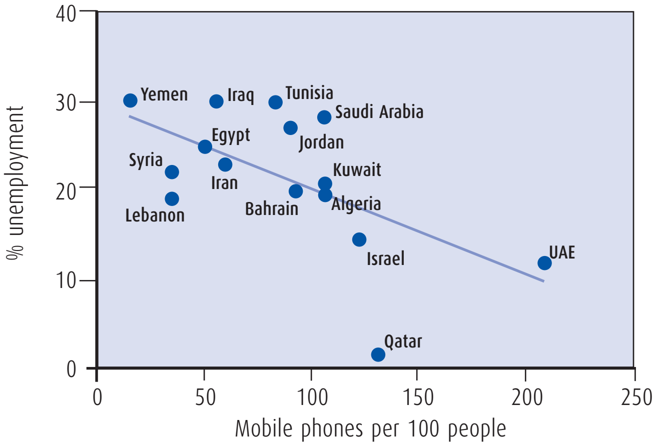
8 International Labour Office, Global Employment Trends for Youth, August 2010.

9 International Labour Office, Global Employment Trends for Youth, August 2010.

subsidies, for example, have both foundered. The increase in the price of fuel provoked rioting in Yemen, and the Syrian government recently reversed its policy by granting government employees larger heating oil allowances. Governments have generally been reluctant to give up control of key infrastructure through privatisation, except in telecommunications, where there is now more competition and choice than there was ten years ago.[10]

This limited reform has had one crucial consequence. As a result of the growing availability of mobile telephones, people across the Middle East are better connected to one another and the wider world than previously. A survey conducted in January 2011 found that 45 per cent of mobile phone owners in the region used their telephone to gain access to the internet, mostly for email, social networking and news.[11] The social and political implications on the hierarchical societies of the Middle East are immense. As a direct consequence it has become much harder for autocratic governments to control what information their citizens can access. As the events of the last few weeks have demonstrated, it is also a great deal easier for citizens to realise how many others share their frustrations, and to organise mass protest. As the figure below illustrates, many young people in the region are unemployed and yet well-informed. It is vital that the western governments now offer substantial help to ensure that the change that they are calling for heralds economic regeneration and not instability.

UNEMPLOYMENT VS MOBILE PHONE USAGE



Countries above the line have disproportionately high mobile phone ownership given unemployment

10 Noumba Um, P., Straub, S., Vellutini, C., 'Infrastructure and Economic Growth in the Middle East and North Africa', World Bank Policy Research Working Paper 5105, October 2009.

11 'Mobile data usage & habits of MENA Internet users', Research conducted by Effective Measure in conjunction with Spot On PR, January 2011.

TIME FOR A NEW MARSHALL PLAN

We have seized a similar opportunity before. On 5 June 1947 the US Secretary of State, George Marshall, unveiled a plan to offer vast financial help to European states if they agreed to cooperate more closely among themselves. Two years had passed since the end of the Second World War in Europe, but its economies were moribund, and public anger on the rise. Fearing that this trend would make western Europe more susceptible to communism, Marshall's motives were political. He declared that the purpose of the fund was 'the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist.'[12]

Sixty-five years ago, the governments of both Britain and France leapt at Marshall's offer. At a conference with fourteen other European countries in Paris the following month they agreed a report which set out their requirements, which was then submitted to the United States. European countries agreed to establish the Organisation of European Economic Cooperation to investigate the key obstacles of that era: trade, manpower, and international payments, and to work out ways to boost agricultural and industrial production. The United States government transferred $13bn to the European governments. Just over a quarter of the money – the largest share – went to the United Kingdom, primarily because the country ran a balance of trade surplus with the rest of continental Europe. The UK, and other relatively rich countries in Europe in turn made contributions to the others.

The similarity of the situation in the Middle East today is uncannily similar. Despite immense mineral wealth, Middle Eastern gross domestic product, which was on a par with the global average in 1980, has grown at half the global rate in the intervening thirty years. A lack of freedom has not only impeded economic growth, but it has enabled radical Islamists to gain support by offering a utopian solution similar to that which communists proposed sixty years ago. Western governments have ended up supporting stable autocrats rather than promoting unpredictable democracy.

The popular uprisings so far this year show that such apprehensions were misplaced. The world's largest economies, the G20, should seize the moment and, in the spirit of George Marshall, make a similar open offer of money to all the countries of the Middle East to help them complete the fundamental changes they have tentatively begun to make. Marshall-type assistance would enable the Middle East to invest in education and training, better infrastructure, irrigation and energy, and to buy raw materials and components. The aim would be to prime an economic revival that would lead to a lasting improvement in living standards, and greater freedom. The condition of acceptance must be the same that Marshall imposed. The recipients must put aside old enmities and transcend religious and ethnic differences to cooperate more closely among themselves. Israel and the Palestinian Territories, for example, should join with their neighbours to decide which are their greatest shared challenges. Throughout history, trade has brought seemingly irreconcilable enemies together. If that was possible sixty-five years ago in war-torn Europe, it is just as feasible in the Middle East today.

12 George C. Marshall, '"Against Hunger, Poverty, Desperation and Chaos": The Harvard Address', Foreign Affairs, vol. 76, no. 3, May-June 1997, pp 160-61.

Arab efforts to establish closer trading links have so far seen limited success. Although, when the Arab League was established in 1945, two years before Marshall made his famous offer, its members committed themselves to closer cooperation in economic and financial matters, progress has been very limited. Three months after the Treaty of Rome was signed in 1957, the League approved an agreement on Arab economic unity, but the Middle Eastern common market that it envisaged was never realised, although the coordinating Council it established still exists. In 1997 the League tried again, establishing a Greater Arab Free Trade Area. Although surveys show that businesses generally believe that they have benefited from the agreement, statistics published by the World Trade Organisation reveal how limited its effect has been. Today, just 15 per cent of Middle Eastern trade is intra-regional – compared to about 75 per cent in Europe.[13] Even when oil is excluded, the percentage of intra-regional trade in the GAFTA area remains below 25 per cent. Part of the problem is that many countries protect sectors like retail and real estate, and there are numerous non-tariff barriers, like the food labelling requirements imposed by GCC countries, and widespread laws that restrict foreign ownership or give ministers and officials undue discretionary powers to decide whether or not a company can enter a specific sector.

In the meantime, smaller groups of states have tried to establish more workable arrangements. The Gulf Cooperation Council (which was primarily a reaction to the outbreak of the Iran-Iraq war) was set up in 1981 and included among its objectives a free trade area and a customs union, which sets a common tariff of 5 per cent on all imports from beyond the GCC. The group plans to liberalise the movement of capital, services and people in the coming years. Across the region the Agadir Agreement of 2004 established a free-trade area between Egypt, Jordan, Morocco and Tunisia.

In a world in which first globalisation and now a global financial crisis has revealed the limitations of national governments, greater international cooperation through supranational institutions like the World Trade Organisation must be the model for the future. With 153 existing national members the WTO, which was founded in 1995, represents the most robust institution through which to pursue greater progress towards free trade. Turkey, and eleven MENA states are already members and seven more have observer status, the first stage towards membership. The current director general of the WTO, Pascal Lamy, has said that expanding developing country membership is his priority, and the absorption of the observer countries (Algeria, Iran, Iraq, Lebanon, Libya, Syria and Yemen) not only fits with this approach but, in the circumstances, should take precedence. With its established mechanisms to govern free trade and resolve disputes the WTO can provide the infrastructure of governance that Middle Eastern free trade initiatives have so far lacked, and membership will better integrate the region into global trade.

[13] *Hoekman, B., Zarrouk, J., 'Changes in Cross-Border Trade Costs in the Pan-Arab Free Trade Area, 2001-2008', World Bank Policy Research Working Paper 5031, August 2009.*

TURKEY IS THE PRIMARY DYNAMO FOR FUTURE REGIONAL GROWTH

Just as, in 1947 the United States looked to the United Kingdom to kick-start European trade, today the G20 should channel assistance through their two strongest members in the region: Turkey, as well as Saudi Arabia. Turkey in particular, is well placed to help the economic revival of the Middle East. As the region's largest economy, it is an important and fast-growing market for neighbouring countries, with which it generally runs trade surpluses, which are the legacy of five hundred years of influence in the region. Notably, it is the common trading link between sworn enemies like Iran and Israel. The aim would not be to pay money to countries, like the wealthy GCC states, that do not need it. As with the Marshall Plan, aid would be provided by a mixture of external help, and transfers from the richer regional states to their poorer counterparts. The priority would be to provide assistance to low and medium income countries in the region: that is to say those countries with per capita Gross National Income of less than 120 per cent of the regional average, or about $10,000 a year.

Table 2: Potential Marshall Plan participants

Country	WTO status	GNI per capita, $, Atlas method
Algeria	Observer	4,420
Bahrain	Member	25,420
Egypt	Member	2,070
Iran	Observer	4,530
Iraq	Observer	2,210
Israel	Member	25,790
Jordan	Member	3,980
Kuwait	Member	43,930
Lebanon	Member	8,060
Libya	Observer	12,020
Oman	Member	17,890
Palestinian Terr.	Non-member	---
Qatar	Member	67,000*
Saudi Arabia	Member	17,770
Syria	Observer	2,420
Tunisia	Member	3,720
Turkey	Member	8,720
UAE	Member	26,210**
Yemen	Observer	1,060

Source: World Bank, 2009 figures
**World Bank estimate, **2004 figure*

At a time when relations between Turkey and other western nations are strained because of the stagnation of talks over the country's accession to the European Union, a policy of helping the Middle East through its strongest regional power would also be a way to reinvent a fundamental friendship. Boosting Turkey's ability to invest in the poorest countries in the Middle East would be a first step to generating greater prosperity across the region. Turkey, which grew faster than any other European economy in 2010, is also an excellent example of what change makes possible. Radical economic reforms, including banking reform, the liberalisation of the agricultural, energy and aviation sectors, and cuts in public spending, which were triggered by the crisis that took place exactly ten years ago, have curbed inflation and stabilised the lira. Turkey also shows how democracy, rising prosperity and Islamic identity are not mutually exclusive. Increasingly the country is regarded as a blueprint for other countries in the region.

In recent years the Turkish government has concluded a series of bilateral free trade agreements with other Middle Eastern countries that have revolutionised the character of its trade. Free trade deals with Egypt, Morocco, Tunisia and Israel have paved the way for greater trade between the country and the Middle East North Africa region, and following a quadrilateral meeting in June last year with the neighbouring Jordanian, Lebanese and Syrian governments, the Turkish government has lifted the visa requirements for visitors from those countries. Similar waivers have been granted to citizens of Iran and Yemen. The move makes possible free movement that has not been easy since the European powers drew up the borders of the region at the end of the First World War.

Turkey's decision to remove visa restrictions on Iraqis is one of a series of diplomatic measures that have helped double trade in just two years, to about $6 billion in 2010, and sparked rapid regeneration in northern Iraq, where most Turkish commercial relationships are concentrated.[14] It helps explain why Turkey is so popular with its neighbour. The Turkish prime minister was recently the first foreigner to speak in the Iraqi parliament, and the first Sunni prime minister to visit the sacred Shiite shrine of Imam Ali, where he met Ayatollah Ali al-Sistani. It shows how links forged through trade can bridge even this ancient sectarian divide.

Turkey is also now working to address the other major stumbling block to trade – the poor financial services of the region. Recently Turkish Central Bank hosted a meeting of central bankers and private bankers from Lebanon, Syria, Jordan and Turkey, which agreed the need for further cooperation between them in the future as an important preliminary step to establishing a regional common market.

The opportunities that Turkey has created for itself have significantly altered the character of its trade. While Turkey's trade with Europe has fallen, from 50 per cent to 43 per cent in the past five years, trade with the Middle East North Africa region has rocketed. Twenty-five per cent of Turkey's trade is now with MENA.[15] Turkey's reduced dependence on trade with the badly-recession hit economies of Europe has helped ensure that it has maintained strong growth. A GDP increase of about 4.5 per cent is expected this year.[16]

So far, however, Turkey and Saudi Arabia have yet to sign a free trade deal that would liberalise commerce between these two economies, which are the largest in the region. Talks between Turkey and the wider GCC have foundered over concerns about steel dumping. If outside help is to be effective, this issue must be resolved so that the two largest economies of the region can trade freely with each other, setting up a dynamic environment for mutually beneficial economic growth that other nations in the region can join once they are part of the WTO.

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14 *New York Times, 'Resurgent Turkey flexes its muscles around Iraq', 5 January 2011.*
15 *Fadi Hakura, 'Turkey as a rising power: ambitions and prospects', at St Antony's College,Oxford, 4 March 2011.*
16 *Reuters, 'World Bank sees Turkey 2011 growth around 4-5 pct', 6 April 2011.*

Turkish trade in the Middle East, 2009

	€m **Exports**	**Imports**	**Total trade**	**Balance**
Iraq	3,685	678	4,363	3,007
UAE	2,086	473	2,560	1,613
Egypt	1,902	459	2,360	1,443
Libya	1,288	292	1,579	996
Syria	1,019	233	1,251	786
Lebanon	491	78	569	413
Israel	1,096	773	1,868	323
Jordan	325	14	339	311
Tunisia	458	164	622	294
Yemen	275	-	275	275
Qatar	210	61	271	149
Kuwait	220	129	281	91
Saudi Arabia	1,269	1,213	2,483	56
Algeria	1,288	1,467	2,755	- 179
Iran	1,451	2,429	3,880	- 978
Trade with World	72,732	99,754	172,488	- 27,022

Source: European Union/IMF

The Turkish government is also showing that it appreciates that the old nation-state model cannot effectively deal with the trans-national challenges that confront the Middle East. International cooperation is required to deal with the most pressing issues, in particular, the unequal distribution of scarce resources, most crucially energy and water. Turkey has established good relations with Iran and Russia, which together supply about eighty per cent of the country's natural gas requirements. Turkey and Syria recently agreed a friendship dam on the Orontes river, which will conserve water for irrigation and generate hydro-electric power for both countries. There needs to be a meeting – like that which Marshall's offer triggered in 1947 – which enables countries across the Middle East to identify these specific problems, and start to establish trans-national commissions to address them.

THE ESTABLISHMENT OF A MIDDLE EAST ECONOMIC COMMUNITY

As a businessman working in the Middle East, and especially in Iraq, I know that this plan is deeply challenging, but I believe that it can be accomplished to the benefit of everyone. The nations of the region have used their borders to block out international competition and foreign influence, using strategies that have left their people impoverished in the process. But the availability and cheapness of mobile communications in the present day mean that it is no longer possible to exclude the outside world. People across the Middle East are demanding change, and if governments do not respond to them generously, the consequences will be violent and profound. The task ahead is forbidding, but it is one that Turkey has attempted and successfully overcome, in the space of a decade. Today a renewed Turkey is trading with a free Iraq, using commerce to overcome national boundaries and old ethnic tensions in a way that encourages prosperity and lasting peace.

To expand this dynamic across the region, I propose five steps.

1. Working through its two regional members, Turkey and Saudi Arabia, the G20 should make a grand offer of financial help to any country of the Middle East, contingent on their liberalising trade in goods and services, and making trade and business rules transparent.

2. The countries who are interested in taking up the offer should meet to agree what assistance they will need, and to establish a guiding body to review requirements and progress regularly.

3. The World Trade Organisation should take advantage of the 'Arab Spring' to energise efforts to absorb its observer members across the Middle East into the trade organisation, which has the infrastructure to provide the necessary transnational governance to enforce freer trade.

4. Turkey and Saudi Arabia should negotiate a free trade agreement that is designed to supersede the bilateral trading relationships that have confined trade within the region. This would lay the basis for a multi-lateral, free trade zone, governed by WTO rules and open to all WTO signatories in the region to join.

5. Turkey and Israel must take steps to restore their historic relationship, which can serve as a catalyst for improved political and economic relations across the region as a whole.

THE AUTHOR

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