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ECONOMIC VIEWPOINT

By Jeffrey E. Garten

## Iraq: The West Mustn't Give Up Now

**The G-8 summit is an opportunity to design a multilateral plan**

Now that it's clear that Baghdad did not possess weapons of mass destruction and that its links to al Qaeda were tenuous at best, there is only one major remaining justification for the U.S. occupation: the prospect of establishing a democratic and market-oriented society in Iraq that could become a vanguard of reforms throughout the Middle East and the Persian Gulf. Sadly, even this goal now seems as if it might slip away given the escalating violence in Iraq, the pullout of Spain and other coalition forces, and the growing hatred of the American presence throughout the country and the region. Still, it's too early to give up.

**NOT LONG AGO**, Washington expected to use the upcoming Group of Eight summit, scheduled for June 8-10 in Savannah, Ga., to marshal the support of major industrial nations for widespread political and economic reforms in Iraq and in the wider neighborhood. Despite all the bad news coming out of Fallujah and other Iraqi cities, I nevertheless hope the idea of bringing the "Greater Middle East" into the 21st century will not be shelved in Savannah. I'd like to see the G-8 keep the flame burning next month by considering a broader plan for modernization that could begin if security is restored in Iraq -- and if the political transition there over the next year meets with some success. Admittedly, these are very big "ifs."

For Iraq and its neighbors, the economic agenda is particularly crucial because genuine democracy will not take root unless people believe that their lives will materially improve. Fortunately, with a modicum of peace, the possibilities for progress are not as remote as they may seem today. For example, the World Bank recently estimated that Iraq will need at least \$55 billion in new foreign investments, but some \$32 billion already has been pledged, including \$18.6 billion from the U.S. Iraq's \$120 billion of debt must be rescheduled if lenders are to return, but the big government creditors -- France, Germany, Russia, Saudi Arabia -- have already agreed to do so. Oil facilities need to be repaired, but that has already proved to be technically feasible. Major training programs for regulators, judges, and educators are essential, but surely the U.S., the European Union, Japan, and existing international institutions, such as the World Bank, can help in that regard.

As for economic prospects in neighboring states, a lot of critical analytical work has already been done by Arab scholars at the U.N., by the World Bank, and by the International Monetary Fund. Helping to modernize the region may also be one of the few activities that could unite the U.S. and Europe. Most important, pressures for change are mounting among Arab moderates in the face of soaring population growth, youth

unemployment levels that often exceed 50%, shocking rates of illiteracy, declining productivity, and despotic governments. They are concluding that something has to change.

Just stabilizing Iraq -- which already seems like a Herculean task right now -- won't be enough. If that's all that happens, the likelihood is that Saddam Hussein will be replaced with another strongman, and neighboring governments will continue to impose the status quo. The region will remain a tinderbox for terrorism and become increasingly precarious as a source of reliable oil supplies, as recent bombings in Saudi Arabia show. For the U.S. and Europe, the question is whether to try, however imperfectly, to shape the sweeping changes that are sure to come -- or to pull out of the region now and later find themselves helpless and clueless when the upheavals begin.

So here's a modest proposal for Washington and its G-8 partners: No matter how bleak the situation looks in Iraq when you meet next month -- and it may well get worse before it gets better -- use the summit to ask the nations of the region to work with you to design and implement an ambitious agenda for economic development. Yes, the U.S. will need a much savvier political strategy to say the least. Yes, modernization can happen only with help from the moderate leaders of the region. Yes, it will take a generation or two to transform the Middle East. And yes, in the end, the political roadblocks to progress may be insurmountable, and the American people may not support such extensive involvement of its military, its civilians, and its financial resources. But failing to try to make a positive difference would mean certain disaster. There really is no choice.

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