

Promoting Entrepreneurship: a Growing Instrument of Soft-diplomacy in the MENA Region

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Understanding the influence of globalization and technology on North Africa and the Middle East requires an optimistic approach to a puzzle with infinite solutions, to which pieces are continuously being added. Constant and quick transformations trigger systemic and interconnected challenges on the political, economic and social levels. Given this complex context, any foreign policy towards the region must be endowed with tools that can respond effectively to new challenges as well as to the speed with which they spread.

The *Arab Spring* has shown us that promoting political reforms and human rights must be accompanied by a strategy aimed at improving the living conditions of the population, and in particular, offering prospects of progress and prosperity. One of the keys lies in acting on the 60% of the population of North Africa and the Middle East that are under 30 years of age. The increasingly educated and trained swath of young people aged between 15 and 29 make up more than 30% of the working-age population, amounting to over 105 million people.¹ The accumulation of uncertainty, frustration and social discontent resulting from a job market incapable of offering enough quality employment in uncompetitive economic systems constitutes a threat to the stability of these countries. It is estimated that the

region will need to create more than 100 million jobs between now and 2020, both to respond to this demographic challenge and to address the issue of a large part of the population being trapped in the informal economy or suffering from the effects of thousands of jobs eventually disappearing due to the impact of technology. The United Nations have warned that the number of people in Arab countries at risk of suffering conflict will increase from 250 million in 2010 to 350 million in 2020.

The digitalization of the economy and support for entrepreneurs and innovation is a means and an opportunity for the region to board the train of economic modernization in a competitive global market characterized by a complex system of interdependence.² An approach to Arab and Muslim countries in terms of assistance and cooperation that does not contemplate this situation is overlooking an increasingly key factor. With this vision, a strategy of promoting entrepreneurship as one of the available diplomatic instruments raises a country or multilateral organization's foreign policy to the level of effort and sophistication called for in the North Africa and Middle East context. Its mainstreaming of fundamental issues like empowerment, sustainable and sustained economic growth and democratization leads to fair and stable societies. It fosters collaborative relations and trust and strengthens social capital by creating opportunities and through effort and merit-based recognition. It favours the inclusion of women in the workforce,³ the attraction of human capital, talent and investment. It brings with it the legal reforms needed to allow com-

¹ UNITED NATIONS DEVELOPMENT PROGRAM, *Arab Human Development Report 2016: Youth and the Prospects for Human Development in a Changing Reality*. 2016.

² Ver SCHROEDER, Christopher M. and Kamel SHERIF. *Economic Recovery and Revitalization*, Middle East Strategy Task Force. Washington, D.C., Atlantic Council, 2016.

³ ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT. *Women in Business 2014: Accelerating entrepreneurship in the Middle East and North Africa Region*. OECD Publishing, 2014.

panies emerging from the technological revolution to establish themselves and grow; companies which, because of their disruptive nature, require a streamlined and efficient public administration.

Data on the potential entrepreneur from the MENA region portray an encouraging dynamic that contrasts with the perception of disorder and chaos we have come to associate with the region after decades of unending conflicts. As an open global platform for innovation, trade and the exercise of human rights, the Internet is used on a daily basis by 83% of young people in the region. According to the International Telecommunications Union, mobile phone subscriptions have increased from 26.8% in 2005 to 109.9% in 2016. Between 2010 and 2015 the number of entities supporting ecosystems of entrepreneurship at the regional, national or local levels, such as *Wamda* or the *Palestine Internship Program*, have increased fivefold. In 2016 more than 200 events have been organized with entrepreneurs, 50% more than in the previous year – in some, such as *Start-up Istanbul* in 2016, up to 500 start-ups competed with the number of attendees reaching 4,000. The *MIT Enterprise Forum Arab Competition* alone has brought together 80,000 individuals in its nine calls –. In March 2017, *Amazon* bought *souq.com*, the region's largest *e-commerce* platform, an investment estimated at around 800 million dollars, a similar figure to the 759 million dollars invested in 480 startups between 2013 and 2015. In addition, cities from all over the region are being transformed into smart cities or technological hubs and open spaces that foster collaboration are growing (*Collaborative Open Innovation, Innovation Spaces, Living Labs, Digital Fabrication Laboratories* or *FabLabs*) where children, young people or adults can turn up and learn new skills for making products with 3D printers, for example, or the basics of robotics. Traditional gas and oil exporting countries like the United Arab Emirates, Qatar or Saudi Arabia are looking to diversify their economies, attract better talent and bring their education systems into line with the needs of the market.⁴ It is estimated that a 10% improvement in its *Global Entrepreneurship Index*, will enable the Mediterranean region to increase its Gross Domestic Product by 592 million dollars.

It is true that neither military force nor entrepreneurship can resolve the problems North Africa and the Middle East are currently suffering. Nor can young people be forced to be entrepreneurial and not all can have the capacity or the skills to achieve success. However, as Barack Obama warned, a foreign policy towards the region aimed solely at isolating and controlling destructive and murderous fanatics and which is not capable of listening and helping individuals who want to create value, is losing perspective.⁵ Today, no government, by itself, has the knowledge or the capacity to respond to major global challenges, such as climate change, poverty, water scarcity, food security, pandemics, growing urban agglomerations, inequality or terrorism. On the contrary, they have to cooperate and seek alliances with other stakeholders – states, international organizations, the private sector – and allow and encourage the creativity, imagination and ambition of young people empowered by technology, so they can become disruptive agents of change. Each war that breaks out reduces the chance of an individual's innate talent being put to an innovative and creative use and thereby having a positive impact on their country or community's welfare.

The Obama Administration's interpretation of the world and the situation in North Africa and the Middle led Washington to placing the entrepreneur in the centre of its foreign policy, as a driver of prosperity and freedom. During his term, Obama followed a strategy grounded in the transformative power of technology and in the culture of entrepreneurship as a factor of national power that is more relevant than ever in the knowledge era. The US administration banked on the appeal and need for Arab and Muslim countries to learn from its successful technological sector to reform and diversify their economies. This has been its initial aim. Thanks to its experience, credibility and prestige – thereby making it better connected – the United States occupies a central position in the structure of transnational networks of productive enterprise. By themselves, these networks have the capacity to promote and expand positive narratives and behaviour that counters messages of violence and despair. The *centrality* of the United States allows it to *influence*

⁴ ELMASRY, Tarek; BENNI, Enrico; PATEL, Jigar et al. *Digital Middle East: Transforming the region into a leading digital economy*. McKinsey, 2016.

⁵ GOLDBERG, Jeffrey. *The Obama Doctrine*, The Atlantic, 2016. www.theatlantic.com/magazine/archive/2016/04/the-obama-doctrine/471525/

– using a form of *soft power* – the social connections that form these networks, both to right the region's image and detect and capture talent there. Entrepreneurship is also a way to internationalize a country's economy and open new growth markets. The US is, therefore, involved in the exponential growth of the digital economy in the MENA region – 30 billion dollars in 2018 – and the data and information flows generated by the region – a 33% growth since 2012 in e-commerce – as an increasingly educated population with greater purchasing power, has access to broadband and mobile technology. The economic impact and creation of quality jobs in the region may lead to better expectations regarding these countries' political and financial stability. With this goal in mind, the promotion of entrepreneurship would be a modern and transparent *bottom-up, positive-sum* instrument of public diplomacy (*attraction*) and economic diplomacy (*digital economy*), which is strategic, inclusive and long-term in its outlook (*strategic patience*).

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One of the keys to the design of this strategy is that it has not been improvised nor decided on without collaborating with countries in the region. Instead, it has emerged from a broad reflection among different political, economic and social spheres from the United States on the root causes of what is happening in the MENA region, the impact of its foreign policy and diplomatic action, the overall situation and the potential of communication and information technologies. During George W. Bush's second term, the deterioration of the US' image in the eyes

of Muslim countries and communities following the former's response to the 9/11 terrorist attacks led to the development of a new concept of diplomacy known as *transformational diplomacy*, which followed on from the vision outlined in the *Middle East Partnership Initiative* (MEPI). This put forward a non-paternalistic way of doing diplomacy, focused on empowerment and improving the lives of the citizens, to whom the decisions regarding their countries' futures falls. Stability in the region could not be achieved at the cost of sacrificing democratic progress in the countries there. Moreover, the essence of a report by the Council on Foreign Relations⁶ was recovered, which emphasized the demands of young Arabs and Muslims for help from the United States in reforming their legal, health and education systems and modernizing their economies, only without political meddling. Finally, during Hillary Clinton's time as State Secretary, further efforts were made to adapt US diplomacy to a world in continual change, with multiple actors and where the technological revolution facilitates instant and free access to information for thousands of young people, wherever they live. The first and second *Quadrennial Diplomacy and Development Review* (QDDR) and the economic strategy known as *21st Century Statecraft* – foreign policy as economic policy – have defined the fundamental pillars upon which Barack Obama based his presidency, i.e., people-focused, idealist and without excessive interference, providing clear support for entrepreneurship and innovation. The fact that this vision was included in the last US National Security Strategy⁷ demonstrates the firm resolve behind this policy. Barack Obama's speech at the University of Cairo in 2009 (*A New Beginning*) was a display of this new constructive form of commitment with Muslim countries and communities. It was also the moment chosen to announce the first summit on entrepreneurship, aimed at and at the request of the countries in the region.

There is widespread consensus that the political and institutional reforms in the MENA region must be accompanied by the transformation and modernization of their economies, with an oversized public sector, bureaucracy, labour market rigidity, monop-

⁶ Craig CHARNEY and Nicole YAKATAN: *A New Beginning: Strategies for a More Fruitful Dialogue with the Muslim World*, Council on Foreign Relations 2005

⁷ The White House, *National Security Strategy*, 2015.

lies of power and excessive dependence on fossil fuels. However, there are limits to how much an economy can expand within national borders in a globalized world. It will only continue to grow if it opens to the outside. And this can be done by: allowing entrepreneurs to access networks of global knowledge, education or funding (*venture capital, private equity, business angels...*); creating forums and competitions that inspire, mobilize and promote collaboration, make ideas visible and celebrate success stories; facilitating access to broadband networks and freedom of information; and creating a labour force with skills adapted to the demands of the market, with quality education in the sciences, technology, engineering or mathematics (STEM). With this vision, the foreign policies of both the US and the European Union have set up different instruments that follow the specific aim of supporting and connecting entrepreneurs from Arab and Muslim countries and communities with each other and with interlocutors from outside the region.

The United States has launched *Partners for a New Beginning* (NPB), *Global Innovation Through Science and Technology* (GIST), *Women's Entrepreneurial Centers of Resources, Education, Access, and Training for Economic Empowerment* (WECREATE), *Presidential Ambassadors for Global Entrepreneurship* (PAGE), *Partnering to Accelerate Entrepreneurship* (PACE) Initiative, *Development Innovation Ventures* (DIV), *Entrepreneurship & Innovation Programs* (EIP), *Global Entrepreneurship Program* (GEP), *Stevens Initiative*, *The Resilient, Entrepreneurial, And Dynamic Youth* (READY) and the *Global Entrepreneurship Summit*, with annual editions in Washington (2010), Istanbul (2011), Dubai (2012), Kuala Lumpur (2013), Marrakech (2014), Nairobi (2015) and Silicon Valley (2016). The European Union, through the Union for the Mediterranean, has launched programmes such as the *Mediterranean Initiative for Jobs* or *Med4Jobs*. The ministerial declaration of the *Union for the Mediterranean on the Digital Economy* (2014) and the subsequent creation of the *Working Group on the Digital Economy and Internet Access* are signs of the readiness to further enhance this strategy.

Today, foreign policy is synonymous with economic policy, just as the economy increasingly means the digital economy. While it waits to see how the new US administration will act, Europe is in a privileged

position for positively influencing the region's vibrant ecosystem of entrepreneurship. Without doubt, a security and foreign policy strategy towards North Africa and the Middle East that brings development, diplomacy and defence up to the same levels is the right track to be on. However, this strategy must be adapted to a world of fast-spreading networks with positive and negative interactions that mutate between the physical and the virtual. Moreover, we must cease to measure the region's future through the prism of terrorist alerts. It will be determined by the capacity and creative talent of its human capital. Promoting constructive and collaborative spaces and synergies through instruments that support entrepreneurs – validated by the United Nations' *Agenda 2030* – is a useful effort with a real impact; something demanded today by millions of young people in a region where things are already starting to happen. As the main commercial, investment and cooperation partner in the area, the European Union has to contemplate the eventual structuring of a policy that incentivizes entrepreneurship, with an emphasis on innovation and digital technologies.

Recommended Reading

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