

**INTERNATIONAL SECURITY / MIDDLE EAST UPDATE**  
**November 16 - 23, 2011**

1. [Iran Cut Off from U.S., U.K. and Canadian Financial Systems \(11-22-2011\)](#)
2. [White House Fact Sheet: U.S. Pressure and Sanctions Against Iran \(11-21-2011\)](#)
3. [Obama Concludes Nine-Day Journey in Asia-Pacific Region \(11-19-2011\)](#)
4. [Obama: U.S.-Australia Security Deal Will Bring Regional Stability \(11-16-2011\)](#)
5. [Transitions and Economic Opportunity in a Changing Middle East \(11-16-2011\)](#)

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**1. [Iran Cut Off from U.S., U.K. and Canadian Financial Systems \(11-22-2011\)](#)**

By Stephen Kaufman  
Staff Writer

Washington — Iran’s continued violation of its international nuclear obligations, as outlined in a recent International Atomic Energy Agency (IAEA) report, has been met with new sanctions from the United States that target its financial, petroleum and nuclear sectors, and President Obama has warned that Iran will face more isolation and pressure if it “continues down this dangerous path.”

“As President one of my highest national security priorities is to prevent the spread of nuclear weapons, including to the Iranian government,” [Obama said in a November 21 statement](#).

“Since taking office, I have made it clear that the United States is prepared to begin a new chapter with the Islamic Republic of Iran, offering the Iranian government a clear choice. It can fulfill its international obligations and reap the benefits of greater economic and political integration with countries around the world, or it can continue to defy its responsibilities and face even more pressure and isolation,” he said.

The IAEA report, released November 8, cited new intelligence about Iran’s nuclear activities and determined that there is “credible” evidence Iran is trying to build nuclear weapons. The report follows up on an [alleged plot](#) involving members of the Iranian Islamic Revolutionary Guard Corps’ Quds Force to assassinate a Saudi Arabian diplomat in Washington that was made public on October 12.

Iran has “has chosen the path of international isolation,” Obama said, and as a result the United States “has taken action to impose an additional cost on Iran.”

The new U.S. sanctions target the country's petrochemical sector for the first time, preventing 11 individuals and entities connected with Iran's nuclear program from doing business with Americans and freezing any of their U.S. assets. The United States also has identified Iran's entire banking sector as a threat to foreign governments and financial institutions because of its potential connection to the Iranian government's illicit activities, including money laundering and support for terrorist groups, as well as its nuclear activities.

"We are joined in this action by the United Kingdom and Canada, who have also acted to cut off Iran from their financial systems today," Obama said.

[Secretary of State Hillary Rodham Clinton and Secretary of the Treasury Timothy Geithner told reporters](#) November 21 that the new U.S. measures significantly increase the pressure on Iran, as well as its income sources and illegal activities.

Existing sanctions have already "almost completely isolated Iran from the international financial sector and have made it very risky and costly a place to do business," Clinton said.

The new restrictions "do not exhaust our opportunities to sanction Iran," she said. At the same time, the United States remains committed to engagement with Iran, but only if Iran "is prepared to engage seriously and concretely without preconditions."

"So far, we have seen little indication that Iran is serious about negotiations on its nuclear program. And until we do, and until Iran's leaders live up to their international obligations, they will face increasing consequences," Clinton said.

Secretary Geithner said the U.S. decision to identify Iran's entire banking sector as a threat to foreign governments and international businesses is significant and will cause financial institutions around the world to "think hard" about the risks of doing business with Iran.

"If you are a financial institution anywhere in the world and you engage in any transaction involving Iran's central bank or any other Iranian bank operating inside or outside Iran, then you are at risk of supporting Iran's illicit activities: ... its pursuit of nuclear weapons, its support for terrorism, and its efforts to deceive responsible financial institutions and to evade sanctions," he said.

The United States took the action in coordination with the United Kingdom and Canada, and as a result "Iran is now cut off from three of the world's largest financial sectors," Geithner said. He encouraged other countries to take similar actions to help prevent Iran "from simply shifting financial activity to banks within their nations."

[State Department Fact Sheet: New Sanctions on Iran](#)

[State Fact Sheet: Executive Order 13382 Designations on Iran](#)

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## **[2. White House Fact Sheet: U.S. Pressure and Sanctions Against Iran \(11-21-2011\)](#)**

As part of our ongoing efforts to increase the cost of Iran's failure to live up to its international obligations regarding its nuclear program, today the United States announced the imposition of new sanctions against Iran. These measures build upon the framework that this Administration has established, which is comprised of national and multilateral sanctions that have contributed to what

Iranian President Ahmadinejad recently called “the heaviest economic onslaught on a nation in history.” Our sanctions have:

- Slowed the Iranian nuclear program. The former head of the Atomic Energy Organization of Iran, Ali Salehi, admitted in 2010 that sanctions have delayed Iran’s enrichment program. Iranian officials have long complained that sanctions have limited their access to nuclear technology and information. Sanctions have sensitized countries to the risk of doing business regarding items that can be used to further Iran’s nuclear program, resulting in Iran’s inability to acquire thousands of a dual-use nature. The United States has also made use of the inspection provisions contained in United Nations Security Council Resolution (UNSCR) 1929 to work with partners to deny Iran access to items it has procured and to call out clearly the extent of Iran’s sanctions evasion.
- Stymied Iran’s access to the international financial system. U.S. sanctions on Iranian financial institutions paved the way for Iran’s near-total isolation from the international financial system. Under this Administration, we have tightened Iran’s access by imposing sanctions on dozens of firms and financial institutions that were enabling Iran to evade international sanctions. UNSCR 1929 explicitly calls on states to prevent the provision of financial services, including insurance and re-insurance, that could contribute to Iran’s illicit nuclear and missile-related activities. Iran has been forced to resort to exotic, expensive, and cumbersome methods to engage in the most basic of financial transactions. Today’s announcement that the United States has identified Iran as a jurisdiction of primary money laundering concern is the latest in our efforts to inform the international financial community of the risks involved in doing business with Iran.
- Hindered Iran’s oil and gas sector. U.S. sanctions have deterred investment in Iran’s oil and gas sector for years. However, with this Administration’s robust implementation of both the Iran Sanctions Act (ISA) and the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA), we have been successful in pushing Iran’s erstwhile foreign partners to exit Iran. The Iranian oil ministry acknowledged publicly that it is \$100 billion short in investment that it needs to develop this sector; we are confident that, as a result of our sanctions, Iran will not receive this assistance. Today, we have expanded our already robust sanctions in this regard today through our decision to make sanctionable the provision of certain goods, services, technology, and support to Iran’s oil, gas, and petrochemical industries. UNSCR 1929 notes the potential connection between Iran’s revenues derived from its energy sector and the funding of Iran’s proliferation-sensitive nuclear activities. And the EU, Japan, South Korea, Canada, and several others have taken similar steps to prohibit support to Iran’s energy sector.
- Exposed Iran’s support for terrorism. We have designated Iran as a state sponsor of terrorism and used our counterterrorism authorities to impose sanctions on Iranian individuals and entities responsible for terrorism. This includes the IRGC-Qods Force and, in October, the five individuals in connection with the alleged plot to assassinate Saudi Ambassador al-Jubeir in Washington, D.C. We have also used these authorities to identify other ways in which Iran contributes to terrorism, such as its facilitation of the efforts of al Qa’ida members operating in Iran.
- Demonstrated our support for universal human rights. Beyond our international dialogue and our civil society outreach programs, we have used our sanctions authorities to impose consequences on those who are responsible for serious human rights violations in Iran. We intend to make additional use of this tool, to continue to demonstrate our solidarity with

those in Iran striving for acknowledgment of these rights by Iranian authorities, and to encourage U.S. partners to take similar steps.

The sanctions that we have imposed — along with our partners — have been targeted against Iran’s illicit conduct and the mechanisms by which Iran supports these activities. However, Iran has decided to utilize even its otherwise legitimate financial institutions and firms to support its illicit activities. This has resulted in growing numbers of its firms, banks, and individuals involving themselves in illicit conduct, and therefore increased Iranian exposure to sanctions. As long as Iran’s illicit conduct continues, the United States will be unrelenting in our efforts to expose Iranian cover organizations, deceptive business practices, and other efforts to evade sanctions.

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### **3. Obama Concludes Nine-Day Journey in Asia-Pacific Region (11-19-2011)**

By Merle Kellerhals Jr.  
Staff Writer

Washington — A significant goal of President Obama’s nine-day trip from Hawaii to Australia and then to Indonesia was to reinforce America’s deepening commitment to the Asia-Pacific region and its emerging institutions.

Obama opened the trip with the 21-member [Asia-Pacific Economic Cooperation Leaders’ Meeting](#) in Honolulu, which was hosted by the United States for the first time in 18 years. The president then made a stop in Australia for consultations in Canberra and Darwin with Australian leaders and to address the Australian Parliament before concluding the trip in Bali, Indonesia, to attend the Association of Southeast Asian Nations’ (ASEAN) Summit and the East Asia Summit (EAS). It marked the first time a U.S. president has attended the East Asia Summit.

The president also held numerous individual meetings with national leaders on the sidelines of the larger conferences.

“The president has made clear that full and active U.S. engagement in the region’s multilateral architecture helps to reinforce the system of rules, responsibilities, and norms that underlie regional peace, stability and prosperity,” the White House said in an [East Asia Summit fact sheet](#) summarizing why the United States is seeking strengthened engagement.

National Security Advisor Thomas Donilon told reporters during a briefing in Bali November 19 that the trip was “the implementation of a substantial and important reorientation in American global strategy.”

“Alliances are an essential strategic asset for the United States around the world,” Donilon told reporters. “Over the last two weeks, the president has met face-to-face with each of our Asia treaty allies, and engaged in really the continuing work to strengthen those alliances.”

No other nation in the world has the alliance system that the United States has developed, and it is regarded as a strategic asset, Donilon said.

A second goal of this trip, he said, was for the president to engage intensively with the emerging power centers in the region — such as China, India and Indonesia — which is why it was crucial for the president to hold individual talks with leaders at every opportunity throughout the trip.

Another aspect of the U.S. strategy in the Pacific Rim is to participate actively in regional multilateral institutions, such as Asia-Pacific Economic Cooperation forum, ASEAN and the East Asia Summit, Donilon said. The decision to participate in the East Asia Summit was made after considerable debate within the White House, and was based on the belief that by engaging, the United States could help shape the agenda and help transform the EAS into the premier institution in Asia for addressing diplomatic security and other issues, he added.

Donilon said trade and the economy also were discussed. The United States announced a series of commercial transactions in Indonesia; worked on the U.S.-South Korea Free Trade Agreement and World Trade Organization accession for Russia; participated in APEC trade and economic talks; discussed the work being done for a free-trade based Trans-Pacific Partnership (TPP); and joined in the announcement that a number of countries want to join the TPP, he added.

## MARITIME SECURITY

[During a November 19 briefing](#) aboard Air Force One returning to Washington, a senior administration official said the discussions during the East Asia Summit focused on disaster relief and some of the initiatives that have been taken by member countries, including a U.S. proposal for a disaster relief mechanism that would allow for quick response through pre-approved access agreements in advance of emergencies. Such a plan would hasten relief efforts and bring supplies and relief teams faster to enhance recovery and rescue. The ASEAN leaders also discussed economic integration, a recurring theme in all of the leaders' meetings, in addition to free trade, education assistance programs and disaster relief, the official said.

The senior White House official said that "the bulk of the discussions were a very robust conversation on maritime security and the South China Sea." A number of nations in the immediate region have made claims on all or part of the South China Sea, which may hold as-yet-untapped rich deposits of oil and natural gas. The official said at least 16 of the 18 leaders attending the EAS meeting addressed maritime security in varying levels.

The Asia-Pacific region is home to some of the world's busiest ports and most critical lines of commerce and communication, the White House fact sheet said. "Recent decades of broad regional economic success have been underpinned by a shared commitment to freedom of navigation and international law," the White House said.

The president explained the principles-based U.S. approach to maritime security, including freedom of navigation and overflight by commercial airplanes, the lawful uses of the sea lanes and a collaborative diplomatic process to address disputes, the fact sheet said.

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## **[4. Obama: U.S.-Australia Security Deal Will Bring Regional Stability \(11-16-2011\)](#)**

By Stephen Kaufman  
Staff Writer

Washington — As the Asia-Pacific region assumes its role as the primary engine for global economic growth, the United States is stepping up efforts to maintain security in the region with a new rotational military presence in Australia intended to allow a more effective response to humanitarian and natural disasters, as well as security threats, President Obama says.

“The lines of commerce and trade are constantly expanding. And it’s appropriate then for us to make sure that not only our alliance but the security architecture of the region is updated for the 21st century, and this initiative is going to allow us to do that,” [Obama said in Canberra November 16](#) in remarks with Australian Prime Minister Julia Gillard.

Under the agreement, an initial company of 200 to 250 U.S. Marines will be stationed at an Australian military base by mid-2012. The deployment will eventually expand to 2,500 Marine personnel, and the U.S. Air Force will have greater access to Australian Air Force facilities.

“This rotational deployment is significant because what it allows us to do is to not only build capacity and cooperation between our two countries, but it also allows us to meet the demands of a lot of partners in the region that want to feel that they’re getting the training, they’re getting the exercises and that we have the presence that’s necessary to maintain the security architecture in the region,” he said.

The economies in the Asia-Pacific region are “going to be the engine for world economic growth for some time to come,” he said, and the U.S. military presence in Australia will help address the challenge of responding to disasters across such a large area in a more timely fashion and also to equip “smaller countries who may not have the same capacity ... so that they can respond more quickly as well.”

Gillard said the increased military cooperation between Australia and the United States builds on the existing 60-year-old alliance between the two countries, which has been “a bedrock of stability in our region.”

“We are a region that is growing economically. But stability is important for economic growth, too,” she said.

The president said that the United States is “here to stay” as a Pacific power. “This is a region of huge strategic importance to us. ... And we’re going to make sure that we are able to fulfill our leadership role in the Asia-Pacific region,” he said.

Obama also restated U.S. support for “a rising, peaceful China,” praising the country’s remarkable economic growth which has lifted hundreds of millions of Chinese people out of poverty and improved economic prospects for its neighbors.

“The notion that we fear China is mistaken. The notion that we are looking to exclude China is mistaken,” he said.

But he said China needs to recognize that “with their rise comes increased responsibilities,” and the country not only needs to follow the same economic rules as its trading partners, but also to help underwrite them to help sustain the region’s dynamic economic progress.

“The only way we’re going to grow that trade is if we have a high-standards trade agreement where everybody is playing by the same rules; where if one set of markets is open, then there’s reciprocity among the other trading partners; where there are certain rules that we abide by in terms of intellectual property rights protection or how we deal with government procurement — in addition to the traditional areas like tariffs,” he said.

“Where China is playing by those rules, recognizing its new role, I think this is a win-win situation. There are going to be times where they’re not, and we will send a clear message to them that we

think that they need to be on track in terms of accepting the rules and responsibilities that come with being a world power,” he said.

The president’s deputy national security adviser for strategic communications, Ben Rhodes, told reporters in Canberra November 16 that the increased military cooperation between the United States and Australia comes “in response to demand from within the region.”

“The nations of the region have signaled they want the U.S. to be present; and would like, again, in many respects and instances, increased partnership with the United States. The ability of the United States to help respond to contingencies is something that has been welcomed in recent years, whether, again, it was work that we’re doing in the Philippines to counter violent extremism, work that we’re doing to counter piracy in the region, the response to the tsunami in Indonesia,” he said.

“So in other words, there’s a demand signal from the nations of the region, and this is something that we’re doing in concert with one of our closest allies. So we believe it’s not just entirely appropriate, but an important step to dealing with the challenges of the future of the Asia-Pacific region,” Rhodes said.

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## **5. Supporting Democratic Transitions and Economic Opportunity in a Changing Middle East (11-16-2011)**

Remarks by William J. Burns, Deputy Secretary MEI Annual Banquet, Washington, DC

Thank you, Dick, for that kind introduction. I’m honored to be back at the Middle East Institute, for whose leadership, membership and mission I have enormous respect. And I’m especially honored to be introduced by Dick Murphy, for whom I have the greatest admiration, and from whom I have learned a great deal. There is no better model of skill and professionalism and decency in American diplomacy than Dick Murphy.

I am privileged to share this podium with your two deeply deserving award winners this evening, Esraa Abdel Fattah and Lakhdar Brahimi. You both have changed history. You both have changed the world for the better. And you both represent the very best in what courageous public advocacy and selfless, skillful public service can accomplish.

I was fortunate to speak at this same event two years ago, and am fortunate to be invited back. Since I was last here, we have all witnessed a wave of historic change in the Middle East, as consequential in its own way as the changes that emerged so dramatically out of Europe and Eurasia two decades ago.

2011 has been a truly transformative year. It brought us the first successful popular revolution in the region in over thirty years -- and then the second and the third. And, as the brave citizens of Syria are showing every day, another revolution is underway, aimed firmly at realizing the long suppressed, universal rights of the Syrian people.

It all began when a desperate Tunisian street vendor, tired of too many indignities and too many lost hopes, set fire to himself and sparked a revolution still burning across an entire region. That single act, at once tragic and noble, symbolic and catalytic, has brought the Middle East to a moment of profound transformation -- one that was unimaginable when I worked for Dick Murphy a quarter century ago. Importantly, it is a transformation truly driven from within. It is not about us, as

tempting as it often is for Americans to think in those self-absorbed terms. But even if it is not about us, it certainly matters enormously to us.

A workable American strategy for a rapidly changing Middle East has several dimensions. In recent months, both President Obama and Secretary Clinton have spoken about this in detail. So tonight I'd like to focus on two of these dimensions: first, support for greater political openness and the democratic transitions unfolding in different ways across the region; and second, support for the economic openness and opportunities which are critical to the success of those transitions.

I fully recognize that no American strategy can succeed based on those two elements of policy alone. We face growing challenges in regional security, particularly given the threat posed by Iran's nuclear ambitions and serial interference in the affairs of its neighbors. There has never been a moment when strengthening our security cooperation with our GCC partners mattered more. Nor is there a more important task before us than continuing to build a strong partnership with Iraq, and encouraging its reintegration into the Arab world.

Similarly, we simply cannot afford to neglect the unfinished business of Middle East peace. Some people saw the absence of banners criticizing Israel or supporting Palestine among the hundreds of thousands of Egyptians gathered in Tahrir Square at the beginning of the year as a sign that the Palestinian issue no longer mattered so much. Nothing could be further from the truth. The status quo between Palestinians and Israelis remains combustible and unsteady, and it is no more sustainable than the sclerotic political systems that have crumbled in recent months.

As President Obama said in his speech at the State Department on May 19, we all know that a lasting peace will involve two states for two peoples: Israel as a Jewish state and the homeland for the Jewish people, and the State of Palestine as the homeland for the Palestinian people. The core issues of the conflict must be negotiated. But the basis of those negotiations is clear: a viable Palestine, a secure Israel. The President also offered key principles to guide negotiations on borders and security.

I wish I could say that we have made substantial progress toward realizing the President's vision. I cannot. As all of you in this knowledgeable and committed audience know, the reality is a lot more sobering. Despite exhaustive efforts, we are not where we need to be. But we are determined to press ahead, with our partners in the Quartet and in the region. The President laid out a vision with the elements for successful negotiations, and it is crucial for the parties to respond and use what he offered to break the impasse.

### **Supporting Political Openness and Democratic Transitions**

If the pursuit of regional security and Arab-Israeli peace remain core ingredients in our strategy, the past year has driven home another truth -- that stability is not a static phenomenon, and that support for democratic transitions and economic opportunity are also extraordinarily important ingredients in a successful American strategy. Two years ago, I spoke here at MEI about the "dangerous shortage of economic and political hope" confronting the region. I recall that with an ample dose of humility. It was hardly a novel thought, and anyone who had read the Arab Human Development Reports over the past decade could see the tinder that was accumulating, even if it was very hard to see what exactly would happen when a spark was lit.

The truth is that this is a moment of enormous promise for people and societies who for far too long have known far too little freedom, far too little opportunity, and far too little dignity. It is a moment of great possibility for American policy ... a moment when homegrown, people-driven protests

have repudiated al-Qaeda's false narrative that change can only come through violence and extremism.

But it is also a moment of considerable risk, because there is nothing automatic or preordained about the success of such transitions. As much as it is in our interest to support the emergence of more transparent, more accountable, and more responsive governments that will ultimately make stronger and more stable partners, the journey is likely to be very complicated, very uneven, and, at times, very unsettling. We must accept that democratic transitions are often messy and unpredictable. We must accept democratic choices and engage with all emerging political forces committed to pluralism and non-violence. And we must reject the old dictators' conceit, that we really have only two choices -- the autocrats you know or the Islamic extremists you fear. Furthermore, we must accept that we are going to have differences with democratic governments -- sometimes significant differences. Governments that are accountable to their populations are going to behave differently than autocratic governments did. It won't always be easy to work with them.

We also know from transitions in other regions that there is a danger of authoritarian retrenchment or violent instability, especially if economic stagnation persists and newly-elected leaders don't produce practical improvements in people's daily lives. For these reasons, we have a huge stake in the success of post-revolutionary transitions where citizens are seeking inclusive political systems where none existed before.

Tunisia, Egypt, and Libya hold the potential to shepherd the Middle East into a new era, one defined by free, fair, and credible elections; vibrant civil societies; and accountable and effective institutions. Tunisia, which lit the spark of the new Arab Awakening, held the first truly democratic elections in its history last month. Whereas a turnout of 70% in the Arab world once signaled a rigged election, today it is a sign of Tunisians' determination to chart their own future. We too, are invested. This year, America has committed about \$60 million, to offer expertise to political parties and poll watchers, strengthen civil society, and promote freedom of expression. The remarkably peaceful and orderly conduct of these elections and the embrace of multiparty democracy, just ten months after Ben Ali fled the country, has set the standard for the rest of the region.

We will begin to see a breadth and diversity of political groupings as the people of the region are allowed to give voice to their views. And, as Secretary Clinton said last week in a speech at the National Democratic Institute, we will judge the parties of the region not on what they call themselves, but on what they do. We should be less concerned about which parties win or lose than about whether democracy wins or loses in the process. And democracy means more than elections - it means the protection of fundamental freedoms and equal rights for all, including women and minorities.

In Egypt, we must not underestimate the importance and consequence of the transition underway there. Long the cultural and political leader of the Arab world, Egypt can offer another powerful signal when it begins its own elections later this month. But successful parliamentary elections, for all the effort they require, are only a first step. It is important, in Egypt's own self-interest, to see competitive presidential elections follow soon after; steps to consolidate an elected civilian-led government; and the continued emergence of a strong and independent Egyptian civil society to safeguard the principles of democracy.

Libya, too, has won its liberty. This victory over tyranny is a testament not only to the bravery and determination of the Libyan people, but also to the undeniable potential of international partnership and American leadership. But much work remains. After contending with Qadhafi himself, Libya must now contend with Qadhafi's legacy of eviscerating Libyan institutions and civil society. The

TNC has made good progress in its brief existence, against overwhelming odds. We look forward to welcoming a new interim government and to close and continued cooperation as they consolidate authority, secure dangerous weapons, and focus attention on the difficult task of building a peaceful, prosperous and democratic future for Libya.

That so many Egyptians, Tunisians, and Libyans risked their lives to demand freedom, dignity, and opportunity inspired us all. But these are not the only nations where citizens calling for universal rights and more responsive governments demand our support.

We continue to urge leaders and citizens in the region -- in Jordan and Morocco, for example -- to stay ahead of the wave of demand for democratic change. We are closely following Jordan's efforts to enact additional reforms, including new laws on elections and political parties. And we will continue to support Jordanians as they navigate their own path to the dignity, political openness and economic opportunity that they so richly deserve. As Morocco prepares for elections next week, we're looking to the government and a new parliament to implement promised reforms and to show the Moroccan people that political institutions can change their lives for the better.

In countries where protests have emerged but change is uncertain -- such as Bahrain -- we will continue to urge swift and meaningful political reform, dialogue between government and opposition, and respect for human rights, including the right to peaceful protest. As the Secretary said at NDI: "Meaningful reform and equal treatment for all Bahrainis are in Bahrain's interest, in the region's interest, and in ours -- while endless unrest benefits Iran and extremists." We will continue to urge the Bahraini government to undertake concrete reforms and uphold the principles of justice and accountability.

In Yemen, we have spent months working with our Arab and European partners to persuade President Saleh to follow through on his promise to transfer power and allow a democratic transition to begin. It's time -- in fact it's long past time -- for him to live up to his commitments.

And in Syria, President Asad is attempting to hold back the future at the point of a gun. This strategy may work for a time, costing the lives of more innocent Syrians, but it cannot prevail. The United States has condemned the atrocities committed by the Syrian regime, and, working with the international community, continues to step up pressure, including a robust and growing set of sanctions and coordinated diplomatic efforts, to further isolate the regime. It is no small thing that the Arab League decided a few days ago to suspend Syria's membership, or that some of Asad's neighbors are starting to call on him to step aside. This makes it abundantly clear that the Asad regime's brutality can no longer be tolerated.

And for all Iran's tough talk, nowhere is the disconnect between rulers and ruled greater than it is today in Iran. Nobody is fooled by Iran's hypocrisy -- when Iran pays lip-service to democracy elsewhere, then brutally denies it to the Iranian people.

### **Supporting Economic Openness and Opportunity**

A second element of our strategy that I want to highlight this evening -- partnering to create broader economic opportunity -- flows out of our conviction that political transitions can't succeed without confidence in a better economic future. As President Obama has said: "Just as democratic revolutions can be triggered by a lack of individual opportunity, successful democratic transitions depend upon an expansion of growth and broad-based prosperity." Revitalized, open, and regionally-integrated economies are key to ensuring the success of democratic transitions. In the

short term, we need to be clear-eyed: the unrest and uncertainty that has accompanied the new Arab Awakening has strained already difficult economic circumstances.

But there is a far deeper deficit: the one outlined starkly in the Arab Human Development Reports, year after year. We need to nurture economic systems where talent is cultivated and rewarded, where entrepreneurs and innovators are unleashed to enrich their societies, where nations can trade with their neighbors and compete in the global economy.

To support the democratic transitions underway in Tunisia, Egypt, and Libya we've created a new office, the Special Coordinator for Middle East Transitions, to organize all the tools at our disposal to help them succeed. And we're working with Congress to ensure that, even in difficult times at home, we get the resources we need to seize the strategic opportunity the new Arab Awakening represents. The Enterprise Funds we are seeking to establish in Egypt and Tunisia and the ongoing work of the Overseas Private Investment Corporation will help people in the region access capital to start and grow their own businesses, providing hope for a better economic future. In the end, this is about translating the promise of political change into real, palpable hope for a better economic future, and about giving new leaders the tailwind they need to navigate bumpy transitions amid high expectations.

Conventional assistance, no matter how generous, will not be enough. Nor will a short-term approach. We must help these countries empower individuals to make their own economic as well as political choices, and grow a real middle class. The revolutions in countries like Egypt and Tunisia were driven by a firm rejection of a past where prosperity was confined to a narrow segment of society. As we saw in Egypt, economic liberalization that fails to achieve inclusive growth is a false path to prosperity. That is why we are working with Congress to achieve \$1 billion in debt swaps so that the Egyptian government can use those resources for the benefit of the Egyptian people, especially the younger generation.

This kind of genuine economic reform process will require that leaders have visions compelling enough to drive what will be tough and sometimes unpopular choices. That is why we and our European partners must think, and act, more ambitiously to open up trade and investment across the region. Through the G8's Deauville Partnership, we are mobilizing the world's leading economies and international lending institutions to support the transitions in Tunisia, Egypt, and Libya, as well as the major reforms underway in Jordan and Morocco. As G8 President next year, we will keep high-level attention on these transitions, and the imperative of regional economic integration across the Middle East and North Africa.

As President Obama noted in May, if you take out oil exports, this entire region of over 400 million people exports roughly the same amount as Switzerland. That is exactly why the President has proposed a new Middle East Trade and Investment Partnership. Just as EU membership served as an incentive for reform in Central and Eastern Europe twenty years ago, so should the vision of prosperous, thriving, integrated economies, and the promise of market access to the U.S. and Europe, create a powerful impetus for reform in the Middle East and North Africa.

We should be ambitious and creative in how we promote trade and investment, just as we have been in the Asia-Pacific region, where we are launching the Trans-Pacific Partnership. This ground-breaking initiative will bring together the United States, eight Asia-Pacific and Western Hemisphere partners, and eventually future members, in a single trading community, using the highest standards. In the Middle East, we need to seize the moment of opportunity ahead of us and find ways to leverage the promise of market access and regional integration to encourage countries to raise their standards and pursue policies that drive growth that benefits all their people.

And let me add that promoting trade and investment is not simply the work of governments. Many in this room have an opportunity to play an important role in this story -- making the investments that allow the citizens of the region achieve a better life for their children, and their children's children. This means supporting small and medium-sized enterprises, investing in education, and launching initiatives to empower the region's youth with the knowledge and skills they need to make it in a global economy.

## **Conclusion**

Our own American revolution, over 230 years old, remains a work in progress -- and certainly the same can be said of the new Arab Awakening. It is not over in Egypt, Tunisia and Libya, where there is hard work ahead in building democratic institutions and economic hope. It is not over in Syria, where the Asad regime may be able to delay changes with brutality, but where there is no going back to the way things were. And it is not over in Bahrain, Morocco, and Jordan, where genuine reform is the only path for progress.

The struggles ahead in the Middle East are deeply complicated, and fertile ground for pessimism. And it is a fact that the Middle East is a place where pessimists rarely lack for either company or validation. But I remain convinced of the continuing value of the kind of stubborn, clear-eyed optimism and vision that have animated American diplomacy in the Middle East at its best moments in the past.

Whenever I talk about "optimism," one of my Russian friends invariably reminds me of one of the many, typically fatalistic, Russian definitions of an optimist -- as someone who thinks that tomorrow will be better than the day after. I have something a little different in mind. I actually think "tomorrow" is going to be very tough, as people across the Middle East struggle with transitions that are only just beginning, and challenges that will outlive the regimes that perpetuated them.

But if we can approach the historic challenges before us -- from Arab-Israeli peace, to regional security, to promoting economic opportunity, to supporting democratic transitions -- in a thoughtful and integrated way ... if we can mobilize a sense of common cause and initiative among partners in the region and around the world ... then the day after tomorrow, and the years that lie ahead, can offer a great deal of promise, and a great deal will be possible.

Thank you very much.

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