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“The Arab Spring: The Challenge for Business in North Africa and the Middle East 2012”
The National Press Club
529 14th St., NW Washington, D.C. 20045
Tuesday, February 6, 2012 10:00 AM-11:30 AM

On Tuesday, The National Press Club hosted a discussion featuring Chief Executive Officer of Control Risks **Richard Fenning**, highlighting how the civil unrest of the Arab Spring has affected the way people do business in the Middle East and North Africa (MENA) region. **Kimberly Mikec** moderated the event.

Fenning began his talk by citing the **emerging geopolitical struggle, making comparisons reminiscent of a cold war stand off**, and stated that as the geopolitical context evolves, it is important to consider the internal dynamics and “domestic changes” occurring in geopolitical powerhouses, namely Russia, China, and Iran.

He continued saying the extreme sanctions Iran faces have increased tensions to an unprecedented level making the entire region very unstable. This instability would exist not even taking into consideration the political upheaval and transition occurring across the region. Fenning affirmed that **Iran understands it does not have the manpower to actually close the Strait of Hormuz, as it has threatened. Furthermore, such a move would “not be tolerated” by the West, and more importantly would not be tolerated by China, Iran’s largest oil importer.** “China has very little to gain from Iran,” said Fenning. China reportedly has already met with other Arab regional players to diversify its supply in case of a hike in the oil price. The situation across the board was described as a situation with “rising tensions without a way forward.”

The emerging standoff pits the U.S., Arab states, and the E.U. against Russia, China, and Iran and they have chosen Syria as their battlefield. **Opposing opinions of the desired result in Syria have polarized the positions of those involved.** Today, a Russian convoy visited Damascus, with a message Fenning believes of an offer to handover power. Rising sectarian tensions have threatened to spill over to neighboring states (Iraq, Lebanon) and have made investors apprehensive.

Fenning transitioned to discussing prospects for business in Libya, Iraq, and Egypt. Fenning had a cautious, but optimistic outlook for Libya’s economic prospects. He called Libya “extraordinarily rich,” noting that Libya has three percent of the world’s oil reserves, a strategic location on the Mediterranean in proximity to Europe, and relatively small population of 5 million people. Fenning said **that Libya has the potential to become the “Norway of North Africa”; a country rich in hydrocarbon resources produced using solar energy.**

Fenning compared Libya with oil-rich Iraq, a country with enormous potential recently facing a difficult political transition. Iraq is having difficulty dealing with “the inevitable spike in violence,” which appeared following the withdrawal of U.S. forces. Fenning said that **Iraq’s geostrategic position unfortunately places it in a “difficult neighborhood,” straddling the fault line of Shia-Sunni tensions.** Companies investing in Iraq understand the situation and are “thick-skinned” enough to temper the violence, which Fenning described as “bringing the country to its knees.” Fenning commented on the recent behavior of Prime Minister **Nouri Al-Maliki**, saying that the regime is falling victim to its autocratic past and moving towards strong central governance.

Additionally, Fenning discussed Egypt’s political transition, calling it “vexed.” **Fenning could not make sense of Egypt’s “unfortunate” decision to “pick a fight with the U.S.” with its recent crackdown on American and Egyptian NGOs and stated that the move is having disastrous implications on their foreign direct investment.** Egypt already faces a disastrous economic situation with the collapse of its tourism industry, rapid inflation, and debt issues.

According to Fenning, the question that remains to be answered is whether the Arab Spring events have opened the respective countries’ economies. The region traditionally has been plagued with centralized family/minority rule that controlled most of the countries’ economies. **The age old transaction, said Fenning, has been “we buy our oil, you buy our arms” has “gone on far too long.”** The wave of revolutions can “open the possibility” that the MENA countries can “offer more.”

Although stability is “no longer on the menu,” **companies that once found it difficult to find space or authority to operate under autocratic constraints may now have the opportunity to find their niche in the transitioning governments.** Fenning foresaw corruption as a problem that could potentially plague emerging governments navigating their way through uncharted territories. Fenning added that these governments would benefit from an “unprecedented” level of anti-corruption sentiment manifested by a majority of governments in a post-financial crisis world.

Fenning briefly discussed the troubles of gulf countries Bahrain and Yemen. He believes that Bahrain wants to reform, but has neighboring Saudi Arabia “breathing down its neck” because of strong Shia ties in Bahrain to those in Saudi’s own eastern province. He foreshadowed that Yemen will continue to struggle and continue to be the focus of U.S. military attention as long as it continues to be a hotbed of Al-Qaeda activity. **Fenning ended the discussion saying that he believes that “a retreat from democracy” is “untenable” for any of the Arab Spring nations and believes that democracy is necessary to harness the enormous economic potential of the MENA region.**