



## BEIRUT INSTITUTE SUMMIT

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### HIGHLIGHTS FROM SESSIONS

#### **Session**

The New Contract between the Region's Governments and Peoples

The stewards of natural endowments face a radically transforming challenge: How to optimize the value of their resources to strengthen the long-term resilience of their economies in the context of rapidly evolving global energy markets? What role can and must privatization play? What will the next generation inherit?

#### **Date**

Sunday | May 13, 2018

#### **Duration**

43 minutes

#### [Session Video](#)

#### [Panelist Profiles](#)

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Moderator:

- Hassan Fattah, Communications Consultant, Former Editor-in-Chief of The National

Panelists:

- Dr. Qiang Liu, Secretary-General, Global Forum on Energy Security, China
- Dr. Louis Blin, Center for Analysis, Planning and Strategy, French Ministry of Foreign Affairs, France
- Ambassador Thomas Fletcher, Professor, New York University, UK
- Mohamed Alem, Senior Partner, Alem & Associates Board Member, Beirut Institute, Lebanon
- Ahmed el-Gaili, Managing Partner, Vinson & Elkins LLP, Advisory Board Member, Beirut Institute, UAE

## Ahmed el-Gaili

We can't speak of a single unitary Arab social contract. So, we will be speaking in stylized facts, because we are talking about a region of 22 countries with very different social and political drivers in each one of them... The traditional Arab social contract consisted of the state as the primary provider. It is the primary provider of jobs - most societies expect that students will graduate college and get a job in the public sector. It is the primary provider of health and education - invariably there was a promise and a reciprocal expectation that the state will provide free health and education, and the state was also the subsidizer of food and fuel. Across the region, that was the social contract in exchange for the certain social and political rights that were agreed between governments and populations. In the Gulf and in the oil rich countries, that was even more pronounced and it is not a surprise that it is an Arab who co-authored the book on the 'Rentier State' "الاقتصاد الريعي" - the idea that economies are deriving vast majority of their resources from rents from natural resources. Typically and importantly, the state is the collector of these rents, and simultaneously the distributor of those rents. So that unique role for the state in those economies translated into a very specific relationship - where the general populace look to the state as the main driver of economic policy of employment and of the entire flow of cash through the system.

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Before we go around trying to select which models to follow, we need to understand what the drivers of change that we are dealing with are. If you look at the status quo social contract and why it is not sustainable, you will see that it is subject to a serious demographic challenge. Populations are exploding, especially the younger populations. That is increasing the demand on the state, and the state is simply unable to meet those demands. In parallel to that, on the revenue side of the story until recently, oil prices were extremely low. So, the ability to meet these demands has been challenged. Fortunately, in this part of the world, that was coupled with leadership that had the political will to implement difficult changes. The change here is very different than the changes we had in the last oil cycle, because it's not just a question of oil prices getting low and they're just going to go back up. I think there is finally an appreciation that there is a structural shift in the economy, that in so far as the energy side of the story is concerned, one- the era of high oil prices is over whether it's function of shell oil or other technological advances. Two- that oil, by definition, is a finite resource and whether we are going to reach less oil because it's running out -unlikely. But more likely, we are going to reach a singularity in another new technology. Whether it's cold fusion or more likely the third driver which are renewables. Renewables have reached in some part of the world, including in the UAE, parity in price with fossil fuel in the provision of electricity. So, all of that is not only changing the sources of income for the governments, but it's also changing the role of the private sector and the population.

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It would be naïve to talk about economics without politics, and hence we talk about political economy. I think that is the driver for change. And that is why for a very long time, what is economically sensible, but what wasn't politically sensible, wasn't done. That is why you ended up with economies with chronic problems.

## Mohamed Alem

There are several drivers for change, but essentially I would look into the short history – we can't talk of a specific pattern where we can equalize all Arab countries. You have republics, constitutional monarchies, monarchies, and different kinds of regimes that constitute the foundations of how people and the state communicate.

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Countries that are part of the Arab Spring have made some changes, successfully sometimes, some other times less successfully. Tunis and Egypt had amazing two experiences - both in Tunis and Egypt there was a new constitution 2014, where it was redefined in terms of broad sense what would be the items that have to be there and what should be out. In Libya, unfortunately, this has not yielded yet. But we can see that the movement and the requirements in other places such as Saudi Arabia, and because of the will of the new political leadership, certain transparencies will come for the first time into this type of sector, which would also require a specific arrangement between people and government. So we will see how it develops, it's getting to be extremely interesting.

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The game plan will vary from one place to another. It is foreseeable that in certain countries of the Arab world we will see unrest again. Because trying to interpret the 2011 movement, it is just the beginning of a lot of things to happen. Some other countries have found a way to stabilize themselves and make sure that what we refer to as the social contract is revised, updated, and to the satisfaction of their population.

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Re-defining ownership is extremely important and it has to be entrenched in the rights of the people. But how you will manage this...for example the IPO of Saudi Aramco is a huge push forward toward transparency, knowledge, reserves, management, number – which was not the case a few years ago. This type of instrument, though it looks very easy and doable, takes a lot of work...once this is managed, we need to know what is being done with the remaining of the funds out of those resources. The UAE is an excellent example of a very wise plan investing in all sorts of even renewable energies around the world.

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## Thomas Fletcher

What we are seeing in the Middle East is increasingly related to the renegotiation of the social contract more widely in the world, and I think that everyone in power or everyone trying to get into power is seeing how rapidly that's shifting. On three fronts, this huge challenge to trust in institutions and hierarchies and traditional sources of authority. An increasing desire particularly among young people to challenge this lack of opportunity, this increasing inequality that people are seeing particularly since the financial crisis in 2008-2009. And the third one, which is more existential, alongside a political and economic trend – technology. We all know that the smart phone is going to change the world faster than the internet did. We will go from the equivalent of cave paintings to the atom bomb in a 100 years. It took us 43 centuries to get here, it will take us a century to get the same way up the curve.

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The Arab spring has become almost a swear word in the region. It has become associated with the rise of extremism. Clearly, many of us overestimated how quickly the Arab spring could change the region. I used to go around in 2011 in Beirut saying something which now sounds stupid, which was that the most powerful weapon in the Middle East was not Assad's barrel bombs, but the smart phone. That hasn't stood the test of the last 6 or 7 years, but I do believe that in the long-run, it will prove more powerful.

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In Arab spring, we tend to forget that people were asking for three things: security, justice, and opportunity. And we mustn't lose sight of the opportunity bit of that triangle. We found in the launch of the Arab Youth Survey last week, young people across the region saying "why can't we have the same opportunities that we can now see everyone else having?". And if we get back to that, let's not call it the Arab Spring with all the negative associations that has, but let's try and re-establish a social contract based on opportunity.

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There won't be one country here that can provide the perfect model for the region. The region will have to find its own models. I was just in Norway, and I feel particularly struck by the way in which they are making a long term investment in education. What is clear is that across the region at the moment, not just the millions of kids are out of school in the Arab world, but millions who are in school are learning the wrong things in the wrong way. What the Norwegians have worked out is that you need to invest not just in knowledge, but in skills and character. Not just in the head, but in the hand and the heart. Those are the skills that this next generation of Arab youth will need – adaptability, curiosity, creativity, resilience – if they are to ensure the robots work for them and they don't work for the robots.

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One area where I feel optimistic is around accountability through digital means...In countries with populations under ten million, populations where there is increasing internet penetration, and where there is more of a culture of respect in politics, it's easier to almost jump to a more sophisticated form of digital accountability than it would be in a country of sixty million. You could find a digital majlis through which governments can be held to account in ways that in the west we are not yet able to hold governments to account. And I think that is quite exciting!

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I think if you ask young people across the region what they think of the approach of governments to a social contract, they would say it would be a very good idea. The single easiest thing to change that would release huge energy into the public dialogue would be to signal from the top of governments across the region that there is a willingness to engage the public in this discussion, that willingness to reach out and encourage and challenge ideas and creativity. The rest is more difficult but that's an easy signal to send.

## Louis Blin

The social contract is changing, but this change has to deal with politics, economics, demography and culture. So it's a whole process which takes time. Of course, now it's speeding up because of the change in the politics. In the Gulf, there are two regions which are ahead of the rest – Bahrain and Dubai. These two places began to witness huge changes, and they are becoming a place not only visited by Arabs, but the whole world.

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There is among the whole Middle East something called Al Khaleej Digitization. As we have in Europe, Americanization. Al Khaleej Digitization is something coming from these changes. The social change we are witnessing is something not only coming from upside down, but the bottom up. The culture is changing.

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In order to see change happening, people would have to behave according to their own culture. It's not only letting the ghutra and wearing a baseball cap, it's something which has to do with someone who feels at ease with himself and who is an actor of the social change, and not only someone who waits for it.

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The whole problem to be solved is how to make not an Arab robot, but a robot which is the right one for the new Arab world. I believe that there will not be any post-oil era in this part of the world before post-oil culture.

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The cultural revolution has spread all over the Arab world, even in Saudi Arabia. Meaning that people are evolving, and contrary to much of the readings, it's not the political leadership which drives the people. They have to adapt. People are now adapting and are much more aware than before that they are connected and that they have their say in various ways.

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The whole region is at a loss. At least the Gulf is about the last Arab domino standing on the table after all these tragedies in Syria and Iraq, and problems in Egypt. Even if what we witness is not fully what we hoped for, we have to support it because it's the last chance for not only the population here, not only for all the Arabs, but also the relation between Arabs and ourselves in the West.

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The game plan is participation. It has to do with sharing power. Beginning by the family and between genders. And next, we have to switch from a culture where work is done by others, to a culture of 'my work makes myself'.

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It takes time to build a state, it takes even more time to build a nation state. It takes time as well to build the society, it takes more time to build civil society. What is social change about? It's about building nation state with a real, genuine civil society. The hard task ahead of us is to build intermediate bodies between the governments and people.

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Good governance means not to leave anybody marginalized. It's very complicated. We do not pretend the west to have solved it, but that's the important thing. Because if people or groups feel marginalized, there becomes political violence and ugly things.

**Qiang Liu**

China is always a very good example for any social idea.

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The social contract in eastern china is the idea that the farmland belongs to the farmers, but the resources belong to the emperor. This idea lasted almost two thousand years in China.

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What's the benefit from resources? How to allocate it and how to share it is a very big issue. In China, the resources still belong to the government. We say it belongs to the state, but it's allocated by the government. This causes many problems. The problem is that our workers, our families, and our farmer families spend most of their time at work, but get less. The state owned companies work less, but get more. We need to have a better model to have an equal share of the benefits from resources.

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We have many problems in China, such as environmental pollution, social conflicts, and unemployment.

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The most important thing is self-organization inside society. If you are only a single man, alone we always disappear... To what extent can the government accept these self-organizations? No conflicts, staying together, and talking.

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