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# American and European Responses to the Arab Spring: What's the Big Idea?

The Arab countries straddle the lifelines of world trade. They link Europe to Asia and, with Iran, surround the Persian Gulf—home to some 54 percent of global oil reserves. The region's many international and domestic disputes, as well as restraints on political expression and human rights, have spawned extremism. In turn, the region's endemic instability—or perceived risk of instability—has provided cover for some of the world's most authoritarian and corrupt regimes. Until the turn of this year, the Arab countries had almost uniformly resisted the process of democratization that swept up other regions in recent decades.

The series of popular revolts known as the Arab Spring, which began in Tunisia in the last weeks of 2010, has already wrought more change in six months than the region had seen in almost 60 years—and there is more to come. Whether or not the Arab peoples' aspirations for dignity and voice are fulfilled, and how smoothly transitions to democracy proceed, are not just great moral questions—they will also determine the region's stability and its economic prospects for decades to come. At the same time, getting on a path of sound economic growth will greatly enhance the chances that transitions to democracy succeed.

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Europe and the world's most oil-dependent countries (including China, India, Japan, and the United States) will be profoundly affected by the outcome. The Arab countries' future will have far-reaching security implications which will help determine global defense expenditures—already large and increasingly unaffordable—especially in the United States and Europe. The transitions now underway in Arab countries represent a unique moment. Unfortunately, the United States and Europe are in danger of making an historic mistake by failing to engage Egypt and Tunisia in particular in a compelling way. If they can succeed in doing so, those engagements can provide a template for engagement with other Arab countries as the region moves from civil strife to political transition.

How can Europe and the United States support democratic transitions in a way that is acceptable to the Arab countries, effective in inducing genuine change, and affordable at a time when both continents are confronting fiscal crises? The best instruments available are enhanced trade agreements that not only promote market access, but even more importantly maximize competitiveness-enhancing and job-promoting reforms in the Arab countries. The pre-uprising Western policies—pressing recalcitrant Arab leaders to undertake top-down political reforms while building civil society capacity to generate bottom-up demand—have been overtaken by events in at least a significant minority of countries. There is now an explicit commitment to democratize, deeply-rooted in the general will of the people. The question is not whether, but *how* to do it.

The best instruments available are enhanced trade agreements.

Analogous to the process that successfully drew the formerly planned economies of Eastern Europe to liberal democracy, what is needed is a new and compelling vision for closer and more equitable economic relations both among Arab countries and between them and the trans-Atlantic community. Reflecting the global interest in successful transitions, the initiative should also mobilize assistance from large oil-importing countries outside of Europe and the United States. It should also draw on help from Saudi Arabia and the other Gulf States which, though clearly ambivalent about the democratic transitions in their Arab neighbors, have a vital interest in their growth and stability. To these ends, new trade agreements should be far deeper and more comprehensive than those currently in force and contain many of the elements included in Eastern European countries' accession agreements, including a bold multi-year trade assistance initiative designed to bolster competitiveness and the role of the private sector in the Arab countries.

## U.S. and European Response to Date

The responses of the United States and Europe to the revolutions in Egypt and Tunisia have thus far been extremely modest. While President Obama and European leaders have rhetorically backed the Egyptian and Tunisian people's overthrow of authoritarian leaders in favor of transitions to democracy, more concrete expressions of support have been lacking. Constrained domestically by economic recession, budget crises, and a general mood of fatigue with the extensive international engagement and military adventures of the post-September 11 decade—not to mention uncertainty about the turn that events in the Arab countries will take—the West has offered only partial debt relief, loans, emergency relief aid, and some small enterprise funds. As U.S. Senator Joseph Lieberman (I-CT) said in a speech on July 22, "[I]n the current political climate, billions of dollars of new bilateral assistance are not likely to be flowing from the U.S. Treasury to Cairo for the foreseeable future."[1]

Although the G8 countries made what sounded like an impressive pledge at the May 2011 Deauville summit of $20 billion in assistance (first for Egypt and Tunisia, but it could also go to other Arab countries in transition) from multilateral development banks in addition to bilateral help,[2] the assistance offered so far is both the wrong sort of help (stressing aid, not trade) and of entirely the wrong scale. Moreover, European and U.S. assistance has taken the form of piecemeal initiatives falling short of the comprehensive, coordinated strategy that is required to mobilize an effective response to the region's economic challenges.

President Obama acknowledged in a May 19, 2011 speech that the Arab uprisings were driven at least in part by economic grievances, and proposed a U.S. assistance strategy "based on ensuring financial stability, promoting reform, and integrating competitive markets with each other and the global economy."[3] Secretary of State Hillary Clinton had already offered $150 million in emergency aid to Egypt during a February visit to Cairo, drawing on unspent monies from past years to supplement the standard annual package of $1.3 billion in military assistance and $250 million in economic assistance.[4] In the May speech, Obama offered Egypt a highly conditional $1 billion in debt swaps, out of total debt to the United States of more than $3 billion.[5]

Meanwhile, the Export–Import Bank of the United States has allocated $80 million to insure Egyptian letters of credit,[6] while the Overseas Private Investment Corporation (OPIC) has pledged to provide increased guarantees of U.S. private investment in the Middle East and North Africa.[7] In Congress, a bipartisan bill sponsored by U.S. senators John Kerry (D-MA), John McCain (R-AZ), and Lieberman aims to establish an enterprise fund to promote entrepreneurial ventures in Egypt and Tunisia. The enterprise funds, based on models implemented successfully in liberalizing former Soviet countries, would leverage an initial start-up reservoir of $80 million in reprogrammed assistance funds from the U.S. government to attract several times that amount in investments from the U.S. private sector.[8] Bearing in mind that the GDP of Egypt alone was $250 billion in 2010, these initiatives, well intentioned as they are, only scratch the surface.

New U.S. economic support to Tunisia (which has a population of roughly 10 million compared to more than 80 million in Egypt) has been much smaller. Immediately following the flight of President Zine El Abidine Ben Ali in January 2011, the U.S. Agency for International Development (USAID) delivered $50,000 of disaster assistance, immediately providing limited quantities of needed goods.[9] Since then, USAID has provided another $7 million in assistance, with $2 million in transition initiatives and $5 million in complex crisis funds, which together have supported new groups that seek to participate in the democratic process and build confidence in the transitional government.[10] The Middle East Partnership Initiative has added another $20 million to support civil and political society and enable economic reform.[11] Tunisia has received approximately $5 million in additional complex crisis funding as a result of the situation in Libya, primarily for medical care and food procurement for refugees. These funds, although a boon to some producers and merchants in Tunisia, are not projected to support sustainable development.[12]

European assistance to Egypt and Tunisia has been similarly inadequate so far. The European Bank for Reconstruction and Development (EBRD) has declared its intention to invest up to $3.5 billion annually in the region,[13] constituting loans to private enterprises and the purchase of equity stakes when and if opportunities arise. Though the European Union has allocated an additional $1.75 billion in development aid to expand its European Neighborhood Policy (ENP),[14] that amount applies to former Soviet republics as well as to the Arab countries and Israel. The European Investment Bank is also planning an expansion of its activities in the transition countries.[15]

In terms of bilateral European assistance, the United Kingdom has pledged $180 million in assistance to support democratic transitions in Egypt, Tunisia, and other Arab countries undergoing reform,[16] while Germany has agreed to cancel roughly $350 million in Egyptian debt[17] (out of a total debt to Europe of more than $9 billion),[18] and France has offered $260 million in loans to Tunisia.[19]

Arab Gulf states including Saudi Arabia, Qatar, and the United Arab Emirates have made much more impressive pledges, totaling nearly $18 billion for aid to Egypt while refusing to commit to specific amounts for Tunisia.[20] These governments have a long history of delivering far less than they promise, however, and their aid might well come with various political strings attached.

Although Gulf States have a good reason for wanting to foster stability in Egypt and Tunisia, they may see democratic transitions in any Arab country as an implicit challenge to their own legitimacy, so they should not be expected to share Western enthusiasm for the creation of strong democracies.

The good news is that it is not too late for a more significant international response. The Tunisian and Egyptian transitions are still groping their way toward a new political and economic paradigm. But a year from now, it might be too late to avoid the negative—even potentially disastrous—consequences of failing to engage effectively. The risk is especially large in Egypt, where a prolonged political transition could well lead to a rudderless economy and a significant deterioration in fragile macroeconomic balances. In a worst-case scenario, a budget crisis could lead to a collapse of confidence in the Egyptian pound, resumption of capital flight, a resort to printing money, and hyperinflation. Panicked Egyptians might then find decisions are taken out of their hands, as the country succumbs again to authoritarianism or resorts to some form of Islamist government.

It is not too late for a more significant international response, but it might be a year from now.

To be sure, Egyptians and Tunisians themselves will to a large degree determine whether or not such dire scenarios will develop, and in any event can only be helped if they want to be. But how Europe and the United States respond to the transition, and the vision they project for how the new democracies will integrate into a new political and economic sphere, could make a big difference to the final outcome.

## Role of Trade Agreements

The Arab countries with the best prospects for democratic transitions are middle-income economies with per-capita incomes two to three times the International Development Association low-income threshold, which qualifies countries for grants or their equivalent in highly-concessional lending. Today, this group includes Egypt and Tunisia. Jordan and, more especially, Morocco also show possible movement toward a constitutional monarchy, although there is little sign of imminent democratization. Down the road, Syria, another middle-income country, could also be engaged fruitfully through trade agreements. Libya, a relatively well-off oil exporter, could certainly benefit from domestic reforms which could immediately follow from accession to the World Trade Organization (WTO), eventually succeeded by deeper regional trade agreements. Iraq already is the subject of extensive international engagement and, like Libya, has the prospect of extensive oil revenues. Yemen is a special case in the region—a desperately poor country with few resources, it will require aid of the more traditional variety, as well as institution-building and continued trade preferences.

Public debt levels in several of these countries are already high by middle-income standards, especially in Egypt where public debt amounts to 74 percent of GDP and Jordan at 61 percent; debt levels are quite high but more moderate in Morocco, 50 percent, and Tunisia, 43 percent. Thus, immediate assistance taking the form of large-scale lending at near-market rates, even at the advantageous terms of the multilateral development banks, is both unlikely and undesirable as it would add to debt burdens. Moreover, beyond short-term liquidity needs during the acute phase of the crisis, lack of financing does not appear to be the main problem.[21]

> The region's central challenge is to remedy the absence of a vibrant private sector.

Instead, the region's central challenge is to remedy the absence of a vibrant private sector—one that can compete internationally, create sustainable jobs for the four million young people entering the labor force each year in the Middle East and North Africa, and no longer depend on monopoly or regulatory rents and political connections. Trade agreements can help catalyze this process in at least seven ways, by: expanding access to international markets; fostering a division of labor that enhances efficiency; increasing competition in domestic markets and spurring productivity; opening the door to increased foreign direct investment; undertaking measures which improve trade logistics and facilitate trade more generally; incorporating trade-related financing and assistance; and, last but most important, spurring domestic reforms and investments that improve the country's business climate.

Arab countries more broadly could clearly be engaging in significantly more trade, both within and outside the region. Using gravity models, which predict countries' trade flows as a function of their economic size and distance from each other, as well as other variables such as common language, a 2005 study concluded that the volume of trade between the European Union and the Middle East/North Africa (MENA) could be 3.5 to four times larger if both regions were to reach the EU's level of integration.[22] Intra-regional trade is also very poor. Other studies reach similar conclusions: trade between the European Union and the MENA region is low compared to its theoretical potential, determined by ties between the European Union and its Eastern European neighbors, and intra-regional trade is lower relative to its potential than that of almost any other region.[23]

Several studies also suggest that the Arab countries' extensive trade agreements reached during the 1990s and early 2000s with the European Union, the region's most important trading partner, have by and large failed to deliver on their promises. For example, a 2004 study concluded that the MENA region is an "underachiever," falling short of its potential in trade with the European Union and Eastern European countries.[24] From 1997 to 2007, trade between the European Union and Arab countries grew by less than trade between Arab countries and the rest of the world, despite the agreements. Trade among Arab countries has grown even less rapidly than with the rest of the world.

The Arab countries, European Union, and United States need to learn the lessons from these disappointments to promote more effective trade relations. To be sure, the intention is not to claim that past trade agreements are uniquely to blame, or that future ones are the panacea for the region's problems—Arab countries are responsible for their own development. As the case of Europe's Eastern neighbors makes clear, however, well-structured trade agreements can make a big difference, not least by helping to create conditions that encourage countries in transition to undertake appropriate reforms.

## Pillars of Effective Engagement

A new regional integration strategy should set a much higher level of ambition, one commensurate with the magnitude of the change brought about by the Arab Spring. An initiative based on marginal change, as currently contemplated in Brussels, may succeed in increasing quotas on EU imports of fruits and vegetables in return for improved phytosanitary standards in Egypt, but is not going to be transformational. It would be a small step in the right direction, but it is pitifully inadequate as an effective response in support of the democratic transition. Instead, the new regional integration strategy should include as many elements of the Eastern European accession treaties as possible, while recognizing the obvious differences between the two cases. It should also build ambitiously on the following four principles:

***Global Interest:*** While the European Union's geographic proximity as well as historical and economic ties to the Arab world give it a unique role in the region, the United States also has a clear interest in the success of the Arab Spring, as do many large oil importers such as China, India, and Japan. The Gulf countries also have a vital stake in the stability of their Arab neighbors and should be persuaded to support countries in transition, not undermine them. European–American coordination to ensure that the Arab Spring succeeds will be at the heart of any initiative, but they should also invite other interested parties to join.

***Self-Help:*** The single most important factor is what the transition countries do themselves; their domestic reforms will ultimately determine regional success or failure. Though changes in market access and trade rules are essential, the needed reforms are much broader—from establishing new business and labor laws to more transparent public procurement and better investor protection to tougher sanitary standards. Though trade agreements can spur these changes, they clearly must be country-driven.

***Reciprocity:*** To incentivize these reforms—as well as gain increased and more predictable access to Arab markets, foster the region's security and therefore their own, reduce the likelihood of large disruptions in oil markets, and avoid periodic waves of refugees clamoring for help—the European Union and the United States as well as other interested parties must offer concrete incentives (listed below) in return for changes in the Arab countries.

***Arab Regionalism:*** The economies of Arab countries currently are not complementary, which hinders regional integration more than trade barriers among them or poor transport links do. However, as occurred in Eastern Europe, the assumption must be that, if reforms succeed, diversification of the Arab economies will be enhanced, trade will intensify, and economies will become more complementary. Indeed, studies strongly suggest that unaccountable authoritarian regimes tend to be more inclined to use trade protection to curry favor or promote their interests, while democracies tend to be more open to international trade.[25] Thus, while trade with Europe and the United States offers the largest opportunity, especially in the short term, intra-Arab trade must be nurtured as an essential part of the strategy.

## Elements of a New Regional Trade Initiative

Egypt and Tunisia each have association agreements with the European Union, but have no corresponding free trade agreements with the United States, in part because until now, repressive governments in both countries gave the U.S. government pause. For both countries, the European Union as a bloc is the single largest trading partner, but compared with any individual European country, Egypt trades most with the United States—a country which has long provided large amounts of military and economic assistance programs. Nevertheless, none of the current arrangements are sufficient to incentivize the economic policies needed to support sound growth and political transitions.

Crucial aspects of economic reforms include promoting competition in the markets for goods, services, and capital, as well as enhancing transparency and fair-dealing in all aspects of government procurement and regulation. In addition, reform of the bloated civil service and of the subsidies regime will be necessary in Egypt, as they have become wasteful taxes on the public and created enormous distortions, respectively, in labor markets and the pricing of essential commodities such as fuel and food. These wasteful policies need to be replaced by targeted cash transfers to the poorest segments of the population, as successfully practiced in recent years by numerous developing countries, and also by programs to improve infrastructure, education, and health in the poorest and most backward regions.

The European Union should promote a customs union with Egypt and Tunisia, while the United States should work on a parallel track to negotiate free trade agreements with them, with the intention of including more Arab countries as their transitions progress. This should be done in consultation with other large trading partners, including the Gulf countries, which would also be asked to contribute to a new Fund for Trade Facilitation and Competitiveness in the region, and may go as far as to negotiate full-fledged trade agreements of their own. An Arab regional trade coordination council could be established with these goals in mind.

### EU Agreements

The most significant departure, one that lies at the core of the regional trade initiative, will be Arab countries in transition joining the EU customs union over a period of 10 years, following on the successful example of Turkey. This would imply complete free trade in goods and services among these countries and the European Union. The only exception would relate to imports of certain agricultural products, which enjoy large subsidies in the European Union and which the Arab countries will be allowed to protect with countervailing duties or subsidies to be renegotiated over time as the European Union's agricultural subsidy regime evolves. Given the sensitivity of Southern European EU members to agricultural imports from North Africa, such an agreement may require some changes to the Common Agricultural Policy (CAP) in their favor.

The customs union would also imply that Arab countries adopt the European Union's common external tariff, thus substantially lowering their average most favored nation tariffs vis-à-vis the rest of the world. This will also provide an incentive to other large trading partners to support the transition in various ways, as well as reduce trade diversion (the replacement of more efficient trading partners by those given preference by the trade agreement). A customs union would require an agreement on sharing customs revenue but will do away with the need for Rules of Origin certification requirements among its partners. Also part of the agreement would be liberalization of the Arab countries' foreign investment regime to a degree comparable to that of the European Union, allowing all comers to enter the services market, as well as other markets, with a limited negative list.

Arab countries joining the customs union would also be obliged to undertake far-reaching "behind the border reforms," essentially adopting the EU rule book (the *acquis communautaire*)—amounting to thousands of pages of regulations ranging from the protection of property rights to labor, environmental, technical, and sanitary standards—on a scope similar to accession countries, but modified to reflect their less advanced capacity and lower incomes as well as with longer implementation periods. It is essential that the agreements recognize, for example, that some of the environmental and labor standards appropriate for economies with an income per capita of France ($34,000 in 2010) or even of the Czech Republic ($25,000 in 2010) may not be appropriate in Egypt ($6,200 in 2010), or at least may require implementation periods of a decade or two instead of years. In addition to unfettered access to its markets, the European Union would in return establish a generous quota both for the temporary movement of skilled workers and for several categories of unskilled workers based on need.

The European Union should also establish—together with the United States, the Gulf countries, China, Japan, and others—a grant-based regional Fund for Trade Facilitation and Competitiveness, which would be operated by the World Bank in conjunction with other international institutions and major trading partners. The Fund would provide grants, but work to leverage them with private sector investments, including through EBRD vehicles and those of the International Finance Corporation (IFC), to facilitate the growth of private enterprise in the region. It would pay special attention to investment in "backbone" services critical to trade—such as transport, telecommunications, and finance—which are also critical to economy-wide productivity, and promote reforms such as improving the working of customs and standard-setting bodies. The size of assistance should be comparable to the "Structural Funds" made available to the EU accession countries—as argued for in a 2003 study on the EU economic system—in the vicinity of two to three percent of the Arab transition countries' GDP over several years.[26] The Fund's assistance would be conditional on prudent macroeconomic management, democratic governance, and respect for human rights.

### U.S. Agreements

For the vast majority of products, U.S. exports will benefit from the Arab countries in transition adopting the much lower EU external tariff. The United States should also extend its network of free trade agreements—which it has reached previously with Bahrain, Israel, the Palestinian territories, Jordan, Morocco, and Oman—to include Tunisia and Egypt initially, and other Arab countries that enter real transitions to democracy subsequently. Such agreements, particularly if reached in coordination with customs union arrangements with the European Union, offer the prospect of turning Arab countries in North Africa and the Mediterranean into trade hubs between North America and Europe, Asia, and Africa.

U.S. free trade agreements are especially attractive because they tend to be broader and deeper than their European counterparts. The 2006 U.S.–Morocco FTA covers all manufacturers and agricultural products, and reduces barriers for services more comprehensively than Brussels' agreement. The United States has committed to phase out all agricultural tariffs (though schedules differ by product, all tariffs will be phased out over 15 years). The 2001 U.S–Jordan FTA also gradually eliminates tariffs on agricultural products, with very few exceptions, over a 10-year period. In contrast, the EU association agreement with both countries uses a positive list (meaning trade liberalization will occur only in the areas mentioned) and the resulting liberalization is very limited.

**U.S. free trade agreements are especially attractive.**

The United States came close to beginning formal free trade talks with Egypt in late 2005, but the U.S. administration ultimately backed off due to the controversial conviction on forgery charges and sentencing of Ayman Nour, an opposition figure who had run against Hosni Mubarak for the presidency.[27] The sort of reforms that the United States pursued at the time included a reduction in agriculture subsidies, accelerated privatization, tax reforms with incentives for investors, full compliance with the WTO's Customs Valuation Agreement, increased bureaucratic efficiency, and passing new legislation to protect intellectual property rights in addition to implementing the WTO's Trade Related Intellectual Property Rights (TRIPs) agreement, to which Egypt is a signatory.

Because so much time has passed and so much has changed in Egypt since then, it is unlikely that the United States would press for all the same reforms now. Though things may change again, privatization of state industries, for example, is so politically toxic in Egypt that it is unlikely the United States would make it a priority were negotiations to begin today. On the other hand, reforms that the United States could push for today that might be politically attractive to a newly-elected Egyptian government might include increased transparency in government procurement and regulation as well as better investor protection.

## From Obstacles to a Shared Vision

U.S. and European policymakers will have to clear a number of hurdles if they decide to offer significant trade incentives to Arab countries in transition. There is a widespread fear in Europe of armies of skilled and unskilled workers migrating from the south, and southern European states will resist competition from the agricultural produce of North Africa. In the United States, Congress has not empowered President Obama with Trade Promotion Authority (TPA), which is not *absolutely* necessary for trade negotiations, but is helpful because it allows legislation for trade agreements to be approved under expedited procedures. Three important trade agreements (with Colombia, Panama, and South Korea) reached before TPA expired in 2007 have yet to be approved by Congress. Overall, the politics of trade agreements in the United States and Europe is complicated due to the sluggishness of the ongoing economic recovery, high unemployment, and the constraints on spending imposed by the debt overhang in the wake of the global financial crisis.

On the other hand, the good news is that these limitations are not prohibitive. Even if Europe and the United States decide now that they want to pursue free trade with Egypt and Tunisia, it will be at least two years before agreements are ready for legislative action. For one thing, neither Egypt nor Tunisia has an elected government with which to negotiate, and it might well be early or mid-2012 before they do. Even once informal consultations started, there are enough issues to be resolved that it could easily be another six months or more before formal trade talks would be launched. The U.S. Trade Representative generally takes at least a year to reach a free trade agreement, and the European Union often takes far longer. Therefore, it is likely to be autumn 2013 or later before politicians would need to face their legislatures with agreements—long after the 2012 elections in the United States, and perhaps in an improved economic climate.

> An important objective is to create a compelling *vision* for the region's economic transition.

Still, there is much work to be done and benefits to be reaped by getting the initial work started now. After all, an important objective of the new trade initiative is to create a compelling long-term vision for the region's economic transition. Consultations with a broad range of Egyptian and Tunisian officials, politicians, business people, and civil society should be undertaken immediately, before Europe and the United States begin any detailed planning of their own. Egyptians and Tunisians alone will decide the shape that their economies will take and the nature of their future economic relations with Europe and the United States. That will include decisions about their reforms, and whether to accept EU and U.S. frameworks which can create incentives for them.

Any broad vision of future relations must be developed as a shared initiative, with numerous and influential champions in Egypt and Tunisia as well as the United States and Europe. Although it might well take some time, and some ups and downs, before the European Union and United States are able to reach a consensus with regional partners, there will be early benefits for Egypt and Tunisia, particularly by providing encouragement to hesitant domestic and foreign investors that the transitions are moving in the right direction.

Carrying out such consultations and developing a shared vision will be particularly challenging in a volatile political climate in Tunisia and Egypt, characterized by ambivalence about closer ties to both the United States and Europe. Justifiably, national pride is running high, memories of U.S. and European links to deposed dictators are still fresh, and ministers and electoral calendars are changing as frequently as recommended movies on Netflix. The crony capitalists who were past champions of closer relations with the West have been discredited, if not actually prosecuted.

But this is no reason to give up. Transitioning states need to bring their youth into the formal economic sphere. Tunisia needs to generate tens of thousands, and Egypt hundreds of thousands, of new jobs every year for those entering their labor markets. It is hard to imagine how that can happen without policies which encourage both domestic and foreign direct investment as well as invigorate trade relations. Even if some see their economic future built mostly on relations with the Gulf, China, and other nations farther east, a competitive private sector and strong trade relations with the West will be tremendous assets in that effort as well. Turkey is often cited as the example of a "look East" economic strategy, but it should be recalled that Ankara reached its current ability to pursue economic relations with the East due to its engagement with Europe and accepting much of the *acquis*.

It will be important for the United States and Europe to show that reforms which they advocate, such as the rule of law in commercial disputes and greater transparency in government procurement, will help Egyptians and Tunisians in their own efforts to create a more level economic playing field. This can help allay suspicions that increased trade with the West would be a replay of the import license regime and crony capitalism of the past.

Even if engagement offers challenges, Europe and the United States cannot walk away from Tunisia and Egypt. The implications of Egypt in particular—the most populous Arab country—as a failed state or one strongly hostile to the West are painful to contemplate. We must rebuild relations one way or another, and seeking an understanding on freer trade will be more than an important expression of goodwill. It will demonstrate respect for what Egyptians and Tunisians have achieved through their revolutions, show faith in their future, and provide the big idea that can underpin a democratic, peaceful, and prosperous Middle East.

Freer trade can provide the big idea to underpin a democratic, peaceful, and prosperous Middle East.

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