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From: Neera Tanden [redacted]
Sent: Thursday, February 17, 2011 11:54 PM
To: H
Subject: Ideas on Promote Economic Growth in Egypt

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Hi Hillary,

I was at Kris Balderston's swearing in and you both were fabulous and hysterical!

I wrote this column on new ideas to ensure shared economic growth in Egypt - I know, it's kind of off the beaten track for me, but I got a brain wave about lowering trade barriers and creating a private sector initiative for investment, and then for good measure, I hit the Republicans for cutting foreign aid. We sent it to the Hill today and it's getting some good play. I hate to clutter your email, but on the off-chance you find it useful, I'm sending it along.

http://www.americanprogress.org/issues/2011/02/egypt_opportunity.html

Democracy Also Means Opportunity

An Economic Growth Agenda to Foster Democracy in Egypt

Egyptians celebrate in Tahrir Square after President Hosni Mubarak resigned in Cairo, Egypt, on February 11, 2011. The United States can play a critical role in fostering economic growth in Egypt to create jobs and thus more hope for millions of Egyptians.

By Neera Tanden | February 17, 2011

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The economic difficulties facing young, well-educated Tunisians and Egyptians fueled, at least in part, their desire for change and their willingness to risk personal harm to protest their governments. Rising costs coupled with fewer opportunities perhaps sparked the revolutionary change Egypt experienced these past several weeks, but just as economic pressure can destabilize regimes, broad-based, sustainable economic growth can foster stability.

Now is the time to show the world that democratization can mean expanded economic opportunity, too. The enemies of democracy—corruption, despotism, oppression—are enemies of economic growth. In contrast, the values of democracy—openness, transparency, merit, and free movement—propel economic growth. Democratic-led economic growth, however, sometimes needs a push.

We need a new Marshall Plan for Egypt. The United States can play a critical role in fostering economic growth in Egypt to create jobs and thus more hope for millions of Egyptians while also fostering an expanded market of U.S. goods and services. While it is obviously not the role of the United States to tell the Egyptian people what to do, it's critical that the Obama administration develop a multipronged strategy in conjunction with the private sector to promote a rapid growth and investment agenda for Egypt that forms a true partnership with the country.

A strategic growth agenda by the United States and allies can have a real impact. Egypt's entire gross domestic product in 2009—the sum total of all goods and services produced in the country that year—was a quarter of the state domestic product of Illinois. And Egypt's young, well-educated, and eager workforce is ripe for the kind of growth-oriented economic policies the United States can help them craft—policies that build on the democratic values the Egyptians embraced in Tahrir Square.

There are three overarching steps the Obama administration and Congress should consider swiftly. First, our trade policies should reflect a pro-democracy agenda. As part of an initiative to foster economic growth in Egypt, the United States should lower barriers to trade, which will expand Egypt's export sector and create jobs. This is not a heavy lift. Currently our trade policies toward Egypt already reflect our foreign policy interests.

The United States today permits products to be imported from Egypt without tariffs if they have been produced by factories registered in so-called "Qualified Industrial Zones," which are regional trade zones that have lower trade barriers, and if 10.5 percent of the inputs of these products originate from Israel. This policy was initiated as a means of promoting peace in the Middle East—a worthy goal then and an even more worthy goal today.

We therefore should expand these Industrial Zones to cover more of Egypt itself and create a broader policy of reducing tariffs in half for those countries in the Middle East and in North Africa that move toward democracy and continue to support existing peace agreements such as the Camp David Accord. Fostering a real democracy in Egypt is such a critical national security objective that we should be at least as supportive of that goal in our trade policies.

Second, as my colleague John Norris details in another column today, we should increase U.S. aid to Egypt and focus those increases toward fostering economic growth. Currently we send roughly \$2 billion to Egypt annually, but a substantial portion of that aid is to support its military. We should substantially increase funds over the next two years in development arenas that promote private investment in job growth.

Specifically, we should increase the \$250 million in economic support we currently provide through the Economic Support Fund. These new funds should go toward direct economic assistance to support entrepreneurs as well as existing public- and private-sector companies to encourage both business startups and business expansion.

This is why Republicans in the House of Representatives should abandon their plans to slash the foreign aid budget. While they are not touching the foreign military assistance for Egypt, they are cutting the Economic Support Fund by 10 percent, which would translate into a \$25 million cut to Egypt's economic assistance. If the House Republicans have their way, it would mean that just as Egypt moves toward democracy, American foreign aid, which was a running spigot during the previous regime, would dry up.

That is a message only Al Qaeda would love. We should be expanding economic support for Egypt right now, not reducing our support.

Finally, the private sector has a role to play. Large-scale philanthropies such as the Clinton Global Initiative, which have real credibility in the developing world, should organize the private sector for a rapid investment plan in Egypt. A coalition of businesses should be harnessed—businesses that do not represent one country or even one continent—to increase their current investments or start new investments in Egypt, with an eye towards creating new opportunities for the people.

At the end of the day, our role is not to develop American-style capitalism in Egypt. Indeed, as they are doing for their country as a whole, it will be up to Egyptians to create the economy they want. But as it stands in partnership with a soon-to-be democratic government, the United States should stand in partnership to help build an economy that meets the aspirational goals of Egypt's people.

Sixty years ago, our country used its economic power to help foster growth in a Europe ravaged in the aftermath of World War II. Our postwar leaders had the vision and foresight to understand that a Europe that was growing economically would help support stable democracies that were ultimately a bulwark against communism in the former Soviet Union. While America should not do this alone, that lesson tells us we should use all the levers of our power—diplomacy and economic power—now to support a new democratic Egypt.

When the people of Egypt as well as the rest of the Arab world see that democracy creates economic opportunity and raises their standards of living, they will know they are better off when restrictive regimes fall and are replaced by democracy. That simple but important lesson can unravel a central claim of Al Qaeda: that the United States supports oppressive Arab dictatorships to thwart the aspirations of Muslims. Ending that lie will make us all safer.

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