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A Conversation with U.S. Acting Assistant Secretary Joey Hood on Economic Priorities in the Middle East

Speaker:

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AMJAD AHMAD: Welcome and thank you for being with us today. I'm Amjad Ahmad, and I'm director of Empower Middle East at the Atlantic Council's Rafik Hariri Center. Our focus here is on advancing the economies of the Middle East through policies that drive more entrepreneurship, that increase women's economic participation, and that provide youth with the right skills and mindset to participate productively in the economy. Our goals center around unlocking the human potential of the region, which we strongly believe will lead to economic growth and job creation.

We are honored to be hosting State Department Bureau of Near Eastern Affairs Acting Assistant Secretary Joey Hood for a conversation about U.S. economic priorities in the region. Acting assistant secretary has spent much of his career working in the region, particularly on the Arabian Peninsula. He has served as deputy chief of mission in Iraq and Kuwait, as well as consul general and principal officer in Dhahran, Saudi Arabia. He also has been assigned to U.S. embassies in Yemen and Qatar.

After Acting Assistant Secretary Hood gives opening remarks, I will ask a few questions before we turn to our audience. Please type your questions at any time using the Q&A function in Zoom in your screen. We will answer as many questions as possible.

Acting Assistant Secretary Hood, thank you for being here today. The floor is yours. I think your mic is muted.

ACTING ASSISTANT SECRETARY JOEY HOOD: Thank you. (Laughs.) You know, such is life in the Zoom environment. Thank you. Hopefully I won't touch any more buttons now.

But anyway, thank you, Amjad. Your podcasts with entrepreneurs from the region are excellent and inspiring. I appreciate the work that you're doing, and I really appreciate and am honored to be here with you and your guests today, because it's – obviously, we agree with the premise motivating empowerME's work. We support your vision to empower entrepreneurs, women, and youth in the region.

We agree that promoting entrepreneurship as a means to increase SME growth is key to producing the jobs and diversifying Middle Eastern economies the way that they will need to do in order to grow. And we know that we're going to need – from our own experience, that SMEs are going to be needed to drive the economy, and the economic recovery in particular after the adverse impacts of the infamous pandemic we're living through. And we'd like to see countries around the region build a strong technological workforce, because that's the way of the future.

But the challenge of creating those new jobs is daunting. I know that the facts are well known to you and to your audience members, but they really are worth repeating because they're just so eye-popping. The Middle East has one of the youngest and fastest-growing populations in the world. Nearly two-thirds of that population is under 35. And that number's expected to reach 580 million by 2030. We need to ensure that those young people will be able to find

meaningful employment and build a future for themselves. That'll obviously require massive job creation, with an estimated 300 million new jobs needed by 2050, according to the World Bank.

In many ways, the region's future social and political stability depends on creating those jobs. We know that government employment isn't the answer. We need to look to entrepreneurs to start SMEs to create those jobs.

That's why we're also going to need to look for cultural shifts. It's particularly important for women, who are underrepresented in the workforce. For example, only about 24 percent of women in the Middle East-North Africa countries are employed outside the home. That's compared to 60 percent in OECD countries.

Gender-based discrimination in laws and social norms costs the region something like \$575 billion a year, according to the OECD. Failing to harness the talent of working-age women means lost economic potential and less inclusive growth. Let me put some numbers to that. It's estimated that Egypt's GDP could be 29 percent higher with the elimination of the economic gender gap. The UAE's could be 31 percent higher, and Lebanon's could be 28 percent higher. So it's essential that the post-COVID recovery bolster women's recent modest gains in economic participation.

We also wholeheartedly agree that one of the biggest missing pieces for stability in the Middle East is economic prosperity and socioeconomic development for all. To achieve economic prosperity, I'd add another missing piece, which is trust. The great statesman George Shultz recently died at over a hundred years old, so he had some wisdom built up. He was a titan of foreign policy during the Cold War. And he published, in his last article in December, shortly before his death – it was a treatise on what he thought were the most important aspects in relationships. The article was entitled "Trust Is the Coin of the Realm." In the final paragraph he says trust is fundamental, reciprocal, and pervasive. If it's present, anything is possible. If it's absent, nothing is possible. Everything else is details.

Trust is crucial to all relationships. So citizens in the region have to be able to trust their governments, and governments must be able to trust the private sector and unleash it as an engine for job creation and growth rather than a tool for patronage. Entrepreneurship and SMEs are a fundamental part of the American economic model that we proudly promote. Businesspeople, students, and innovators are best placed to build that trust among our citizens.

That kind of trust is forged through person-to-person contacts, through businesspeople from the region and the United States signing new deals, but also through Middle Eastern students living side by side American students in the United States and in their countries and through scientific and research engagements that bring people together, for example, to work on inspiring endeavors in space.

The big demonstration projects like Neom or Noor Abu Dhabi are commendable. They help us dream. But investing together in public education about conservation shouldn't be overlooked. It might not be very exciting, but it may be that by reducing air conditioning in our

homes, by retrofitting houses to lose less energy, might actually save more carbon going into the atmosphere than Neom or Noor.

Whatever we do, we all need to raise our climate ambitions. So we want to work with countries in the region on how best we can execute an energy transition and maximize contributions to Paris agreement goals.

Personal connections forged through business and education are invaluable. That's why the United States led the world in hosting international students before the pandemic and in fostering those personal and cultural connections that last a lifetime. We look forward to welcoming those students back from all over the region once COVID is under control, especially now that the so-called Muslim ban is well behind us.

Let me go back again to cultural change. I talked about women in the workforce. We also need to think about parents, both women and men, and their aspirations for their children, which all too often end up being wanting to see their sons earn engineering degrees and their daughters stay home, and for their sons to work only for a ministry or a state-run enterprise. All that needs to change. Young people need to know that their parents will be proud of them for starting their own business and maybe failing, and spending a whole lot of time out in the garage or the Middle East equivalent of that tinkering with their new idea like a Steve Wozniak, and all of society must know that governments in the region are making every effort to provide economic opportunities for all.

That's why we're going to urge governments in the region to cut red tape and develop more business-friendly investment laws. They also have to do things that aren't very exciting, like improve insolvency reform. A company needs to know how to go bankrupt because, as you know, failure is an important part of success in SME development. So is contract enforcement, public procurement practices, IPR protections.

Now with this virtual environment that we all complain about so much, it actually is easier to make a lot of these connections. So we should be trying to do that, getting more Middle East tech entrepreneurs, for example, engaging more with the U.S. private sectors through virtual trade fairs.

Finally, we hope that countries in the region have an open and honest conversation about how diversity and inclusion in the labor force can benefit economic growth and society at large. As Secretary Blinken said, the State Department is starting right here at home. He is committed to rebuilding our institution with empowered diplomats who look like the diverse multicultural country they represent not just because it's the right thing to do, because it's the effective thing to do.

Fostering workforce participation among traditionally marginalized communities makes us stronger, smarter, more creative, and more innovative, and that's backed by scientific research. We believe it would have the same effect in the Middle East.

Thanks for asking me to speak. I'll leave it there. Now I look forward to expanding on some of these themes in the Q&A period.

MR. AHMAD: Well, thank you. You've given us a lot to unpack. So why don't we start with, you know, in recent months, we've seen moves to deescalate some of the conflicts, as the Gulf-Qatar dispute as well as the Gulf-Turkey tensions, not to mention the Abraham Accords. The United States announced this month that it would end its support for Saudi Arabia's military operations in Yemen.

There's also the issue of how the United States under the Biden administration will approach Iran. What are the priorities of the United States as it drives stability in the region? And, more importantly, where does economic and human development rank within those priorities when you think about the future of the stability of the region?

MR. HOOD: Mmm hmm. Well, Amjad, first, getting the pandemic under control is the number-one agenda item for President Biden. He's made this very clear. You know, first of all, we've got to stop thousands of people in the United States dying every day from this deadly disease. And the president believes, too, that we need to focus on trying to help other countries get it under control there too, no matter where it is, because if COVID is surviving and mutating anywhere in the world, then it poses a national security threat to the United States. Because if another variant that can get past most or all of our vaccines starts to run rampant, then that's going to threaten us and our economic recovery as well.

So these two things are linked. You can't really reopen and see economic growth again without getting the pandemic under control to some degree, and so that's going to be the number-one task of the president for the foreseeable future.

MR. AHMAD: So coming to COVID, you know, obviously, an equitable distribution globally is critical to not only the United States but the entire globe. While some of the Middle Eastern countries, specifically, the oil exporters, have enough resources to purchase their needed vaccines, many do not, as you know. The latter will, therefore, be largely dependent on the WHO's COVAX program, which is heavily underfunded. Will the U.S. and other wealthier partners ensure that COVAX gets to the resources it needs to provide an adequate number of vaccines?

MR. HOOD: Yeah, indeed. We recently announced that we're providing an initial \$2 billion contribution to COVAX. We'll provide another 2 billion (dollars) later. And we want to work with other nations to expand support for COVAX and scale up vaccine manufacturing, supplies, distribution, and other things. So we're working with other allies and partners to make sure that all these activities can be fully funded and supported. As I said, we've got to focus first and foremost on our own population, which I think is understandable for any country. But we also need to do what we can to help those other countries because COVID anywhere is a threat to people everywhere.

MR. AHMAD: And, as you know, the Middle East has suffered two massive negative shocks due to COVID, not only because of the pandemic but also because of the dramatic

decline in oil prices which have a disproportionate impact on the region. And, frankly, oil prices have been declining for some time now, which has put a lot of strain on regional economies. You know, real GDP growth has gone from, you know, 1 percent in 2019 to now negative 4 percent. Debt levels are increasing dramatically, which will obviously hinder their ability to be more flexible going forward. What can the United States do to help these countries come out of their recovery in a much more robust fashion?

MR. HOOD: Well, I think there's a lot that we can do, Amjad. One of the things that we need to help them focus on is what some of the Gulf countries have been orienting themselves forward for quite a while now, which is knowledge-based economies, and focusing on renewables. Because it may be that the world just never recovers its thirst for oil the way that it looked like before the pandemic. And so – but you know, the region has been blessed throughout time with – in different ways. You know, agriculture famously arose in present-day Iraq. Kuwait was a leader in the pearling industry. Now they have hydrocarbons.

They're also blessed with yellow gold, that sunshine that's both clean and environmentally friendly. And, you know, I'm no scientist, but I know that a solar array in, say, Finland is not going to be as efficient as a solar array, you know, in the deserts of Saudi Arabia. So I think that there's a lot that we can do to help the Gulf states and others in the region take advantage of their more than 300 days of sunshine annually with that radiation that's twice as high as the global average, to help them move toward more renewable energy as part of the mix of what they do, an addition to science, and technology, and all the other things that these economies could accomplish with a very young, well-educated, and ambitious workforce.

MR. AHMED: I'm glad you mentioned this transition away from fossil fuels because I think presents a core issue of the region – for the region, and how the U.S. and the region partner going forward. You know, secular trends in our global energy markets have resulted in this long-term secular decline. Energy conservation efforts and the transition to clean energy will likely continue to challenge the region's traditional economic order. The Biden administration has put climate change at the forefront, as you mentioned, which will add further momentum away from fossil fuels going forward.

GCC governments who rely heavily still on oil revenues have begun that transition, but they obviously take a long time. What kind of partnerships do you see going forward with the U.S. to help in that transition away from fossil fuels long term?

MR. HOOD: Well, I mentioned solar as one example. I think the president talks about how the climate change agenda is really a jobs agenda. And that's definitely true. I mean, there's a lot of ways that, just with the hydrocarbon sector, we can provide some of the cutting-edge technology and some of those partnerships that then the countries of the region put into place. So I think we've got a great blueprint from which we can work that, as I said, you know, from the 1930s up until today has worked really, really well.

I forget the statistic now, but somewhere in this pile of books back here there is a description of just how much U.S. technology even today is in every single oil field in the Middle East and every single processing facility because we got an early start. And we've gotten

an early start on climate change. We're not quite as far ahead as I think many people would like to see us. But the United States has a great reputation of moving quickly when we want to, whether it's to put people on the Moon or develop a vaccine in record time for a brand-new disease.

I should mention, too, that we have some star power put behind this in the form of Special Presidential Envoy John Kerry. He's already speaking with a range of high-level interlocutors to discuss ways to catalyze global action, and he's going to host a leaders' climate summit on April 22nd, which I think is Earth Day. So we've got a lot of energy behind this, and I think with American businesses at the forefront we really can make a lot of progress.

I will say, just personally speaking here based on my own experience overseas, I'd like to see American companies, especially SMEs, get more hungry for working in the Middle East. You know, we often approach these companies and say you might want to think about exporting, you might want to think about the Middle East, and they either look at it and say, oh, no, I'm already exporting to Canada and Mexico, like, isn't that enough; or they look at it and say, wow, the Middle East, whew, that seems really hard, I'm not sure. That's where the State Department and the Commerce Department are here to help by making recommendations of credible business and government interlocutors that new businesses can meet with and then establish relationships with. And like I said, now, in this environment, if it doesn't require flying 5,000 miles, this is something that businesses should be encouraged to dive into with more alacrity.

MR. AHMAD: I'm glad you mentioned this point because I think it's a critical one. The region has really not been effective at drawing in foreign direct investment, obviously, for many reasons, and it seems like you see that as a critical issue as well. You know, you mentioned some of the things that you're willing to do, but what steps do you think they need to do to sort of get foreign investors, specifically U.S. companies and European companies, excited about the region and feeling, I guess, that the risk-reward profile is more compelling?

MR. HOOD: Well, I mentioned one of them, which is embracing failure. You know, culturally I know – around the world, not just in the Middle East – that's a really hard one to wrap your mind around. But it's absolutely essential to an ecosystem that rewards entrepreneurship, because without failure there really is no entrepreneurship.

So I've seen governments try interesting things, like to say, OK, well, you can have a government job, but if you're willing to also build your own SME, you can sort of have half time off. And so you still have this government job cushion, but we're giving you some freedom to go out and try this thing. That's not the way we would do it, of course, but that's OK. You know, governments need to find their way and see what will work for them.

They also need to encourage, we think, more diverse forms of financing. Only 2 percent of bank lending in Gulf countries goes to SMEs. That is substantially lower than the average in middle-income countries, which is about 18 percent, and in high-income countries of 22 percent. I think there's a correlation there. So the financial sector needs to start showing entrepreneurs a lot more love, and that requires – that's part of the cultural shift that I'm talking about. It's in

everybody's heads everywhere, whether they're sitting behind a desk at a bank, whether they're somebody's mom, whether they're someone's teacher, or someone's imam maybe.

But in regard to other funding sources, things are looking much better in the region, in part because of your good work, Amjad. There's been a large increase in venture capital since 2016. The number of investors in the region increased by 30 percent from 2015 to 2017. Total funding increased from 53 million (dollars) in 2014 to 410 million (dollars) in 2017. And the number of deals almost doubled from 131 to 258.

In 2020, according to our states, Nina venture-capital funding crossed the billion-dollar mark for the first time. So funding for entrepreneurs and SMEs is a perennial issue and one that governments in the region really need to give some thought to and try to get creative in encouraging people to shift that cultural outlook.

MR. AHMAD: You know, it's a great segue to entrepreneurship. You know, we strongly believe that building entrepreneurial ecosystems and agile private-sector-focused economies can lead to long-term sustainable economic growth. As you mentioned, at Empower Middle East, we have spotlighted talented men and women who are building companies in the region and really doing exciting things in terms of creating jobs and creating wealth for others.

A recurring challenge that we hear from them is the difficulty of scaling companies in the region due to the lack of economic integration between regional players and the lack of appropriate levels of then equity funding, which you alluded to. You know, in addition – we hit on it – that foreign direct investment is not where it should be at this stage and hindered by many of the – of the policies.

On the bright side, we've seen regional governments starting to take a step forward to boost investor confidence. You know, Saudi Arabia introduced new judicial reforms. UAE launched a new citizenship for foreigners, path to citizenship. Egypt, Jordan, and Iraq are working on economic ties to possibly have an economic bloc, an integrated economic bloc.

What do you think they need to do to move the needle? You know, we mentioned some of the things. But what is the biggest thing that the U.S. would like to see some of these countries do to really have this explosion in entrepreneurship?

MR. HOOD: Well, you mentioned integration. I mean, the establishment of the GCC was a great innovation 40 years ago. We've seen it shaken recently. You know, I won't get into the politics of it, but that needs to be – those gaps need to be cemented over as quickly as possible. And we're pushing all the countries involved to try to do that.

I mean, it really is just amazing that you – you know, if you look at the geographic space and you compare it to Europe or the United States, you know, whether you're flying or driving, it's a harrowing experience. It's not easy to get from one place to another. And I think that's just emblematic of the economic-integration problems as well.

I think one problem that's also common to all of them that really could be better addressed by the GCC itself is IPR protection. You know, we might laugh at the fake McDonald's or, you know, the knockoff Disney products in the little bakala here or there on the street, but the reality is that that is commercial theft. And that hurts SMEs probably a lot more than it does big companies.

So, you know, if you're an investor from outside looking at that or you're an entrepreneur yourself and thinking, do I really want to put my blood, sweat and tears into this project only to have it stolen away and have people laugh at me, that's not going to encourage you. So we've been talking about it for years. There hasn't been a whole lot of progress on it, and we need to see that. We need to see a change because IP protections are essential to knowledge-based economies.

And then, by and large, I think the governments of the region just need to get out of the way and let the private sector innovate. And I know, again, that's culturally just not something that these – that leaders do naturally, because they want to be able to control it. They want to take credit for it. They want to – they don't want it to be so messy and chaotic. But entrepreneurship actually has to be messy and chaotic. It's an ecosystem. And ecosystems, for anybody who's been out in the jungle or a rain forest knows, they're not very orderly. They require lots and lots of things in order to thrive.

MR. AHMED: Well, I think some of this is very much related to the women issues that you brought up, how much women can ignite, you know, growth in GDP. I had an interesting chat yesterday, just coincidentally, with 500 startups which announced a big fund yesterday in Saudi Arabia. You know, their first incubator in Saudi had 37 percent women – I think even above that – which was their highest level of women participation in the world, interesting enough, from all of their accelerators. So when you see that opportunity, I guess I'm more interested in what can the U.S. do, and where can the U.S. play a role with people like Saudi, UAE, Egypt in sort of increasing that participation?

MR. HOOD: Well, it's a good question because in those countries usually funding is not really the issue. It's really about unleashing creativity. I remember being in one country, which I won't name, and I was listening to a briefing about the entrepreneurship fund that they had and the types of grants that they were willing to provide, and loans, and training, and things. And they actually had to put on their website: We will no longer fund or support hair salons or t-shirt making shops, or franchises, because that was the bulk of what they got as applications. And, you know, those things are important, but they're not – they're not as diverse in terms of undertakings as what we need to see happen to see real development and change.

So we're trying to do a few things though the assistance that we can provide. It's not about money. It's about exposing would-be entrepreneurs or fledging entrepreneurs to experiences that people have had in the United States. What worked for us? What didn't? Also, trying to expose government leaders to the same sort of thing. And maybe we bring it down to, like, a scale that maybe makes more sense for them. You know, if you're bringing a delegation from Bahrain, it doesn't make a whole lot of sense to expose them to, you know, the federal

architecture of economic development, because our country is, like, a million times bigger. But maybe you bring them to a city or a state – a small state and see what they’re doing.

We have the Middle East Partnership Initiative. And one project I will tell you about is called Knowledge is Power – the Knowledge is Power Index. It’s being implemented by AUB and it’s operating in Algeria, Bahrain, Jordan, Kuwait, Lebanon, Morocco, and Tunisia. And that project is meant to increase awareness of women’s contributions to the economy already in the Middle East and North Africa region, to help empower women to assume a more active role in the economy and society by alerting economic stakeholders to the gaps, the possibilities, the opportunities – some of the stuff that I talked about earlier in this session.

But in this project, we’re focusing on recruiting, retaining, and promoting women in the formal sector. That’s going to be hugely important to the post-pandemic recovery because, as we’ve seen in every country, including the United States, the pandemic has affected women at a much higher rate than men, because even in the most developed economies it’s women that are most often called upon to take on extra care of family members when that’s necessary – such as when schools aren’t in session. So working in partnership with local and multinational companies, governments, civil society organizations and others, this project conducts a regional comparison to help identify best practices in some places, and areas for development in others.

There’s another project called Support and Accelerate Women’s Inclusion in the Workforce. That’s also being implemented by AUB in many of the same countries. And that is trying to increase women’s economic inclusion by focusing on five main pillars: comparing day-to-day economic activities of women across the region, unpacking the regional trends associated with global statistical indices, prioritizing local examples of dignified paid work in the formal sector, and then acknowledging and measuring women’s informal employment outside the informal sectors. You’ll notice earlier in my talk I said that women were – only a certain percentage of women were employed outside the home, because women are fully employed inside the home for sure, and usually don’t get paid for it. But there are some things that they do in the informal sector that they do make money from. We need to recognize that, and try to measure that, and see how can we maybe grow that, and then recognize the differences and the importance of transnational networks.

You know, Arabic is a common language throughout much of the region, so we can help with that integration through projects like this. So you have Libyan women talking with Bahraini women talking with Tunisian government officials talking with Iraqis who maybe have made it big in the informal sector. That’s a role that we can help play as the United States.

MR. AHMAD: Yeah. And I think we’ve seen cases and case studies of this working, right? We’ve seen that companies can scale effectively when you just get out of their way and give them an opportunity.

A lot of the things we’re talking about I think regional folks would sort of say that hasn’t been sort of the traditional focus of the U.S. You know, for decades oil politics sort of dictated U.S. policy towards the region, with a heavy focus on the security relationships. Senator Chris Murphy, a member of the U.S. Senate Foreign Relations Committee, recently wrote: “A U.S.-

Gulf relationship built on economic, diplomatic, and governance ties, rather than just brute security partnerships, will accrue to the benefit of both U.S. and Middle Eastern interests.” How does this particular administration think about U.S. national interests in the region, given this perceived decline in the future value of the region’s energy resource?

MR. HOOD: Mmm hmm. Well, that’s part of Senator Murphy’s op-ed that I think we can all agree with, that a broader, more diverse set of relationships with the Gulf countries is going to do us some good. And that’s why I focused on the students early on, because many people maybe don’t know this, but Saudi Arabia was the third-largest student population of foreign students in the United States just a few years ago. That’s behind, like, I think China and South Korea, which have a lot more people. So at one point Kuwait was sending fully 10 percent of all its top graduates of high school to study in the United States, and I know that some of the other Gulf countries were doing the same in equally impressive percentages.

And I’ve seen the effect of that myself. When I was consul general in the eastern province of Saudi Arabia, I would often go to gatherings called, you know, diwaniya, and I would just marvel at listening to men chattering amongst themselves in Arabic – which I don’t speak perfectly, but enough that I could pick up dribs and drabs of conversations where I knew they were talking about, like, their favorite football teams and how they were doing and, you know, kind of teasing each other. And they were talking about the little black-and-white ball; they were talking about American football and their favorite college teams, and they would introduce themselves according the mascot of their alma mater.

There’s just an intangible kind of understanding and trust that comes when people have spent such a formative period of their lives living side by side Americans – good, bad, and ugly. You know, I’m not saying that this is, like, a panacea. I’m not saying everybody has a perfect experience. But by and large, it’s so transformative and so important that it really does matter later on, so that when – (audio break) – or other is making an important decision about where to invest or deals to be made, they’re just more comfortable with the Americans and talking to them then they are, say, with the Chinese or with others. So I think that’s a huge source of, you know, our soft power, and we absolutely have to build on it.

At the same time, the president has made clear that he’s not going to allow the Kingdom or other countries in the Gulf to become target practice for the Iranians or anyone else, and so that requires a good smart security relationship. As Senator Murphy talked about, we have some of the most defensive – some of the most advanced defensive technology in the world, and we need to have a healthy debate about what’s defensive and what’s offensive because sometimes, you know, an F-15 can be both. And so there’s going to have to be healthy debate about things like that.

But absolutely. You know, when King Abdul Aziz and President Roosevelt sat on the deck of the USS Quincy in the Great Bitter Lake 75 years ago, more than 75 years ago now, and sort of came to an understanding of oil for security, they couldn’t have imagined that someday, you know, we’d be working – we’d send a Saudi astronaut into space and we’d be exploring Mars with the Emiratis and we’d be opening up AMC cinemas, you know, across the Kingdom. No way. There’s no way they thought about that.

So that's where entrepreneurship and those trusting relationships, I think, can bring us to places 10, 20 years from now that we don't even imagine. Like, I'm talking about solar energy because there's lots of sun and lots of space in some of these countries. But maybe there's something completely different that people come up with because they've got that trust and those relationships and can communicate with each other in a way that just wasn't possible before. So I'm optimistic.

MR. AHMAD: You've mentioned China, which I'd like to touch on because it is an important subject. China's playing a more active economic role in the Middle East, driven by its energy demands, its intention to become a focal point for global trade through its Belt and Road Initiative. We have witnessed an increase in Chinese investment, whether in infrastructure or technology, and have seen the rise of China's soft power amongst the business and entrepreneurial community who marvel at their progress and technological advancement.

According to a recent survey we conducted, Middle East business leaders view China positively and have a healthy – and they believe so – it's a healthy diversification strategy away from the U.S. and Europe. Whether directly or indirectly through its national champions such as Huawei and Alibaba, Chinese economic presence is likely to intensify in the coming years as it sees new opportunities to fill a perceived withdrawal of the U.S. from the region.

How do you view China's role today in the Middle East and how does the United States plan to counter China's growing presence in the region?

MR. HOOD: You know, before the pandemic, Amjad, I would push back on this premise that somehow the United States was withdrawing from the region. I would cite the tens of thousands of American citizens living there and the hundreds of thousands of visas that we would approve for people coming to the United States every year, and I would talk about the more than hundred thousand students from this country or that one living in the United States and, you know, the economic relationships, the commercial relationships just growing and growing every year.

And I would ask, what are we withdrawing from, exactly, you know? Well, the military side. OK. Well, we still have the Fifth Fleet there and we still have the Air Force Command there and we still have this many troops there.

So, like, I don't get this whole thing of America is withdrawing. I think it's just Communist Party propaganda, you know. So we didn't believe it under the Soviets. I don't think we should believe it under the Chinese Communist Party either.

So let me push back also on some other things. I know these aren't necessarily your beliefs but they are reflected in polls and things, that China has this great soft power and they've made such great progress. Well, a lot of that progress was stolen. We know that they have a major commercial espionage program and we know that a lot of the innovations that they've supposedly made have actually been stolen from businesses in Europe and the United States.

So that's a truth that we need to be talking about more, and we also need to be asking ourselves, you know, if you walk up to the average 17-year-old Middle Easterner on the street and ask, hey, where do you dream about going to college if you could go to university somewhere outside your country, 99 percent of them are going to say, like, San Diego. They're not going to say Beijing. I mean, it's just a reality.

So I'm not sure that this whole soft-power idea is valid. You know China, under the Communist Party rule, is really into hard power. It's about political oppression. It's about shutting down access to the internet. It's about economic coercion. It's about debt-trap diplomacy. You know, here's a bunch of money in your time of need. And then, when it serves them, they turn it around and say, well, since you owe us all this money and you can't repay it, I guess maybe you're going to have to do some of these other things that we want.

We're not a fair-weather friend like that. Two days from now we're going to commemorate the 30th anniversary of the liberation of Kuwait. Did China lead a coalition to liberate that country? No, they didn't. It was the United States. And, you know, so when people talk about withdrawing or about, you know, who's on the rise, I just say remember who your friends are, because we've proven that we're not just friends in times of fair weather.

MR. AHMAD: I think the perception is that they're leading with the economy. But I think what you're saying is that it could be a pretext to political and security engagement in the future. Is that correct?

MR. HOOD: Absolutely.

MR. AHMAD: So there are strings attached.

MR. HOOD: Absolutely. And we share that with our colleagues across the region every chance that we get, because we don't want to see them falling into some of the same debt traps that we've seen happen with countries in Asia and in Africa.

MR. AHMAD: Well, unfortunately, I think we're out of time. But I want to leave you with the last word if there's anything else you'd like to add.

MR. HOOD: (Laughs.) I guess I would just say that I haven't really prepared a last word. I just would say that I remain optimistic about all the different aspects of our relationships across the region. You know, there is a reason that so many Americans choose to travel and live in Middle Eastern countries. We have just such deep and historic connections with so many countries.

Just to name a few, I mentioned Kuwait. I don't think there's an American alive today who doesn't have some connection to that liberation that I talked about, because we had, what, a million troops mobilized to help with the effort. And so, you know, in addition, taking out Saddam Hussein, many, many Americans were involved in that. Whatever you think of our actions in Iraq at that time or afterward, many, many Americans now have a very deep connection to that country. Israel, it goes without saying; Egypt, Ummah Duniyah. You know,

we have so many students who learned Arabic in places like Cairo and Beirut, or even in Yemen. When I was there and lived there myself with my family, there was an Arabic-language institute.

So there are so many connections between our people that I think can be built on in the spirit of entrepreneurship that will give us a bright new future together and one that isn't dominated by the kind of coercion that you see from other countries, but more just being friends in good times and bad.

MR. AHMAD: Well, acting Assistant Secretary Hood, thank you for your thoughtful and candid comments.

MR. HOOD: Thank you, Amjad.

MR. AHMAD: We look forward to having you back to discuss your progress and your initiatives and goals in the Middle East. Thanks again.

MR. HOOD: Any time. Thank you very much. Take care.

MR. AHMAD: Thank you all for joining us.

(END)