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+1 (202) 289-5920
info@nusacc.org

U.S. – ARAB CHAMBER CO-HOSTS LEADERSHIP RETREAT IN HISTORIC NEWPORT, RHODE ISLAND

Ambassadors and Senior U.S. Government Officials Join Business Leaders and Academics for Wide-Ranging, High-Level Discussions

For Arab Spring, Says President of NUSACC, “Disruptive” Does Not Have to Mean “Destructive”

The National U.S. – Arab Chamber of Commerce (NUSACC) recently co-hosted the U.S. – Arab Leadership Retreat, held in the historic city of Newport, Rhode Island. The forum brought together 100 American and Arab leaders in business, government, and academia for off-the-record, high-level discussions. Featuring a number of Arab and American ambassadors, the gathering took place in some of Newport’s famous mansions and at the Pell Center for International Relations & Public Policy on the oceanfront campus of Salve Regina University.

“Our Chamber was pleased to be part of this important meeting for thought leaders, one which explored some of the most challenging issues facing U.S. – Arab relations,” said David Hamod, President & CEO of NUSACC. Katharine B. Cushing, founder of the U.S. - Arab Leadership Retreat, noted, “This year’s event was the most successful yet, involving some of the highest level business leaders and government policymakers in the United States and the Middle East and North Africa (MENA) region. Much of this success can be attributed to our partnership with NUSACC, which helped to ‘raise the bar’ to new levels of excellence and importance.”

U.S. and Arab thought leaders enjoyed a welcome dinner at the historic Ochre Mansion in Newport.
A sampling of the government leaders attending the Retreat included: Hon. Jose Fernandez, Assistant Secretary of State for Economic, Energy and Business Affairs; H.E. Mohammed Al-Hussaini Al-Sharif, the Arab League’s Ambassador to the United States; H.E. Lukman Faily, Iraq’s new Ambassador to the United States; Hon. Deborah Jones, the new U.S. Ambassador to Libya. (Hon. Joe Biden, Vice President of the United States, was scheduled to deliver remarks at the Pell Center but was unable to attend because of family health issues.)

Panel discussions at the forum explored such timely issues as: The Landscape for Mergers and Acquisitions; Family Businesses and Co-Investment Partnerships; Private Equity & Strategic Ventures; Healthcare and Biotechnology Opportunities; Navigating Developing Markets in Power and Petrochemicals; Real Estate and Foreign Direct Investments; Philanthropy and the Path to Change.

There was also a special session, held under the auspices of the Embassy of Iraq’s Commercial Office, that was dedicated to business opportunities for U.S. companies in Iraq.

A U.S. Government Perspective

At a welcome dinner hosted at the historic Ochre Court Mansion, Assistant Secretary of State Jose Fernandez offered keynote remarks focused on U.S. Government programs in the Middle East and North Africa (MENA) region. A sampling of these includes:

- Sovereign loan guarantees for such nations as Tunisia ($485 million) and Jordan (supporting a $1.25 billion bond issuance);
- Five Free Trade Agreements and five Bilateral Investment Treaties with countries in the region, as well as 12 Trade and Investment Framework Agreements (TIFAs) with Arab nations;
- Committing or approving over $400 million in financing and insurance through the Overseas Private Investment Corporation (OPIC) in such critical sectors as transportation, finance, ICT, and franchising.

The Honorable Jose Fernandez, Assistant Secretary of State for Economic & Business Affairs: “Even in tough areas, governments are enthusiastic about attracting foreign business. Attracting investment and improving business climates will help spur ailing economies and create jobs, and governments know this.”
Fernandez noted that the U.S. Government has been particularly active in encouraging entrepreneurs and small and medium-sized enterprises (SMEs). This goes to the heart of the Arab Awakening, he said, which was driven by political grievances, but was also “sparked by a feeling of bleak economic prospects and a demand for systemic change.”

This is particularly acute among Arab youth, he suggested. “Young people, many highly educated, are entering the work force faster than jobs can be created for them,” Fernandez said. “In many countries, youth unemployment is projected to remain around 25 percent for the foreseeable future. Creating enough jobs for this burgeoning youth population will require high growth rates that must be sustained year upon year and, as we’ve learned from our own experience, that’s a tall order.”

The Assistant Secretary encouraged private sector leaders to partner with the U.S. Government to help pave the way for economic growth in the region. “Nobody has said this will be an easy task,” Fernandez noted. “There is no denying that some MENA countries have security challenges . . . But even in tough areas, governments are enthusiastic about attracting foreign business. Attracting investment and improving business climates will help spur ailing economies and create jobs, and governments know this.”

He concluded, “The U.S. Government is committed to helping U.S. businesses take advantage of the great opportunities that exist in the region. During Secretary of State John Kerry’s confirmation hearing, he stated, ‘More than ever, foreign policy is economic policy,’ highlighting his personal commitment to building our international business partnerships and the important role they can play in maintaining a peaceful and prosperous world.”

An Arab League Perspective
The Arab League Ambassador to the United States, H.E. Mohammed Al-Hussaini Al-Sharif, gave an opening keynote address dealing with the influence of culture on business. “The different ways of doing business mirror the mores of different cultures,” he noted. “We do things in a certain manner because we are conditioned by time and place to do what we do in the way that we do it.” With this in mind, he said, “Business is becoming more multicultural and not merely multinational. Some corporations are moving
their best managers around periodically so that they and their families can develop global personalities. To be multicultural, globalized corporations must employ more people around the world.”

Such globalization, he suggested, is having a profound impact on commercial relations -- for better or worse. "Globalization of culture is the product of a continuing technological revolution in communication and information transfer," Ambassador Al-Hussaini noted. "Such revolutionary changes, by causing the 'death of distance', are making possible unprecedented new sets of global interactions -- political, economic, and cultural -- which operate across and had profound impacts upon existing cultural systems.” These sweeping changes, he said, have been “profoundly unsettling to existing value systems and inherited social arrangements.”

“For years, I was under the illusion that each culture should be entitled to evolve its business and politics in the way that it saw fit,” said Al-Hussaini. “But along came ‘Globalization’ to take away those freedoms by trying to create a uniform, one-dimensional way of life devoid of any sense of belonging to a particular culture and set of values.”

“Having been a career diplomat for almost 40 years, I was fortunate enough to come into contact with a variety of cultures from a very early age,” noted the Arab League Ambassador. “I observed that differences do not come about because some people are good and others are bad, but because different circumstances dictate different modes.” He concluded, “All of us, no matter how free we feel, are products of history and geography.”

**Special Session on Iraq**

The impact of culture on business – and the need to understand that culture – was a theme that resonated throughout the Retreat. In the special session on Iraq, for example, Iraqi Ambassador Lukman Faily discussed his nation’s gradual cultural transformation, which he characterized as important for Iraq’s economic growth as good governance and strategic planning. Culture is one of the most powerful sources of authority in Iraq, he suggested, along with faith and the rule of law.

“Iraq’s vision is clear: We need to move away from nationalism toward prosperity,” said Ambassador Faily. “What is less clear are the tools that we need to get there.”

H.E. Lukman Faily, Iraq Ambassador to the U.S.: “American companies need to be there on the front lines . . . Iraq doesn’t always have the luxury of picking the best, and sometimes we can’t wait for the best to show up when there are other options available.”
The United States stands to play a pivotal role in the transformation of Iraq’s economy, noted the ambassador, but in order to do so, Americans must be fully engaged there. The Strategic Framework Agreement between the U.S. and Iraq will help to pave the way for increased cooperation, he suggested, but “American companies need to be there on the front lines.” U.S. companies have a reputation for producing the best quality in the world, he noted, but “Iraq doesn’t always have the luxury of picking the best, and sometimes we can’t wait for the best to show up when there are other options available.”

Iraqis “don’t know what they don’t know,” Ambassador Faily concluded, so U.S. firms need to be “on the ground” to highlight their strengths – rather than trying to do business remotely from the United States.

Mr. Naufel Alhassan, Iraq’s Commercial Counselor in the United States, noted that Iraq “inherited a collapsed economy” after 2003 but that his nation is rebounding steadily. The national budget is on track to grow to $130 billion through 2014, he said, and one-quarter of that investment will be in the energy sector. For global oil markets, he suggested, “Iraq will be a game-changer.”

Iraq has its challenges, Alhassan admitted, but “wherever you put your hand in Iraq, there are opportunities.” In the housing sector, for example, Iraq needs to build at least two million units by the year 2020, he said. And with an estimated population of 40 million persons by 2025, he suggested, Iraq must build its human capacity in order to keep up with development needs. With this in mind, Alhassan said, Iraq plans to send 20,000 students per year to universities around the world for post-graduate study.

Alhassan urged U.S. companies to make a long-term commitment to Iraq. “After the storm and after the dust settles,” he said, “the greenfield
opportunities become more obvious, and we would like to partner with those who share our vision.”

Dennis Flannery, Managing Director and Iraq Country Head at Citibank, highlighted the fact that Citi recently opened a representative office in Iraq in order to keep up with clients’ demand there. Iraq is on track to become a $2 trillion economy by the year 2050, according to a recent report by Citi, with a medium-term investment of $500 billion to $1 trillion in infrastructure development. Iraq is one of the fastest growing economies in the world, Flannery said, with anticipated growth of ten percent this year and no signs of abatement.

A Sobering Assessment

Discussion during the Retreat was wide-ranging and sometimes hard-hitting. The morning keynote speaker on the second day of the Retreat, for example, offered a pessimistic long-term view of economic prospects for the Arab world. Dr. Hani Findakly, Vice Chairman and Director of the Clinton Group, invoked the words of Charles Dickens by characterizing the economic situation of the past decade as “the best of times and the worst of times,” a period of “contradictions that occasionally gave the people of the region an illusion of hope, but also included times of despair.”

He stated, “If the past was mixed and volatile, the future seems decidedly grimmer in the face of rapid and radical changes in the global economy. Such changes, grounded in rapidly developing destructive technology, are close to reaching a tipping point that may alter irreversibly the global economic landscape and, ominously for the region, tip the historical balance between supply and demand patterns of energy resources.”

What is abundantly clear, Findakly noted, is that the past decade “may be remembered best by the missed opportunity to restructure the economies of the region and enhance governance, as culture, complacency and inertia prevented meaningful action. This follows a familiar pattern that dominated the region’s governance: complacency during upturns and paralysis during tough times.” Unfortunately for the Arab world, he said, “The good times merely reflected...”
cyclical external circumstances that have pervaded the world economy; hence, they are ephemeral and unsustainable. By contrast, the bad times are rooted deeply in the economic and social fabrics of the region. Short of quick strategic actions, the bad times may have long-lasting and potentially dire consequences.”

“The recent fissures that have surfaced in the emerging economies, arising out of profound changes in the world economy that have challenged the foundation of growth in these economies, could well be a harbinger of what lies ahead for the Arab world,” Findakly noted. “Alas, unlike countries like India and Brazil that have the depth and diversity to bounce back, the Arab world stands on far shakier ground. Worse yet for the Arab world is that the potentially grim future will likely transpire at a time when the U.S. strategic focus is ‘re-balancing’ to Asia, where demographers estimate that 7 billion out of 9 billion of the world’s population will reside by 2050.”

There is still time to reform the Arab world, Findakly suggested, but only with “dramatic and radical action.” In his “top ten list” of actions to be taken, he included such steps as promoting creative destruction, studying the Norwegian model of economic restructuring, reforming labor markets, encouraging innovation and business start-ups, and overhauling educational and legal systems. “With a population of about 365 million, which will more than double in 30 years, the Arab world has great challenges in the decades ahead in job creation and in raising the living standards of its people,” Findakly concluded. “Yet, with nearly half of its population under the age of 25, such challenges may still be turned into opportunities.” (To read Dr. Findakly’s full speech, click here.)

A Private Sector Perspective

Pradeep Ramamurthy, Director at The Abraaj Group, offered remarks on private equity partnerships between entities in the United States and the Arab world, one of the regions where Abraaj is active. While the MENA region has historically been seen as a source of capital rather than a place to deploy capital, he said, investment has been taking place for years and the region’s strong fundamentals have piqued the interest of some investors.

The region is made up multiple economies, he said, pointing out that the Arab Spring did not affect even North African countries equally. Across the region, he pointed out, good businesses in such essential sectors as foodstuffs, healthcare, and insurance have grown at double-digit rates over the last few years. And foreign companies have continued making strategic acquisitions in
countries like Tunisia, he noted, where Abraaj recently sold a pharmaceutical company to a European firm.

Some of the traditional characteristics of the MENA region, he noted, include: family-owned businesses; limited access to capital, especially for entrepreneurs and small and medium-sized enterprises; large, pent up demand for goods and services and relatively high per capita incomes. For companies looking to succeed in the region, Ramamurthy highlighted the importance of putting people on the ground, ensuring operational value-creation through institutionalization and expansion, developing a regional footprint, and putting strong risk management and exit strategies in place.

Ramamurthy concluded, “Good businesses are continuing to grow across MENA, and they are looking for strong partners who don’t just provide capital, but who will also help them to institutionalize and expand.”

Elephants in the Room

In his overview remarks, David Hamod, President & CEO of NUSACC, referred to such “elephants in the room” as the youth bulge and the Arab Spring, which colored everything discussed at the Retreat.

“This is the most ‘connected’ and fearless generation that the Arab world has ever seen,” Hamod said, and “leaders in this room and in the region ignore this generation at their own peril.” One of the biggest challenges that U.S. and Arab policymakers face, he noted, is this: “What is the most effective way to harness and benefit from Arab youths’ fearlessness, idealism, and burning desire for a better quality of life?”

With regard to the Arab Spring, Hamod said, “Revolutions are messy, revolutions are scary, and revolutions are sometimes tragic. But ‘disruptive’ does not have to mean ‘destructive,’ and the Arab Spring has brought about constructive change in ways large and small throughout the MENA region and beyond.”

Despite the challenges presented by the Arab Spring, Hamod said, many strictures have been lifted and companies in the MENA region are looking to partner with American counterparts like never before. “The USA is still seen as the top destination in the world for technology transfer, knowledge transfer, and productive job creation,” he noted, “creating unprecedented opportunities for America’s private sector.”

Exports of U.S.
goods and services to the Arab world, he pointed out, are on track to reach $187 billion by the year 2016, the highest levels ever.

Hamod concluded, “For much of the MENA region, working with U.S. companies offers the best chance to build a better tomorrow through commerce. U.S. firms cannot afford to miss out on this historic opportunity.”

The Retreat was made possible by sponsors and partners, including the National U.S. – Arab Chamber of Commerce, the Arab Bankers Association of North America (ABANA); the Alberleen Group; the Anthony Quinn Foundation; Crowell & Moring; the George Washington Institute for Religious Freedom; HPI LLC; Neuberger Berman; Permal; Robert Douglas; Xcovery; and the Pell Center for International Relations and Public Policy at Salve Regina University.

A CEO Roundtable offered case studies of U.S.-Arab partnerships: (left to right) Michael Boyle, Boyle Energy Services & Technology; Hal Pontez, HPI; and Van McCormick, International Economic Alliance.

The Retreat took place in beautiful Newport, Rhode Island, home to the legendary America’s Cup Races for more than 50 years. This city on the shores of the Atlantic is famous for serving as a “Summer White House” for several U.S. Presidents, and Newport features more colonial buildings than almost any city in America. Newport is also the home of Salve Regina University and Naval Station Newport, which houses the U.S. Naval War College and the Naval Undersea Warfare Center. Against this backdrop, Newport provided ideal conditions for the U.S. – Arab Leadership Retreat.

H.E. Lukman Faily, the Iraqi Ambassador, noted, “The event location and venue helped me as a new ambassador to gain a better understanding of what some of the U.S. States have to offer Iraq. In addition, the diversity of U.S. companies and their core business helped me to get a stronger grasp as to the types of questions that companies might have when they think about investing in Iraq.”

He concluded, “The event was rich with a diversity of topics, depth of

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discussion, and analysis, while conducted in an open environment in which issues were discussed freely. Accessing this platform, and given an opportunity to discuss Iraq as an important destination for U.S. businesses, was highly beneficial.”

Katharine B. Cushing, founder of the Retreat and Managing Principal of 7 Sisters, LLC, noted, “It was a great honor to have participation this year from such an extraordinary group of business leaders and dignitaries, many of whom traveled to Newport from around the world. It was remarkable to experience the dynamics of these interactions and the various contributions of this diverse group of business and political leaders.” She continued, “The energy and spirit of the event was a reflection of the leadership and shared purpose in building new opportunities for global partnership and collaboration.”

Concluded William Dabaghi, Managing Member of Consortium Mundi Energy, “Your event was more than a conference. It was an inspiration and a moving moment in which intelligence and goodwill met hard fact and high mindedness.”
The Anthony Quinn Foundation

In 2001, at a time when arts curriculum in schools was at a steady decline, the Anthony Quinn Foundation was established. Executing its mission to advocate the important role that Arts education plays not only in society, but also in personal development, the Anthony Quinn Foundation promotes Arts education by administering innovative programs, providing competitive scholarships in several facets of the Arts, and sponsoring exhibitions and retrospectives. The cornerstone of the Foundation is late actor and artist, Anthony Quinn, who attributed the foundation of his success to the early exposure of creative development. Through this Foundation, his legacy serves to inspire confidence in young adults to reach their own creative potential.

Katherine Quinn hosted a Welcome Dinner for the Retreat participants, and spoke about the life and passions of Anthony Quinn, and his love for the Arab world.

Katherine Quinn: “Anthony’s connection to the Arab world was profound. He spoke of growing up believing the stereotypes often portrayed of the Arab until his first trip to Jordan for the filming of Lawrence of Arabia. He found a richness of culture and people that touched him deeply. Over the next 30 years, his work as an actor brought him back to the Arab world again and again. Only through his deep love and understanding of the people was he able to interpret the historic personalities he portrayed so convincingly. It was also during those years spent traveling to the desert that he evolved as an artist and began carving wood and stone and began a new career as a sculptor.”