



Modernizing US Security and Development Assistance in the Middle East

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Introduction

The United States has significant and enduring strategic interests in the Middle East and North Africa (MENA). Preventing the proliferation of weapons of mass destruction, combating terrorism, ensuring the free flow of energy and commerce, and securing Middle East peace are paramount national security objectives, with stability in the region a prerequisite for their achievement. The United States is willing to expend tremendous financial and human capital to secure these interests. The US Congress appropriated \$7 billion for foreign aid to the region in fiscal year 2015 alone; appropriations since 1978 amount to more the \$304 billion, exceeding assistance for any other region. Most significantly, the human and financial costs of US wars in the region have been immense: 4,489 American lives lost and \$2.2 trillion spent since the 2003 invasion of Iraq.2

In broad terms, however, US strategy in the region has not changed in the past 40 years, favoring security approaches over political and economic development, narrow partnerships with select regime elements over broader engagement with governments and people, and short-term responses and interventions over longterm vision. Symptomatic of this strategy is the fact that US security assistance vastly outstrips economic assistance. Since 1978, barely one-third of assistance has been allocated to economic support, and since 2009, despite a long period of economic decline in the region, economic assistance has not accounted for more than 10 percent of total combined military and economic aid. The majority of assistance is allocated directly to regimes as cash transfers and foreign military financing. For example more than 80 percent of aid to Egypt, a top recipient of US assistance, has been provided as cash transfers or military financing, while support for political and institutional reform accounts for the smallest portion of aid.³ Subsumed for decades in favor of security concerns, assistance for regional reform efforts has atrophied even further under pressure from regimes,

POLICY RECOMMENDATIONS

- Reform US security assistance to target challenges identified by regular threat assessments, incorporate partner commitments to institutional reform, and promote civilian oversight through increased transparency.
- Establish a Middle East and North Africa Fund to address constraints to economic growth in countries that demonstrate a willingness to tackle reform.
- Elevate and amplify local voices pushing for reform in the region by mobilizing international support, sharing technology, and supporting a marketplace to connect activists with lawyers, strategists, and other service providers.

with just 6 percent dedicated to political reform in FY2015.4 (See figure 1.)

US security alliances, financial assistance to regimes, and military interventions were intended protect against threats to US interests. Yet, over the past decade, it has become clear that the US approach has failed to secure regional stability or other core US objectives. The past four decades have seen more than 60 episodes of regional conflict and violent regime change. Four regimes (Egypt, Libya, Tunisia, and Yemen) fell in the revolutions of 2011, while others unleashed violence against their populations to maintain power. Resurgent violence in Iraq and an increase in terrorist attacks across the region (from approximately 1,500 attacks in 2010 to nearly 7,000





attacks in 2014)⁵ have led the United States to return troops to the region, where, in many countries, security forces are struggling to maintain internal order and to deal effectively with terrorist and other threats, despite the billions of dollars in US financial assistance, training, and equipment. From the Syrian civil war that has claimed more than 230,000 lives, to struggles for power in Iraq, Libya, and Yemen, to citizen resistance in Bahrain and Egypt, to the march of the Islamic State of Iraq and al-Sham (ISIS), the region today is engulfed in violent conflict and instability. The consequences are increasingly reaching beyond the region, as indicated by the current mass migration of refugees to Europe, fleeing conflict at home and sparking political crises abroad. Conflict in MENA has spurred the largest displacement of people on record, with the largest portion of the world's displaced originating from the region.6

These outcomes indicate that the United States must reorient its strategy or face ongoing threats to its interests, including stability and subduing terrorist threats and organizations. Although the conflict and security threats currently gripping the region demand an increase again in security responses and cooperation, the roots of the region's instability are political and cyclical. US strategy must address these roots directly and aggressively.

Three Challenges US Assistance Must Address

MENA countries have long traded political freedom for social protections. Poor governance, institutional corruption, and rent seeking by elites, however, have hollowed out social services and locked populations out of economic opportunity. Security forces and judicial institutions have been appropriated for regime and elite interests, reinforcing the disenfranchisement of ordinary citizens and failing to provide basic justice and security. As populations have grown, social contracts have frayed and citizens have chafed against closed economies and corrupt regimes, leading to widespread revolts across the region.

The solutions to these problems are domestic and political: regional leaders must be more responsive to popular demands for shared power, prosperity, and just rule. The strategic question for the United States is how to best help catalyze such transformations. To achieve its national security objectives, the United States must bring its tools to bear on three dangerous contradictions that constrain political and economic development in the region: injustice and security, closed economies and ascendant youth, and closed politics and political reform.

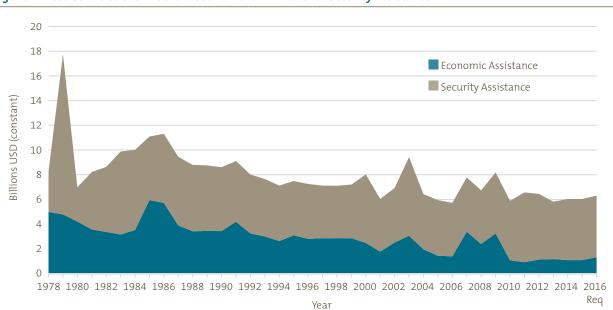


Figure 1 Most US Aid to the Middle East and North Africa is for Security Assistance

Note: Economic assistance includes economic support funds; security assistance includes foreign military financing and international narcotics control and law enforcement funds.

Sources: US Overseas Loans and Grants, Greenbook 2015; Congressional Budget Justification, State and Foreign Operations, FY2016.



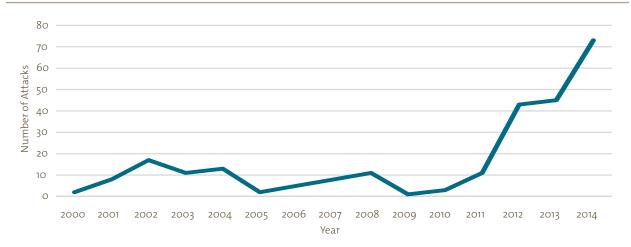


Figure 2 Suicide Attacks against Security Forces in the Middle East Have Risen Sharply

 $Note: Includes\ attacks\ in\ Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestinian\ Territory, Saudi\ Arabia, Syria, Tunisia, and\ Yemen.$

Source: Chicago Project on Security and Terrorism (CPOST) Suicide Attack Database

Injustice and Security

Across MENA, security forces fuel grievances among disenfranchised populations. In addition to security duties, many of the region's internal security forces operate as the primary instruments through which regimes dominate populations and protect those in power, vii targeting political opposition and regime dissenters, employing violent tactics and torture, and operating with impunity. The actions of security forces were part and parcel of the corruption, indignity, and injustice that sparked the 2011 uprisings. Viii The renewed ascendancy of security forces is due not only to amplified efforts to counter growing insecurity and terrorism, but also to renewed efforts to eliminate political opposition and to consolidate regime power. A (See figure 2.)

Strong-arm security tactics against citizens and the lack of due process have serious implications for counterterrorism efforts. Whether it's the radicalization of Egyptian, Algerian, and other groups over the past half-century or more recent experiences in Iraq and Syria, violent crackdowns on opposition groups have bred cyclical violence and instability. Over the past three years, as regimes have responded to uprisings in the region with increasing force, attacks against security forces have also increased.9

The United States is associated with regional security forces and the staying power of regimes. For decades, it has provided the region's security umbrella, a commitment recently renewed by the Barack Obama administration and enforced by the presence of US troops and military bases in or bordering nearly every MENA country. Saudi Arabia and the United Arab Emirates are top clients of the US Foreign Military Sales program; and Egyptian, Iraqi, and Jordanian security forces are top recipients of US security assistance and training, with US security assets and contributions to the region vastly outpacing that of any other nation.¹⁰

With the exception of very few countries, however, US investment in regional security institutions has failed to produce capable allies along dimensions that matter to US interests. Instead, US support has implicated the country in internal political and sectarian conflicts and placed a thumb on the scale in support of security institutions. In Egypt, for example, US assistance has unintentionally contributed to the entrenchment of the Egyptian Armed Forces (EAF) in economic and political spheres—or at least it has not been shaped to minimize the Egyptian military's grip on the country's economy." In Iraq, billions in US assistance were used by a corrupt regime to build a sectarian army that exploited the fault lines of Iraqi instability and proved incapable against ISIS. In Yemen and Bahrain, the long-standing US security

[^] For example, Egypt's National Council for Human Rights reports that at least 1,800 civilians have been killed by security forces since July 2013, when General Abdel Fattah al-Sisi, now Egypt's president, ousted Egypt's first democratically elected president. More than 40,000 political prisoners are held in Egypt's jails,1 and mass trials, mass sentencing, and a sharp increase in the number of civilians tried in military courts reveal politicized judicial systems complicit in regime efforts to eliminate opposition. Similar tactics are on the rise in Bahrain, Saudi Arabia, and the United Arab



cooperation with Saudi Arabia has implicated the United States in the Saudi's deeply contested military campaigns in those countries.

In the eyes of regional populations, these actions have made the United States complicit in the ongoing disenfranchisement of millions; they also place the United States in extremists' crosshairs. To achieve its own interests, the United States must modernize its security approaches to support the emergence of professionalized, neutral institutions operating under the rule of law—otherwise, the United States will face rising terrorism and instability.

Closed Economies and Ascendant Youth

The Middle East faces a combustible mix of shrinking economic opportunities and rapidly growing youth populations. Across MENA, 60 percent of the population is younger than 30 years old. More than a quarter of those younger than 25 years old are unemployed. This problem is particularly acute among highly educated youth: more than 30 percent of Egyptian, Tunisian, and Jordanian youth with university educations are unemployed. In addition, more than 60 percent of those surveyed by Afrobarometer listed unemployment among their top three responses for problems that government should address. Joblessness, lack of opportunity, and institutional corruption are key underpinnings of conflict, instability, and motivations to join extremist groups. (See figure 3.)

Egypt provides a stark example of economic and political capture. The military, from which Egypt's current president hails, benefits from US and Gulf financial support.15 It also has preferential access to commercial projects, controls all undeveloped agricultural land, is exempt from taxation, has access to labor at below-market costs, controls nontransparent procurement practices, implements massive development projects, and deploys military officials across all levels of government and industries.16 These economic privileges and those of other regimeconnected elites make it hard for new private-sector actors to compete, spawning a massive informal sector of insecure jobs and micro-enterprises that never grow to scale.17 The picture is better in countries like Jordan, Tunisia, and Morocco, but regime elites dominate those economies as well.18 At the same time, coveted public-sector jobs have diminished as countries facing economic crises reign in public spending. The lack of well-paying jobs, together with the inequality of opportunity and economic capture by elites, confronts a youth population with more education, greater global connectivity, and higher expectations than that of previous generations.

Despite these imperatives, regional governments have been slow to respond to the challenge. Technical answers to the region's economic problems are clear. First, governments need to reduce regressive subsidies and modernize tax policy and collection to reduce deficits and strengthen macroeconomic stability. ¹⁹ Second, they must increase transparency in the financial sector

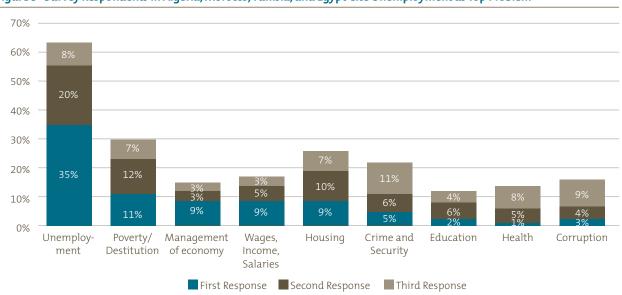


Figure 3 Survey Respondents in Algeria, Morocco, Tunisia, and Egypt Cite Unemployment as Top Problem

Source: Afrobarometer data, Algeria, Morocco, Tunisia, Egypt, Round 5, 2013, available at http://www.afrobarometer.org.



and strengthen the rule of law. Lastly, governments must streamline business regulations and remove trade barriers to support entrepreneurship, innovation, competition, and regional trade. The international community has long pressed for these economic reforms, and countries have developed plans in conjunction with regional and international financial institutions. But although technical solutions may be clear, political barriers to implementation are high. The diverse range of stakeholders—from elites benefiting from the region's crony capitalism to populations benefiting from subsidies to organized interest groups resisting labor or other reforms—has dampened meaningful reform efforts.

Closed Politics and Political Reform

Efforts to enable urgent economic and security reforms are hamstrung by closed political systems and institutions shielded from public scrutiny and accountability. Institutional quality in the region ranks among the lowest in the world, with tremendous effects on development progress and citizen satisfaction. Most countries rank in the bottom quintile globally on measures of institutional quality, accountability, and management.²⁰ Not surprisingly, the region also ranks lowest in the world on measures of voice and accountability, freedom of speech, and protection of civil society. MENA countries' average freedom rating (Freedom House's measure of political rights and civil liberties) is 5.4, with a score of 7.0 indicating the lowest degree of freedom. Five countries in the region posted the biggest declines in freedom globally in 2014: Bahrain, Egypt, Iraq, Libya, and Syria.

Elites' control over political systems is a central constraint to reform, be it of economic policies, security institutions, or social services. Without freedoms of speech, association, assembly, and information, citizens have few avenues to contest state policies. And without inclusive and participatory governance and accountability structures, elites face few threats to their reign and little pressure to change. Furthermore, closed, centralized state systems cannot determine and respond to the diverse needs of entire populations, nor can they spread the political costs of reform across multiple stakeholders. These factors help explain why, despite billions of dollars of donor assistance in health, education, water, and other infrastructure, millions of citizens remain underserved, thereby deepening grievances against the state.21

The centrality of citizen movements to political and economic reform is evidenced by the priority that

regimes have placed on closing civic space and denying fundamental rights and freedoms in the aftermath of the Arab Spring. Regimes have also focused explicitly on reducing the ability of independent civil society organizations to receive foreign funding and partner with international organizations. These restrictions have struck at the heart of US government models of supporting local organizations. Together with aggressive and unprecedented actions against US organizations and even US government entities and diplomats, such actions against civil society, in the absence of aggressive and sustained pushback from the United States, have effectively constrained US support for political reforms and its ability to engage with a broad range of political stakeholders in many countries.

It is tempting to believe (as US policy often reflects) that security interests, economic progress, human rights, and democratic reforms can be sequenced one after the other. They are not, however, separate objectives subject to trade-offs; rather, each depends on the others. The pursuit of political reform and the protection of fundamental freedoms are not only values to promote when convenient but also interests that the United States must elevate and sustain in its pursuit of reform and regional stability.

Policy Recommendations

The United States must recognize that the constraints to reform in MENA are political problems, not technical or financial challenges. Although progress depends primarily on the actions of regional political leaders, the United States can devise strategies to influence the choices of those leaders. Whether or not the United States has leverage in the region is hotly debated, especially with respect to economic assistance, but the United States does remain a crucial arbiter of international legitimacy and has unparalleled convening authority, both regionally and internationally. Most significantly, the United States is uncontested in providing the region's security umbrella, a mutual interest grounded in an unequal partnership. Security partners in the Middle East should not expect the United States to offer its support—measured in US lives and treasure—in the absence of actions on their part to eliminate the underlying drivers of violence and unrest. The United States underestimates its leverage, compromises its interests, and devalues the lives of American troops when it trades essential reform priorities for near-term security outcomes.



To achieve its national security objectives, then, the United States must seek greater balance between its near-term security priorities and the longer-term political and economic development outcomes that will undergird the region's stability. The United States must (1) remodel security assistance to focus on US interests, institutional reform, and civilian oversight; (2) increase economic engagement and restructure US economic assistance to focus on promoting accountability of recipient governments to their own people and on concrete development outcomes; and (3) elevate political reform, reformers, and universal rights.

Remodel Security Assistance to Focus on US Interests, Institutional Reform, and Civilian Oversight

First, US security assistance requires a structural overhaul premised on mutual interest undergirded by mutual responsibility, with the United States providing assistance and countries shouldering reforms. In the aftermath of a nuclear deal with Iran, the United States is poised to increase security assistance and cooperation with many regional allies. In doing so, it must avoid the pitfalls of the past. To do so, the United States should:

- · Focus assistance on US security priorities and external threats to allies, including counterterrorism, border security, maritime security, and effective internal policing. The United States should reduce funding for weapons systems and capabilities irrelevant to US security priorities and current challenges. Budgets should be driven not by multiyear commitments and de facto budget support to military institutions, but by regular assessments of the threat environment and the capabilities required to respond. The US Departments of State and Defense should conduct these assessments in concert with country partners.
- Make institutional reform a priority by providing US security assistance and military sales within mutually agreed compacts that include commitments from partners for the appropriate use of security aid. Compacts should include clear use agreements and objectives based on the assessments noted above, with measures to evaluate outcomes. They should also include institutional reform plans—and the assistance and training to support them—to ensure that the assets and security institutions that deploy them align more closely with international norms. Finally, they should include clear and enforceable actions to halt security assistance if partners fail to comply with compact terms. The United States should eliminate practices such as cash flow financing,22 as such

- arrangements limit US flexibility to exert its leverage or execute changes in security assistance in accordance with changing priorities or regime relationships.
- Encourage civilian oversight by increasing transparency; by including the amount, purpose, and requirements for the use of assistance and equipment; and by engaging appropriate civilian leadership and institutions in compact development, implementation, and compliance monitoring.

Increase Economic Engagement and Restructure US **Economic Assistance**

Second, the United States must increase economic assistance to the region. Given the costs of repeated military deployments and the resurgence of conflicts over time, rebalancing regional assistance to include a robust focus on long-term economic development and institutional reform puts the United States on a more durable path to peace and stability in the region and offers better bang for the buck. As with security assistance, however, the US government must deploy its economic assistance with conditions that encourage necessary political and economic reforms. It must establish itself as partner of the people, responding to high-priority needs of populations. It must eliminate ways in which US assistance reinforces elite privileges, as it does now by working almost exclusively through governments and in the industries and communities dominated by regime elites. And it must build durable partnerships around shared objectives with other donors in the region, including Gulf allies, international financial institutions, and the European Union—all of whom share an interest in the region's stability and economic prosperity. With these aims in mind. the United States should:

• Establish a \$1 billion Middle East and North Africa Fund that is focused on specific constraints to expanding economic opportunity. The Fund would model the responsiveness, transparency, and public accountability desired of public institutions. Similar to Millennium Challenge Corporation (MCC) compacts, the Fund would (1) assess each country's growth constraints through an analysis conducted jointly by the United States and the partner country; (2) finance joint projects that address the most significant constraints and demonstrate strong projected benefits and economic returns; (3) secure commitments from government partners to undertake necessary policy, regulatory, and institutional reforms; (4) include clear and transparent outcome measures and performance benchmarks; and (5) engage broad constituencies



inside and outside of government on all aspects of compact development. Separate from traditional bilateral assistance, Fund resources would be available only to countries or ministries that demonstrate a clear willingness to reform; these resources could also support regional projects focused on trade integration. Critically, the United States should seek and include partners such as Gulf allies, the European Union, and international and regional financial institutions at every stage of the process.

An interagency board similar to that of the MCC should manage the Fund, with the US Secretary of State as chair.

An interagency team, led by experts from the MCC, should facilitate compact development, with the interagency board approving compacts. Finally, the Fund should include new economic tools and authorities, such as loan guarantees, risk insurance, and equity investments. In an era of budget constraints and declining significance of foreign assistance (as private-sector flows and domestic resources increase), such tools can vastly amplify the impact of limited amounts of scarce US taxpayer resources and are much more responsive to demands from partner governments for capital and sustained private investment, thereby strengthening US leverage for reforms

Tunisia: An Opportunity to Avoid the Pitfalls of the Past?

Tunisia is the brightest hope to emerge from the Arab Spring, and the Obama administration has responded by significantly increasing US assistance to Tunisia in the 2016 budget request. The United States also has the opportunity to heed the lessons of its decades-long engagement with the region and ensure that support for short-term security gains does not undermine reforms necessary for long-term security and stability.

The Obama administration's FY2016 request doubles economic assistance from \$25 million in FY2014 to \$55 million in FY2016; triples foreign military funding from \$19.9 million to \$62.5 million; and increases support for security and judicial institutions from \$9 million to \$12 million. Used well, these resources could prove catalytic as Tunisia seeks to address critical economic and security challenges, few of which are characterized by capital constraints.

First, the United States must be careful not to overemphasize security at the expense of other reform priorities. The FY2016 security assistance requests outpace economic assistance by more than 30 percent, which is understandable given Tunisia's recent terrorist attacks. But fulfilling Tunisia's promise also relies on greater access to economic opportunity and justice for all, and US support must target these outcomes. Further, the United States must ensure that its security assistance is deployed in a manner that is consistent with international norms and that does not empower security forces at the expense of Tunisians' legitimate demands for just and accountable security institutions. Second, to ensure effective spending of economic support, the United States must work with Tunisians to leverage these resources against the real constraints

to inclusive growth: ineffective, unaccountable, nontransparent financing and judicial institutions and labor policies that engender high costs, high risks, and high barriers to market entry for nonelites. Real progress on inclusive economic growth means confronting the political elites who are the main beneficiaries of current economic structures.

The Tunisian government knows that these are the most central issues holding back its economy; in fact, the Tunisian government co-authored a 2013 constraints analysis, together with the US government and the African Development Bank. But the nation needs technical assistance, incentives, and leverage to persuade resistant elites. An ambitious package that couples critical economic reforms with US loan guarantees and assistance from international development banks could help smooth short-term reform challenges and illuminate a clear path to sustainable, shared prosperity for all Tunisians.

Finally, in providing its support, the United States must take care to be transparent and engage broad constituencies in the allocation of its security and economic assistance. The formation of a broad, multiparty governing coalition suggests a hopeful new direction for Tunisia. The United States must be especially careful not to disturb this new, fragile equilibrium with its aid. It must engage transparently and broadly, building relationships with all credible, nonviolent elements of Tunisia's new political order; addressing economic priorities that are widely shared among Tunisians; and undertaking new efforts to share, justify, and allow citizen monitoring of US assistance.



These conditions, new economic tools, and process requirements should be codified in the Fund's authorization by Congress. The Obama administration's previous attempts at establishing a Fund failed, in part, because of a reluctance to define an explicit management structure and specific criteria and constraints on the use of funds. Given the history of assistance engagement in the region, however, binding process and criteria constraints on a small portion of regional assistance are critical to shifting strategic approaches.

 Convene Gulf and European allies and international financial institutions around a shared economic reform agenda. The United States must recognize that its greatest leverage is not in its economic assistance per se, which pales in comparison to Gulf assistance and that of the international financial institutions, but in how the United States uses its global leadership to convene and partner with other actors in the region. Absent a coordinated strategy to press for reforms, governments will continue to pursue a divideand-conquer strategy among financing partners, sidestepping those with tough reform conditions in favor of those without. Regional and international financial institutions, including the International Monetary Fund, the World Bank, African and Islamic development banks, and the European Bank for Reconstruction and Development, are natural allies and have vast technical knowledge and expertise to offer beyond financing. US and Gulf interests often diverge, but Gulf allies share concerns about the weak performance of regional economies, poor development progress, and unmet demands of regional populations. Gulf allies have signaled that they are unlikely to continue the same level of financial support given increasing demands at home, falling oil prices, and lackluster efforts on the part of recipient governments to implement economic reforms.²³ The United States should use its convening authority to bring financial institutions and other partners together under shared, country-specific reform agendas to which entities can contribute their financial and technical assets.

3 Elevate Political Reform, Reformers, and Universal Rights

Third, the United States must elevate local voices pressing for reform and help protect the space for them to do so. Indigenous reformers, inside and outside of government, hold the key to regional transformation. In countries with closed political systems, local civil society movements are often the only legitimate force pressing

for public accountability. Enabling and amplifying such movements are critical for reform.²⁴ However, civil society organizations and citizen movements are stifled by increasing restrictions on fundamental freedoms of speech, assembly, association, and external funding. The US model of training and support of local organizations (largely through international organizations) is insufficient, not only because of restrictions imposed, but because change movements are increasingly driven by spontaneous events and more diffuse networks of stakeholders²⁵

The United States must lead and help coordinate the international community in holding countries accountable to international treaties and standards. It must elevate political reform in its bilateral diplomacy, commensurate with its central role in achieving US objectives. In addition to protecting the legal and civic space for local advocates, the United States must find creative ways to give reformers the tools they need. Such tools should include technologies and services that allow citizens to communicate and organize locally and connect to regional and international support, as well as platforms to aggregate and amplify citizen voices, such as online citizen accountability mechanisms like IPaidABribe.com or others that allow citizens to report on the performance of public institutions. Finally, recognizing the need for greater flexibility and responsiveness to local solutions and movements, the United States should help establish a multilateral marketplace for professional service providers (e.g., constitutional lawyers, pollsters, technology experts, and communications strategists) to support activist organizations and citizen movements. The latter service arrangements can circumvent the increasingly difficult legal environment for local nongovernmental organizations partnering with or receiving aid from US-based and other international organizations. A multilateral marketplace could be established with a \$25-\$50 million founding US contribution, drawing from resources the United States has been unable to deploy within countries due to restrictions on associations with foreign entities.

Collectively, these priorities will require concerted effort from the next White House, working closely with Congress; the Departments of State, Treasury, and Defense; and the US Agency for International Development and other trade and development agencies. Strong policy coordination from the National Security Council will be essential to deliver the proposed, concrete changes in long-standing agency practices.



Conclusion

Going forward, the next presidential administration must deploy a modernized regional strategy, predicated on the pursuit of democratic values and economic freedoms, institutional reform, and engagement, that reaches beyond regimes to help mobilize the citizen-led forces that can help shape countries and governments in the region. These shifts will face resistance from regional partners who have chafed at international interference in domestic affairs; they will therefore incur risks at a time of uncertainty in the region. But the far greater risk is in pursuing past strategies and expecting a different outcome. In the absence of sustained and substantive progress on inclusive growth and good and accountable governance, no amount of military engagement and security interventions will eliminate the conflict, extremism, instability, and terrorism that threaten the region, European allies, and the American homeland itself. These transformations will generate lasting security and prosperity for the region and thus secure US interests for the long term.

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