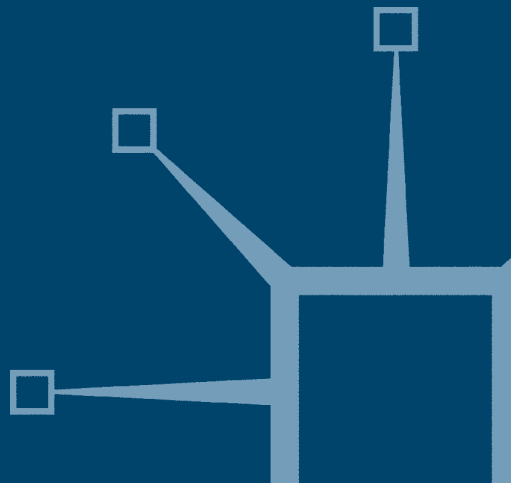


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Globalisation, Democratisation and Radicalisation in the Arab World

Edited by
Jane Harrigan and Hamed El-Said



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Also by Jane Harrigan

AID AND POWER: WORLD BANK POLICY-BASED LENDING

(Co-authored)

AID AND POWER IN THE ARAB WORLD: IMF AND WORLD BANK
POLICY-BASED LENDING IN THE MIDDLE EAST AND NORTH AFRICA

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and

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This book is dedicated to Hamed's father, Kamel, and to Jane's brother, Peter.

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Foreword*

HRH Prince El Hassan bin Talal

Globalisation, Democratisation and Radicalisation in the Arab World

Globalisation has changed international order in profound ways over the past three decades. More than half of global economic growth is now generated by emerging economic powers that are beginning to play a significant role in world politics. Globalisation has brought us communication and information capabilities that our forebears could only dream of; and this has led to a global interconnectedness that allows millions around the world to watch intimate events unfold, whether these be the rounds of a soldier in Iraq or the separation of Siamese twins. But what impact has globalisation had specifically on the Arab World? How has it shaped the regional political landscape?

The term *globalisation* means different things to different people. I would like therefore to focus on five definitions that go some way towards capturing the ideas that underpin globalisation. The first is the notion of globalisation as internationalisation. The 'global' in globalisation is simply used as another adjective in reference to cross-border relations between countries. It describes growth in terms of international exchange and *interdependence* and implies that globalisation is not all one-way traffic. I personally prefer the term *intra-independence* because interdependence can evoke an unequal relationship between the value of human and natural resources, and this is not the way to realise the call for hinterland relations between human-resource rich countries of West Asia and the oil-producing Gulf region.

Secondly, there is the process of globalisation as liberalisation, that is to say, removing government-imposed restrictions on movement, not only of goods and commodities, but of citizens as imported labour. The global economic crisis is deeper and more prolonged than anticipated. The model of free-market capitalism which has long promised welfare benefits to everyone in a single-world market has been undermined. While overall global wealth has increased, economic growth has not been equally shared, with a heavy concentration of benefits in relatively few parts of the

* This foreword is based on the opening address given by HRH Prince El Hassan bin Talal at the conference 'Globalisation, Democratisation and Radicalisation in the Arab World', held at the Arab Thought Forum in Amman, Jordan, on 8 February 2008.

world. The short-term outlook for the world economy is not promising. The gathering storm of the credit crunch and the liquidity squeeze has already seen inflows of investment and financing to emerging economies plunge, with very weak exports and deteriorating terms of trade. Poverty is expected to rise sharply in many emerging and even industrialised regions, with millions, according to the IMF, being pushed into unemployment. The World Bank has also warned in a recent study that 53 million people living in emerging markets will fall back into absolute poverty this year. Tragically, according to the same study, up to 400,000 children will die each year as a result.¹ If the report's predictions are realised, the economic situation will have far-reaching geopolitical consequences, raising instability, causing social unrest, and even conflict, in regions in which security is already compromised. Dennis Blair, the US Director of National Intelligence, asserted that the global economic crisis has already produced low-level instability in (at least) a quarter of the world.²

In the Arab World, globalisation has produced mixed results. On the one hand, the Middle East boasts huge wealth. However, this ignores the fact that the region has the highest rate of unemployment in the world, with 15 million Arabs currently unemployed – a number which is expected to rise to 55 million by the year 2050. Furthermore, while low compared to Africa for example, poverty remains relatively high in the Middle East, with almost 30 million people living below the poverty line. This is a testament to the fact that in the Arab World there has been no *economic governance* which legally empowers the poor and offers them opportunities to move beyond their current situation.

Although many have long argued that the Arab World has missed out on the opportunities and benefits provided by globalisation, the challenges that the region faces now that globalisation is considered to be waning, are even more daunting. In that context, I refer to the third definition: globalisation as universalisation – the spreading of ideas and experiences to people in all corners of the globe. Has globalisation created a sense in the world of participation; of universalisation? Has it raised our awareness to help us become 'global citizens'?³ Citizenship is at the heart of Arab thought. Citizenship at the Arab level is the point of departure towards *universal citizenship* and this concept of citizenship must be founded on more than a narrow national basis. It should be founded on independence based on mutual solidarity and the interaction between the human and natural environment. But whether globalization has afforded us that is debatable. I have on many occasions advocated *education for citizenship*, in addition to *education for skills* and *education for life*, with the aim of creating dynamic citizens equipped with the reason, knowledge and creativity to contribute regionally and globally; individuals who are proud of their identity and

culture, but simultaneously mindful of shared human values. This is why a 'citizens' charter' for the Arab region is a priority. A charter which draws on the experiences of South Asia (such as the progressive socialism in Vietnam) where a social charter and an asymmetric cohesion fund that empowers the poor has been established. In terms of micro-management, the Arab World should draw on the experiences of alternative development approaches in India and China, or the Komela experience which started in 1966 in East Pakistan, as well as the work of Muhammad Yunus and the Grameen Bank.

Fourth is the notion of globalisation as westernisation, or rather, modernisation of the social structures of modernity, capitalism, industrialisation and so on. Cristovam Buarque, the Brazilian Senator, wrote a brilliant book entitled *The Gold Curtain*.⁴ The Iron Curtain fell and in its place rose a gold curtain which protects 1.7 billion consumers, largely in those countries that have the capability to produce the goods that have become necessities in our modern world – mobile phones and technological gadgets. In countries like mine which are in a state of transition, priorities should take into consideration closing the human dignity deficit above and beyond protecting consumerism. Both Professors Paul Collier at Oxford and C. K. Prahalad in Michigan have written about the bottom billion⁵ or building from the bottom of the pyramid. The time has come to recognise as we speak of globalisation, democratisation and radicalisation that there is a greater need to speak of *humanising*. People need to be at the forefront of every decision that is made. Policies must be human-oriented; otherwise we are simply relinquishing our future through sins of omission and commission to the parallel economy; the parallel polity; the parallel society; and the parallel religiosity – the extremists are closer to the people than those in government.

The fifth definition to which I want to refer is globalisation as de-territorialisation. The Palestinian territories were occupied in 1948 and 1967. When we talk of peace, we cannot do so without referring to occupation. When we talk about improving the quality of life for Palestinians, this is not as an alternative to the end of occupation, but a moral obligation. The process of reconfiguring geography, so that social places are no longer wholly mapped in terms of territorial places, or territorial distances, or territorial borders has come to be viewed as 'a conspiracy' by many in the Middle East. Of course, conspiracy theories can be dispelled. It is important however to bear in mind that how territories are defined profoundly affects the collective psyche of their inhabitants. When the former British Prime Minister Henry Campbell-Bannerman stated in 1907 that the Middle East must remain 'poor and divided', we can assume he knew all too well the psychological impact his words would have on the people living on those lands.

In terms of the impact of globalisation on imported labour, the Middle East region hosts more workers, mainly from West Asia, than any other region of the world. As far as Asian labour is concerned, the time has come to realise my call to the International Labour Organisation in 1977 for the creation of an *International Labour Compensatory Facility*. If we expect to be treated well as migrants in Europe and the West, where incidentally there are 300 million Muslims living under non-Muslim rule (and this applies to other countries such as India, which has the third-largest population of Muslims worldwide; China which has more Muslims than Syria; and Russia which is home to more Muslims than Jordan and Libya combined),⁶ then we should also extend the same criteria for citizenship here. This is all the more important given the increased oppression and social exclusion that have accompanied social divisions and disparities in the region.

It is also time we addressed the subject of the rentier economy and huge revenues from oil or external transfers in relation to globalisation and democracy. The six Gulf nations that make up the GCC – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE – have a combined GDP of \$800 billion and sit on nearly 500 billion barrels of crude oil and 41.5 trillion cubic metres of natural gas reserves. The GCC countries, whose population numbers some 35 million people, were already in 2008 spending \$2.6 trillion on 3,500 projects related to their infrastructure, education, health care, real estate, entertainment, tourism and telecommunications. Over the next five years they plan to spend an additional \$5 trillion and there will be additional investment overseas. The Abu Dhabi investment authority, for example, which recently invested \$750 million in Citigroup, making it the bank's largest shareholder, is reported to have more than \$700 billion at its disposal for additional investments. Furthermore, Saudi Arabia has established a sovereign wealth fund, capitalising on \$900 billion to pay for steadily expanding investments abroad, and Dubai has high-profile investments in NASDAQ and Sony.

Little attention has been paid to the impact of this huge external rent on work ethics and state–society relations in the Arab World. Not only do such huge rents directly received by the state create a disincentive to work (a de-linking of wealth and work is a de-linking of the impetus towards industrial and agricultural activity), but they are also creating a disincentive to reform and democratise. Societies turn from production to consumption. Yehuda Elkana, the outgoing President of the Central European University, said that we cannot afford to continue with 'triumphalist agriculture'. Forty percent of the water of the occupied Palestinian territories goes to irrigating Jaffa oranges. Which is more important, peace or triumphalist agriculture?

The dynamics of rentier economy goes beyond de-linking work-incentive relations. Scholars consider that rent-seeking trends lead to policy failure.

Rent-seeking means an intense political competition expanded in lobbying state officials and bureaucrats. In the words of Isaiah Berlin, 'If we are talking about developing human dignity, it is not a question of competition; it is a question of trying for a better future in terms of a humanitarian understanding of what it takes to make people in this region realise that globalisation is there to serve them, not the other way around; that they are not a means towards an end, and that people are the end which globalisation seeks to serve.'

This leads us to the common global threats that our planet is facing, and the oft-mentioned *radicalisation* of the Middle East. It has been argued by the European Union and the US government, among others, that international violent extremism (the politically correct term used to describe terrorism), particularly Islamic violent extremism, is the 'greatest threat to world security'. There is little doubt that violent extremism represents an important security threat to many countries around the world. However, it is equally important to remember that Muslims and Arabs are also victims of violent extremism, and if the sectarian clashes in Iraq or Yemen are anything to go by, it is a regular feature of Arab/Muslim life. Furthermore, greater consideration needs to be given to the separation of faith from violent extremism or terrorism. Some groups may be fighting on (spurious) religious grounds, but there are countless others who are fighting for their rights; their identity; or their land.

The Oxford Research Group argues that it is irresponsible to insist that global violent extremism is the 'greatest threat to world security when the evidence does not simply support this claim'.⁷ At the most basic level, more people die everyday in the United States alone as a result of car accidents or from curable diseases such as influenza (as we are seeing with the current H1N1 strains) than through violent extremism. The greatest threat to world security today is not global violent extremism, but rather, the destabilising effects of climate change, competition over limited resources, marginalisation of the poor, and the global and regional instability and militarisation which they trigger.⁸

Over the next 20 years the number of people displaced by climate change may triple, and in the opinion of the UN High Commissioner for Refugees, António Guterres, it will become increasingly difficult to categorise people as displaced by conflict, economic, environmental or climate change, or any other factor, since their fate will be due to combination of any or all of them. This does not affect poor regions of the world alone; it affects the entire globe, contributing to increased human suffering, greater social unrest, and triggering competition over dwindling resources. The 30-year update of the Dennis Meadows' report, *Limits to Growth*, states that humanity today is burdening the 'carrying capacity' of the earth and that

85 percent of consumption and depletion of the natural capital is caused by the rich minority of 20 percent of the world's population.⁹ The time has come to recognise that we cannot continue to make the demands on nature that we have made in the past. In this context, the example of Burkina Faso is seminal; its constitution declares that the right to a healthy environment shall be recognised, and that the protection, defence and promotion of the environment shall be a duty for all.

Sadly, the so-called 'war on terror' has distracted the attention of many emerging countries and regions and shifted resources away from developmental projects. These projects are additionally adversely impacted by the current international economic crisis, which has already greatly reduced the resources available to emerging countries. From \$460 billion in 2007, financial inflows to emerging countries dropped to less than \$100 billion in the first ten months of 2008, and have continued to fall in 2009. It will be difficult for governments to fill this financial gap. So what of the role of international organisations like the IMF and the World Bank, the institutions that serve the global economy? The global financial economy is in dire need of re-engineering. We cannot afford a repetition of the current crisis. What we need to emphasise in terms of globalisation as internationalisation is not only the role of multinational institutions, but also their global representation and transparency. We need a policy discourse at the local, regional and international levels, and institutions such as those mentioned above need to expand their representation and help facilitate this discourse.

The Middle East region is not represented institutionally. The Arab League is a league of Arab states, not a league of Arab peoples. It is perceived, somewhat unfairly, as a 'talking shop', reduced to Arab summits which in and of themselves are not enough. If the League has failed as a representative body, then it is largely the failure of the states involved for not taking a supranational, or global, approach to Arab matters, rather than something inherently wrong with the League itself. The UN Economic and Social Council (ECOSOC) does not meet in this region. The United Nations Economic and Social Commission for West Asia (ESCWA) is barely functioning in Beirut. So when does the Middle East region have a conversation over global priorities? I would like to suggest the introduction of a societal dimension to local and global agendas, with regard to peace and stability, as well as economic and social development and sustainable use of natural resources. In other words, a carrying capacity conference, which places the effects of globalisation and the global commons at the top of the agenda, is urgently required. We must consider the global commons such as food, water, global warming, epidemics, refugees; all of these transcend national boundaries. These challenges of globalisation require a

new dimension of collective action to deal with the commons and achieve greater peace and stability. One solution may be to establish a Global Commons Trust to educate people about social charters and the need to protect the commons, with a view to creating greater equity in globalization.

The building of a coalition rooted in the global commons, and in which all Arab states participate, requires the involvement of both the private and public sectors. To this a third sector should be added, that of civil society – which works with the first two sectors in order to build a society of competence. This would create a conduit through which regional and global commons concerns could be addressed via policies of cooperation and democracy which preserve social and cultural identities, as well as the natural environment.

It is time to recognise that there is a need for a new vision, new approaches, and new ways of dealing with all forms of global threat. It is no longer acceptable to rely on approaches that suppress the issues affecting our lives and our planet without addressing the root causes. It is not enough to rely on control paradigms that deal with the symptoms and not with the disease. This is why *Globalisation, Democratisation and Radicalisation in the Arab World* is such a timely volume of work. It is my sincere hope that this study will add value by providing a new framework to analyse and understand the problems of our region, as well as formulating and creating more sustainable paradigms to deal with the threats that face our nations, our regions and our world.

Notes

- ¹ Roger Altman (2009), 'Globalization in Retreat: Further Geopolitical Consequences of the Financial Crisis' in *Foreign Affairs*, July/August, pp.2-7.
- ² Ibid.
- ³ For further discussion on the concept of Global Citizenship, see Mark Gerzon (2009) 'Global Citizens', in *kosmos*, Fall/Winter Edition, pp.12-15, 26-29.
- ⁴ Cristovam Buarque, *The Gold Curtain: The Shocks of the End of the Twentieth Century and a Dream for the Twenty-First* (1995), translated by Linda Jerome (2007).
- ⁵ Paul Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It* (Oxford University Press, 2007); C. K. Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits* (Wharton School Publishing, 2006).
- ⁶ Pew Research Centre, *Mapping the Global Muslim Population: A Report on the Size and Distribution of the World's Muslim Population*, Pew Forum on Religion and Public Life, October 2009.
- ⁷ Chris Abbot (2007) 'Beyond Terrorism: toward sustainable security', in *Open Democracy*, April 16.
- ⁸ Chris Abbot and Paul Rogers (2007) 'Beyond Terror: the truth about the real threats to our world', Oxford Research Group, Random House.
- ⁹ Donella Meadows, Jorgen Randers, Dennis Meadows, *Limits to Growth: The 30-Year Update* (White River Junction, VT: Chelsea Green Publishing Company, 2004).

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About the Contributors

Abdulaziz Sachedina, PhD, is Frances Myers Ball Professor of Religious Studies at the University of Virginia, Charlottesville. Dr Sachedina, who has studied in India, Iraq, Iran, and Canada, obtained his PhD from the University of Toronto. He has been conducting research and writing in the field of Islamic Law, Ethics and Theology (Sunni and Shiite) for more than two decades. In the last ten years he has concentrated on social and political ethics, including Interfaith and Intrafaith Relations, Islamic Biomedical Ethics and Islam and Human Rights. Dr Sachedina's publications include: *Islamic Messianism* (State University of New York, 1980); *Human Rights and the Conflicts of Culture*, co-authored (University of South Carolina, 1988); *The Just Ruler in Shiite Islam* (Oxford University Press, 1988); *The Prolegomena to the Qur'an* (Oxford University Press, 1998); *The Islamic Roots of Democratic Pluralism* (Oxford University Press, 2002);, *Islamic Biomedical Ethics: Theory and Application* (Oxford University Press, February 2009); *Islam and the Challenge of Human Rights* (Oxford University Press, September 2009), in addition to numerous articles in academic journals. He is an American citizen born in Tanzania.

Aouatif Elfakir, PhD, has currently a post-doctoral post at the LATTS (laboratory of techniques, territories and societies) in the University of Paris-Est in France. She received a Master's in organisations and innovation and a PhD in innovation and development from the University of Paris Dauphine in 2008. She has taken part in many conferences about management of technology and development. She published a paper about the South Korean System of Innovation in M. H. Sherif and T. Khalil (Eds.), *Management of Technology Innovation and Value Creation* in 2008. She also won the prize for the best scientific paper at the conference on the economics of scientific research in 2008 organised by the Arab Science and Technology Foundation. Email: elfakir_aouatif@yahoo.fr.

Hamed El-Said is a Professor of the Political Economy of the Middle East at Manchester Metropolitan University Business School. In 2008, he led the United Nations' research team of the Working Group on Addressing Radicalization and Extremism that Lead to Terrorism. He has published extensively on the political economy of MENA. His most recent publications include *Aid and Power: the IMF and World Bank Policy-Based Lending in the Arab World*, and *Economic Liberalisation, Social Capital and Islamic Welfare Provisions*, both published by Palgrave Macmillan in 2009 and co-authored with Jane Harrigan.

Helen Tilley is a development economist specialising in the political economy of foreign aid and accountability, public financial management and aid management. She is currently finishing her PhD on the political economy of accountability in Tanzania. Over the past decade she has worked in Africa and Asia for international organisations including the World Bank, DFID, the EC and UNDP.

Jamil Ali Hammoud has a PhD from the American University of Science and Technology, Beirut, and is Assistant Professor of Economics and Business and Zahleh Campus Director there. A graduate of American and French universities, Dr Hammoud specialises in the economics and politics of the Arab World and the MENA Region and has written and presented several papers on related issues. Moreover, he has done extensive training and consulting work in the private sector and has published extensively about Arab World issues in the press. Email: jhammoud@aust.edu.lb.

Jane Harrigan is Professor of Economics in the Department of Economics at the School of Oriental and African Studies (SOAS), University of London. She has published extensively on the political economy of MENA. Her most recent publications include *Aid and Power: the IMF and World Bank Policy-Based Lending in the Arab World*, and *Economic Liberalisation, Social Capital and Islamic Welfare Provisions*, both books published by Palgrave Macmillan in 2009 and co-authored with Hamed El-Said. She has also written extensively on economic liberalisation and aid flows to Sub-Saharan Africa.

Jana Dorband is currently completing her PhD at the University of Heidelberg. In her thesis she investigates the change of geo-strategic paradigms towards the Middle East in American foreign policy. An expert in US foreign policy and transatlantic relations, Ms Dorband has extensive work experience in think tanks on both sides of the Atlantic. From 2005 to 2008, she was a research fellow at the German Institute for International and Security Affairs (SWP) in Berlin, where she briefed and advised German government officials and parliamentarians on US foreign and security policy, Middle East policy, democracy promotion, and foreign aid. Ms Dorband has also worked at the Carnegie Endowment for International Peace, Washington DC and at the Johns Hopkins Center for Transatlantic Relations, Washington DC. She holds a Master's degree in International Relations from the Johns Hopkins School of Advanced International Studies (SAIS) and an MA in Geography and American Studies from the University of Heidelberg. Email: dorband@yahoo.de.

Lars Berger, PhD, is Lecturer in Politics and Contemporary History of the Middle East at the School of English, Sociology, Politics and Contemporary History in the University of Salford, UK. Email: L.Berger@salford.ac.uk.

Patricia Velde Pederson, PhD, is currently Director of Social Sciences Assessment, Social Sciences at Educational Testing Service. She has many years of experience in the field of social studies education. In her work overseas, she taught all levels and subjects of secondary social studies in international schools in the Middle East, North Africa and the Indian Subcontinent. At the University of Minnesota, Dr Pederson was an instructor and supervisor of pre-service and in-service teachers while pursuing her research interests in multicultural and citizenship education. At Harcourt Assessment, Inc., Dr Pederson was Senior Director of Social Studies Content Development and Content Services. She was also the Testing Services representative on the Harcourt Research Advisory Board. While this study was conducted, she was an Assistant Professor of Education involved in teacher training and research at the American University of Beirut, Lebanon where her research interests focused on democracy and citizenship education. Address: Director, Social Science Assessment, Educational Testing Service, 10999 Interstate Highway 10 West, San Antonio, Texas 78230, USA, E-mail: ppederson@ets.org. patricia.pederson@yahoo.com.

Richard Barrett has, since March 2004, been the Coordinator of a New York-based Team appointed by the United Nations Secretary-General to advise the Security Council on the effective development and implementation of a sanctions regime aimed at individuals and groups associated with Al-Qaida and the Taliban. He is also a member of the Secretary-General's Task Force, established in 2005 to promote a coherent approach to counter-terrorism within the United Nations. Within the Task Force he has particular responsibility for issues to do with radicalisation and extremism that lead to terrorism, terrorist use of the Internet, and terrorist financing. Before working for the United Nations he had a full career with the British Government. Richard is the highest UN official involved in work on extremism and deradicalisation.

Thomas Demmelhuber, PhD, is a lecturer in Politics and Contemporary History of the Middle East at the Friedrich-Alexander-University Erlangen-Nuremberg (Germany). In 2008 he earned his doctoral degree with a work on Egypt's reform process in the context of EU foreign policy (Nomos Publishing, 2009). He has published extensively on Egypt's recent reform

dynamics and EU foreign policy in the Southern Mediterranean. The subject matter of his postdoctoral studies is the political reform discourse in the Gulf Monarchies with the focus on authoritarianism, tradition and liberal thought. Email: Thomas.Demmelhuber@polwiss.phil.uni-erlangen.de.

Warwick Knowles, PhD, taught Middle East politics and political economy for almost a decade at both Newcastle and Durham universities. He is presently the Senior Economist for the MENA region with Country Risk Services, Dun & Bradstreet, and has published widely on regional issues and the hydrocarbon sector. Email: KnowlesW@DNB.com.

Part I:
Making Sense of Globalisation in
the Arab World

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1

Introduction

Hamed El-Said and Jane Harrigan

The onset around 1980 of the current wave of globalisation (defined as increased integration and interdependence of global economies and peoples), along with the end of the cold war, the ensuing dismantling of the former Communist bloc and the on-going transformation of its former members into democratic free-market economies all raised expectations of a similar and long-overdue transformation taking place in the Arab part of the Middle East and North Africa (MENA). Globalisation, it was argued, held the key to transforming all developing countries, including those of MENA, with its unprecedented technological advancements that shrunk time and distance, homogenised cultures and tastes, and turned the world into a global village. Globalisation's strong neo-liberal economic orientation and policies, the argument continues, implemented mainly in the form of Structural Adjustment Lending Programmes (SALPs) promoted by the International Monetary Fund and the World Bank in most cases (the main vehicles of globalisation), would not only lead to economic prosperity, but also to political liberalisation. Under globalisation, the orthodox liberal theory and its proponents proselytised, 'ultimately economic and political liberalism [become] ... as inseparable as identical twins' (Lubeck, 1998, p.294).

Globalisation theorists, such as, for example, Ohmae (who coined the phrase) in a widely quoted book in 1995 claimed the 'End of the Nation State' brought about by globalisation and its unprecedented forces of worldwide interconnectivities. 'Globalisation,' Ohmae argued, 'connects communities in one region of the world to developments in another continent ... [and is] associated with the demise of ... state power ... states and societies across the globe are experiencing a process of profound change as they try to adapt to a more interconnected but highly uncertain world.' (Ohmae, 1995, pp. 2, 10) In the same year and in a similar vein, Francis Fukuyama hastily announced the 'End of History', by which he argued 'a remarkable consensus concerning the legitimacy of liberal democracy as a system of government had emerged throughout the world over the past few

years, as it conquered rival ideologies like hereditary monarchy, fascism, and most recently communism' (Fukuyama, 1995, p.1).

There were good reasons for optimism and raised expectations for a change too, particularly inside the MENA region (Joffe, 2002). That particular period of history (the mid-1980s and through the 1990s) coincided with the collapse of oil prices, the rents that for long sustained the infamous Arab political formula of 'no taxation and no representation'. It also coincided with the encroachment of globalisation through SALPs resorted to by almost the entire Arab oil-poor states (save Syria) in the 1980s and 1990s in order to correct internal and external economic imbalances that were overwhelmingly of their own making by economic mismanagement, inefficiencies and, above all, corruption and rent-seeking.

Moreover, increased global interdependence, facilitated by the unprecedented revolution in telecommunications technology, held perhaps greater promises. The end of the apartheid regime in South Africa, followed by the fall of the Berlin wall in Eastern Germany, ushered in hitherto unparalleled economic and political transformation in one of the formerly most centrally planned, state-controlled and undemocratic regions of the world, namely, Eastern Europe. There, economic and political reforms went hand in hand, adding credibility to the inseparability of economic and political twins' argument advanced by neo-liberal economic theorists. All of these events were transmitted live to the rest of the world through immense advancement in visual and virtual technologies. More importantly, the live transmission of events in South Africa and Eastern Europe helped spread awareness of repression by former local authorities and encouraged a non-violent resistance movement, causing the latter to gain sympathy and support from faraway and non-local audiences, including in particular European and North American civil and official audiences. This support was vital to the transformation of both the former apartheid regime in South Africa and the Communist bloc in Eastern Europe: 'Due to increased global interdependence, the non-local audience for a conflict may be just as important as the immediate community' (Zunes, 2009, p.6).

Indeed, change was not confined to South Africa and Eastern Europe: changes have also taken place in other parts of the world, including in Latin America and Sub-Saharan Africa (SSA). As the 2007 (p.25) Human Security Brief, while analysing political changes in SSA over the past two decades, noted:

... in Sub-Saharan Africa something else was happening: the countries of the region, to a greater degree than in other parts of the world, were undergoing profound and wrenching political change. In 1988 nearly 90 percent of Sub-Saharan African states had autocratic governments. By

2006 there were just two autocracies in the region, while the number of democracies had increased sixfold, from three to 18.

Ironically, the Arab World remains the only 'substantially unchanged region of the world' (LeVine, 2002, p.1). 'By all the standards that matter in the modern world,' wrote the eminent historian Bernard Lewis in 2002 (p.1), from 'economic development and job creation; literacy, education and scientific achievement, political freedom and respect for human rights – what was once a mighty civilisation has indeed fallen low.'

More recent empirical evidences concur and are supportive not only of an 'unchanged region', but also of a continued downward spiral in the MENA region in almost every aspect. In economic terms, Noland and Pack (2007 and 2004) have shown that whatever measure one uses, global economic integration, foreign direct investment, global network of supply chains, trade and exports, employment creation, and per capita income growth, the Arab World lags behind all other regions except SSA and that 'it risks being left behind at precisely the moment it needs to accelerate job growth' and integration in the global economy. Although the region is often commended for having the lowest level of absolute poverty in the world, inequalities are entrenched, worsening and have become extremely polarising and destabilising. Politically, the region is not only characterised by an enduring political authoritarianism, but the 'large and frequent shortfalls', as the 2009 UN Arab Human Development Report (p.4) stated, have 'turn[ed] the state into a threat to human security' of its own citizens. Whatever index, metrics or measure one uses, MENA region fares more poorly than other regions of the world in terms of governance, freedom of speech and expression, political participation and liberalism, and democratisation.

Wherever one looks and whatever source or book one chooses to read on MENA, the same question is present everywhere: 'What went wrong with the Arab World' (Rauch and Kostyshak, 2009, p.165). Why has globalisation in MENA not been associated with the kind of changes experienced in other regions of the world, including South Africa, Eastern Europe, Latin America and even SSA? How come peoples of the region, and non-violent Arab movements calling for a peaceful path to economic and political reforms, have not received similar sympathy from the faraway non-local audiences as Eastern Europeans and South Africans? Several explanations were put forward to explain the disappointing performance of MENA, from religion to culture, history to corruption, and from external to internal factors. One can dismiss all of these individual arguments with relative ease.

For example, claims by a renewed orientalism of a mainstream press in the post-9/11 attacks on Washington and the World Trade Centre that blame 'Islam' for everything wrong in the Arab World is naïve about the

fact that ‘Muslim society in the past was a pioneer in all three ... [political freedom], to science, to economic development ... and this when Muslims were much closer in time to the sources and inspiration of their faith than they are now ...’ (Lewis, 2002, p.3). Differences in the post-colonial development of former British possessions (Arab states in the Middle East, and Singapore and Hong Kong in East Asia, for example), also undermine the validity of any historical factor as an explanation for today’s failure of the Arab World. Even substantial variations in economic performance within the same region (between Egypt and Tunisia, for instance) ‘suggest that these outcomes are not determined by intrinsic cultural factors’. While culture and religion may have effects on local institutions and practices, they cannot explain why it takes 20 times longer in Egypt than in Tunisia to initiate a business, acquire a permit or a licence from authorities, or even to enforce a contract (Noland and Pack, 2007, p.2).

Since the early 21st century, the UN Arab Human Development Reports (AHDR), the first of which was published in 2002 and the last in 2009, have become a milestone in assessing Arab human and political developments. Each successive report published, so far seven in total, has provided a grimmer picture of MENA than its predecessor. No doubt these reports have made an important contribution to better understanding of the problems of the region. In particular, they made a significant contribution to the growing critique of the neo-liberal development paradigm preached by the so-called ‘Washington Consensus’ in MENA, expanded Amartya Sen’s Human Development Index to draw a clearer picture for Arab human development, and dwelled on the economic, social and political shortcomings of the region. One widely quoted phrase from the first report, and repeated in subsequent reports, sums up the gist of the Arab World’s problem: ‘the Arab World is richer than it is developed’, thanks to its gift from nature – oil.

Understandably, the AHDRs have received significant attention in the West. Their ‘brutal honesty’ was acknowledged by the *New York Times* in an article by Thomas Friedman in 2002, while *Time* magazine (2002) described the first AHDR as ‘perhaps the most important volume published in 2002’. The unusually high receptivity of AHDRs in Western capitals is not surprising, since they lay the blame for all the region’s shortcomings on internal, Arab rather than Western factors. According to the authors of the reports (‘a team of Arab scholars and policymakers’), three main deficits explain the region’s underperformance, and are holding the Arab World back and preventing its economic prosperity, global integration and political liberalisation: the freedom deficit, the knowledge deficit and the gender deficit. As Thomas Friedman wrote in 2002 while commenting on the 2002 AHDR:

President Bush was right to declare that the Palestinians need to produce

decent governance before they can get a state. Too bad, however, that he didn't say that it's not only the Palestinians who need radical reform of their governance – it's most of the Arab World.

Certainly the AHDRs have made a significant contribution to a better understanding of Arab human development, and have become 'a haunting reminder of how bad things really are in the Arab World' (Baroud, 2009). Yet the AHDRs' 'avoidance of crucial issues of money and power ultimately lessens its value as a tool' to achieve many of its stated objectives and to fully understand the totality of factors that are truly holding the Arab World back (LeVine, 2002). For example, early reports hardly discussed the role of Western governments in perpetuating authoritarianism and repression in the region, through military, financial or diplomatic support, although lip service is paid to external power dynamics in later reports. Nor do the reports provide a real picture of Arab politics in the post-9/11 so-called 'war on terror', except by recently acknowledging that 'Anti-terror laws have given government security agencies sweeping powers' (UN, 2009, p.6). Little, if any, serious discussion has been attempted to explore the full reasons behind the rise in the popularity and credibility of political Islam at the expense of incumbent regimes, although the 2009 Report (p.11) rightly acknowledges the 'crisis' of the Arab welfare state and 'question[s] the effectiveness of the state in providing, and ensuring access to the basic necessities of life' (AHDR, 2009, 11). We have shown elsewhere in graphic detail how political Islam undermined the credibility and appeal of secular Arab states and delivered social capital, and vital social, economic and health services to the poor and needy (and indeed to the whole community) effectively, efficiently and at a much lower price to the citizenry (Harrigan and El-Said, 2009).

Moreover, the impact of Western policies on radicalising Muslim youth, particularly with regard to unconditional support to Israeli occupying forces, as well as blinding the eyes to human, political and basic rights violations by pro-Western Arab conservative regimes have hardly received the attention they deserve. Not only is there a near total absence of any genuine discussion of the role of religion in the region's politics, but the question of how the region became so radicalised, producing some of the most violent extremist individuals and groups on the face of the earth, remains a mystery.

The AHDRs remain, as LeVine (2002) noted, 'a one-sided treatment' and 'not as holistic as imagined by its authors'. The multiplicity of factors, causes and effects, and the intertwining complexity of internal and external factors, as well as of faith, politics and economics, is bound to make any analyses and assessment of the Arab World easier said than done. Yet a more holistic approach is necessary if we are to develop a fuller understanding for the marginalised position of the Arab World in the global economic

and political systems. It was this conviction which gave the impetus to *Globalisation, Democratisation and Radicalisation in the Arab World*.

This project is a collection of selective papers submitted to the Conference on Globalisation, Aid, Economic Reform, and Democracy in the Arab World organised jointly by the Manchester Metropolitan University, the School of Oriental and African Studies (SOAS), and the Arab Thought Forum (ATF) in February 2008. The conference, which was held at the ATF in Amman (Jordan) brought together a number of both established academics and scholars early in their research careers from the Arab and Western worlds, with different points of view, backgrounds and cultures. The multiplicity and intertwining complexities of the Arab World's human, economic and political developments require authors from a multidiscipline background. We hope that this volume does precisely that.

This book is organised in three main parts, each discussing particular aspects of the Arab World. Part One, 'Making Sense of Globalisation in the Arab World' begins with an overview of both economic and political dimensions of globalisation in the Arab World. It then examines globalisation, in Chapters Three to Five, primarily from an economic perspective by analysing the attempts by the Washington-based international financial institutions, namely the International Monetary Fund and the World Bank, to spread the global values of capitalism and economic liberalisation through policy-based lending to Arab countries.

Chapter Two, 'Economic and Political Dimensions of Globalisation in the Arab World' by Jane Harrigan and Helen Tilley, presents an historical overview of globalisation in the Arab World (the Middle East and North Africa region known as MENA) by using a variety of both quantitative and qualitative indicators of different dimensions of globalisation. These include economic variables such as patterns of trade since 1980, flows of direct foreign investment, start-up indicators for business and flows of foreign aid into the region. Political indicators include the quality of democracy and governance, freedom of the press and public administration accountability. The different indicators analysed present a picture of a region which is diverse, but which overall has not opened up or globalised in comparison to other regions and remains restrictive and controlling in terms of political rights and civil liberties. The influence of the US dominates, as measured by foreign aid disbursements; however, there has been an increasing European influence in the region. The type of economy is related to the social and political regime, with the largely high-income Gulf Cooperation countries (which fall in the resource-rich labour importing economic category) performing the worst in terms of political and civil freedoms.

Chapter Three, 'Assessing Neo-Liberal Economic Reform in the Arab World: Learning from the Evidence', by Jamil Ali Hammoud looks at one

important economic dimension of globalisation, namely, the attempt by the Washington-based and Washington-influenced international financial institutions – the World Bank and International Monetary Fund – to spread the Western values of neo-liberal capitalism into the Arab World through the mechanism of financially supported economic reform programmes. In spite of a recent cyclical boom associated with oil prices and revenue increases, long-term Arab economic performance has been disappointing. The chapter looks at this economic performance in the context of the economic liberalisation programmes introduced into the region by the World Bank and the International Monetary Fund since the early 1980s. The chapter traces the evolution and content of these programmes implemented in a number of resource-poor Arab countries and assesses their impact. Taking a broad political-economic perspective, and using a qualitative analysis approach, it address the question of what we can learn from the evidence of Arab economic reform in order to develop a reform framework that may then be translated into a reform model. Accordingly, the chapter is divided into three main sections. While the first places Arab economic performance in perspective, the second examines the reform agenda and its evidence. The third section proposes a number of principles designed to form a new reform framework. The chapter concludes that Arab economic reform has failed to produce the desired results because it has remained on the margin of the prevailing Arab political economy model, the core of which is a composite of different state co-dependencies, namely, state-private sector, state-religious establishment, state-citizenry and state-external forces.

Chapter Four, 'Two Decades of Liberalisation Reforms in Morocco: Successes and Failures' by Aouatif El Fakir looks at economic liberalisation in Morocco from the perspective of one important dimension of globalisation, namely the global spread of technology and new technological processes. The objective of this chapter is to contribute to the analysis of the pace and quality of liberalisation reforms in Morocco. They began during the 1980s after the debt crisis and with the intervention of the IMF and the World Bank. The declared goals were to achieve economic growth by promoting the market and limiting the role of the state. Two decades later, Fakir assesses the outcomes of these reforms in terms of i) their appropriateness with respect to technology acquisition and sustainable competitiveness and ii) the institutional foundation of the liberalisation reforms. El Fakir finds that, as in many other developing countries, the economic outcome was disappointing and the social cost was very high. Liberalisation reforms did not succeed for two main reasons. They eliminated the state too quickly and replaced it with an ill-prepared private sector, and they were not followed by political reforms. Finally, the chapter outlines some reforms that can make growth more sustainable.

Chapter Five, 'Contesting Structural Adjustment: The Donor Community, Rentier Élites and Economic Liberalisation in Jordan', by Warwick Knowles presents a political economy case study of economic change and reform in Jordan and shows how an economic reform agenda advocated by international financial institutions as part of the globalisation process can threaten the stability of an élite-dominated status quo. Knowles shows how since the late 1980s two structural changes have occurred in Jordan which have the potential to alter and to undermine the political and economic base of the powerful rentier élite. These changes are: the transformation from an economy primarily based on aid (which accrues to the state) to one based on both aid and remittance income (which accrues to the private sector); and the increased depth of involvement of the donor community, led by the IMF and the World Bank, which has as its stated aim the desire to increase the involvement of the private sector in the economy at the expense of the state. In relation to these changes, this chapter sets out to answer two important questions: what has been the influence of the donor community on Jordan's political economy; and how has the rentier élite reacted to these changes.

Part Two, 'Democrats without Democracy: Case Studies', looks at the political dimensions of globalisation in the form of the attempt to spread Western-style values such as democracy and good governance to the Arab World, with two chapters in particular looking at the role of the US administration in this process.

Chapter Six, 'Security through Democracy? The Legacy of the Bush Administration and the Future Role of Democracy Promotion in American Foreign Policy', by Jana Dorband analyses a political dimension of globalisation in the form of attempts by the US to foster Western-style democratic values in the Arab World in the hope of diluting radicalism. Dorband shows that one of the many consequences of the attacks on 11 September 2001 was the rise of democracy promotion in the foreign policy agenda of the United States. The underlying rationale was the assumption that there was a causal connection between the so-called 'freedom deficit' in the Middle East and the emergence of violent extremism. Based on a critical assessment of the United States' past commitment to stability and support of autocratic regimes in the region, President George W. Bush proposed a new policy agenda that would instead push for political reform and establish democratic transformation as a long-term goal. This chapter analyses this transformation in US foreign policy and argues that, even by the end of the second term of the Bush administration, the reaction to this new momentum in the promotion of democracy remained cautious. Particularly, the crisis in Iraq has highly politicised the debate. The chapter concludes that many critics currently proclaim the return to old-fashioned realpolitik and declare that the democracy agenda as failed.

Chapter Seven, 'The Meaning of Democracy: A Lebanese Adolescent Perspective', by Patricia Velde Pederson explores the literature on the potential for democracy in the Arab World and argues that Arab youth will be the key to the democratisation process in the region. This is followed by a micro-level study on the meaning of democracy as perceived by adolescent youth in Lebanon. The chapter details the findings from an analysis of 2008 open-ended essays, which addressed the question, '*People have different ideas about what it means for a society to be a democracy. In your own words, what does democracy mean to you?*' Participants were Lebanese adolescents (aged 14 to 19) enrolled in five private co-educational college-preparatory schools in various regions in Lebanon. Purposeful sampling was employed to collect views from students living in different locales and holding different sectarian backgrounds. The conclusion reached from this empirical work is that most participants were generally supportive of democracy but questioned the reality of democracy in Lebanon and the viability of it as a political system.

Chapter Eight, 'Economic Reform and Authoritarianism in Egypt: Politics, Power, and Patronage', by Thomas Demmelhuber presents a political economy case study of the most recent economic reform in Egypt. Since 2004 Egypt has witnessed a comprehensive economic reform agenda that is particularly advanced by a new generation of political and economic élites. Most are politicians with an economic background as entrepreneurs in the growing private sector that contributed around 70 percent to the unprecedented 6.8 percent growth rate in fiscal year 2005–6. The government has implemented a large number of reforms and has embarked on concrete plans to restructure the financial sector, to adjust regulations, to enhance trade liberalisation and has recommitted itself to the privatisation programme launched in the early 1990s. Demmelhuber argues that although structures and institutions have been revamped by this process, the underlying governing principles stemming from a neopatrimonial state remained untouched. The economic reform process is shown to serve as a functional tool for the power consolidation of a ruling élites in which the 'old guard' approaching their 70s are challenged and gradually sidelined by Western-educated and pragmatic 'young circles'. He also shows that although macroeconomic statistics support the notion of a successful comprehensive reform agenda, until now it only remains a success story for the upper echelons of society with the often quoted 'trickle-down effect' nowhere in sight. Hence, it is far from being the success story for all strata of society as put forward by government rhetoric. Instead, reform as an instrument for market liberalisation has once again served the business interests of constituting elements of the ruling élite. The Egyptian case study is relevant because international donors still hope to kick-start further economic and political reforms by liberalising so-called

'emerging economies' and integrating them into the global market. Whereas international actors hope that reform shall be directed towards sustainable poverty-reducing liberalisation that should pave the way for democratic reform, the chapter shows that the ruling élite in Egypt has embarked on a reform process but adheres to its own understanding of it: it is a certain kind of gradualism and a top-down approach, fully in line with consolidating the power structure of the ruling élite and neglecting any real spirit of political and economic liberalisation.

Chapter Nine, 'Breaking the Wave – the War in Iraq, US-Egyptian Relations and the Bush Administration's "Democratic Tsunami"', by Lars Berger presents a case study of US attempts to influence democratisation in the Arab World and more specifically in Egypt, a strong US ally in the region. In the aftermath of 11 September 2001, political commentators and representatives of the foreign policy decision-making process in Washington DC engaged in a serious debate about the extent to which the governments of Saudi Arabia and Egypt, until that time considered to be reliable US allies, might have contributed to the emergence of the direct threat to US national security in the form of Osama Bin Laden's Al-Qaeda organisation. While the regime in Cairo had been able to suppress the violent fringes of its domestic Islamist movement, Egypt's ongoing political, economic and social crises continued to strengthen the support for domestic and transnational Islamist movements. Neo-conservative commentators therefore pushed the idea of a 'democratic tornado' to emerge from the Iraqi example. However, Berger argues in this chapter that the reality of US democracy promotion has so far been marked by only modest, rather tenuous successes and growing signs of failure. This chapter therefore seeks to explore the circumstances of how the war in Iraq impacted the more cautious approach toward democratisation in the rest of the Arab World as it became enshrined in various multilateral initiatives as well as bilateral calls for political reform in countries such as Egypt. Its main thesis is that the war in Iraq has allowed the regime in Cairo to escape the stronger push toward political reform the Bush administration demonstrated especially during the 'Baghdad spring' at the beginning of President Bush's second term. By increasing US strategic vulnerability, for example in its perceived reliance on diplomatic assistance of regional actors, the Iraq war softened the asymmetry in the interdependent US–Egyptian relationship in favour of the Arab ally. When President Bush introduced the spread of freedom as the central theme of his second term, the United States had already squandered the political capital available in the aftermath of the 9/11 terrorist attacks. As a result, in the end, the increased US push for political reform in the region met with a decreased ability to prevail.

Chapter Ten, 'Will Globalisation Allow Democratisation?', by Abdulaziz

Sachedina, looks at one particular aspect of cultural globalisation. It argues that the emerging rules of the cultural correctness game have been fixed by the 'First World' and deserve to be critiqued. If there are going to be rules to the game of cultural globalisation through democratisation and diffusion '*à la Ovest*' they will have to address the freedoms and constraints associated with the human search for meaning in country-specific contexts. This includes the conditions under which locally produced ideas, ideals and practices are created, perpetuated, exported or reproduced around the world. Sachedina argues that, ideally, in a neo-liberal world order these rules ought to permit members of different societies or groups a good deal of liberty (within certain moral limits) to live and reproduce their way of life according to their own historical consciousness and allow them to evolve and develop conceptions about what is good, what is true, and what is right. It is argued, ideally, in such an international order the rules of the cultural globalisation game ought to be constructed in a negotiating environment in which accurate information is available about the consequences of leaving people free to evolve and carry forward a way of life guided by their own conception of the good. And in that negotiating environment there ought to be an equality of voice for those who are affected by the application of any agreed-upon rules defining the scope and limits on the free exercise of cultural practice.

Part Three, 'Radicalisation and Extremism in the Arab World', looks at what can happen if globalisation goes wrong. The spread of economic globalisation in the form of economic liberalisation can lead to increased poverty, unemployment and disillusion with incumbent regimes whilst the US attempt to spread democracy in the region can backfire, leading to increased anti-Western and anti-US hostility. When this happens it may trigger an increase in radicalisation that leads to extremism and violent activism.

Chapter Eleven, 'Addressing Radicalisation and Extremism that Lead to Violent Extremism in the Arab World', by Hamed El-Said looks at one of the most alarming recent facets of globalisation, namely, the spread of radicalisation and violent extremism around the globe. It looks at some of the underlying causes of this phenomenon as well as assessing some recent attempts to de-radicalise violent extremists. El-Said argues that terrorism is a process rather than an institution or theology and that nobody is born a terrorist. Instead, there is a correlation between radicalisation, extremism and terrorism. Individuals and groups become radicalised first as a result of an enabling and facilitating environment. But while millions of people around the world, including Muslims, are subject to similar radicalising factors, only a tiny minority takes a violent route. Violent extremism therefore is a function of that enabling environment and personal history. This chapter attempts to provide a framework that allows a better

understanding of the violent extremism phenomenon. It focuses on the root causes of violent extremism in the Muslim, Arab World.

Chapter Twelve, 'The Search for a Deradicalisation Strategy in the Arab World', by Hamed El-Said and Jane Harrigan looks at the so-called 'soft' policies that countries inside and outside the region have recently introduced in their search for a de-radicalisation option. It examines a number of deradicalisation programmes in Arab countries that are mainly prison-based rehabilitation programmes, looking at their aims and objectives as well as attempting to say something about their degree of success. An Asian contrast is presented in the form of deradicalisation in Bangladesh, which rather than being a prison-based rehabilitation programme, is a grass-roots preventative programme well-suited to the socio-cultural context of Bangladesh.

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2

Economic and Political Dimensions of Globalisation in the Arab World

Jane Harrigan and Helen Tilley

This chapter analyses in detail the economic and political dimensions of globalisation in the Arab World, namely the Middle East and North Africa (MENA)¹, over the past three decades. It has been argued by various authors that globalisation in MENA is not commensurate with its middle-income status (Srinivasan, 2002) and that the region has been left behind by the rapid wave of globalisation which has taken place in the past few decades (World Bank, 2003). We examine the data to see whether this is so in both the economic and political realms. In economic terms we examine data on trade openness, a standard measure of economic globalisation, by looking at exports and imports as a ratio to GDP. We also look at trends in direct foreign investment (DFI) into the region as well as aid flows. Finally, we look at the ease of doing business in the region. In terms of the political dimensions of globalisation, we look at whether the global values of democracy, accountability and press freedom have spread into the MENA region. In essence, this chapter serves as a statistical background to the rest of the book which looks at these different dimensions of globalisation as well as the issue of radicalisation in the region in greater depth, including case country studies. To facilitate our analysis we often divide the countries of MENA into their resource and labour classifications, that is, Resource-rich and Labour-abundant, Resource-rich and Labour-importing, and Resource-poor and Labour-abundant (see Annex 1 for details of countries falling into each classification).

The different indicators analysed in this chapter present a picture of a region which is diverse, but which overall has not opened up or globalised to the same degree as other regions and remains restrictive and controlling in terms of political rights and civil liberties. The influence of the US dominates, as measured by foreign aid disbursements. However, there has been an increasing European influence in the region. The type of economy is related to the

social and political regime, with the largely high-income Gulf Cooperation countries (which fall in the resource-rich labour-importing economic category) performing the worst in terms of political and civil freedoms.

The economic dimensions of globalisation

In the past two-and-a-half decades there has been a tremendous increase in world trade and cross-country investment and this is taken to be an important indicator of the globalisation process. However, this has largely by-passed the MENA region. In the 1990s, for example, trade and foreign investment were either stagnant or declining in MENA – the only region for which this was the case. This disappointing period of the 1990s coincides with what Shafik (1998) refers to as the ‘bust period’ for MENA following the economic boom of the 1960s and 1970s. This picture of limited globalisation remains the same regardless of the indicators we look at – trade in relation to GDP, DFI inflows to the region or the ease of doing business.

Trade as a measure of economic globalisation

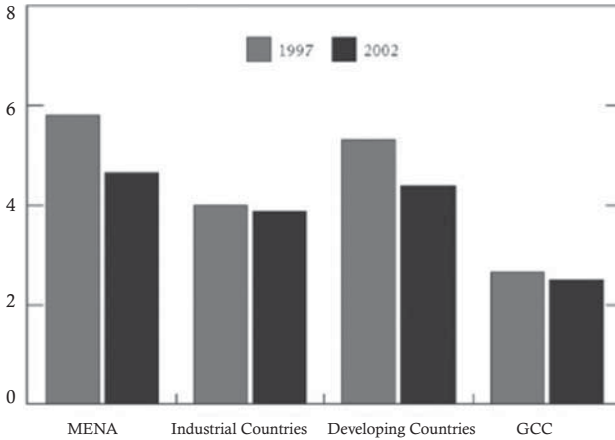
Trade openness is defined as the extent to which international transactions of goods and services take place without tariffs and non-tariff barriers (Abed and Davoodi, 2003). In this chapter trade flows compared to GDP are used as proxies for openness.²

Within the MENA region a number of countries have reasonably open trade policies (the GCC members, Yemen and Mauritania); more recent and less open countries are Algeria and Jordan. It is notable that other countries, including Iran, Morocco, Pakistan, Tunisia and Sudan, have stated policies of liberalisation but tariffs and nontariff barriers remain high. Figure 1 shows that the MENA region performs similarly to other developing countries on ratings of trade restrictiveness, is more restrictive than industrial countries, but has become more open since the late 1990s. The exchange rate regime, playing an important role in trade performance, is mainly fixed for the region with three-quarters of countries having fixed rates or moving pegs between narrow bands, which are often managed in a delayed manner (Abed and Davoodi, 2003).

Looking at exports as a percentage of GDP, Figure 2 presents a long-term perspective from 1950. It can be seen that in 1950 MENA was more open than the global economy as a whole, with an export-to-GDP ratio of around 16 percent compared to the much lower global average of 6 percent. MENA, along with Sub-Saharan Africa, had a high level of trade openness in this earlier period largely due to its concentration of trade in natural resources which mainly consisted of oil. We can see from Figure 2, however, that since the late 1970s MENA's openness and trade integration

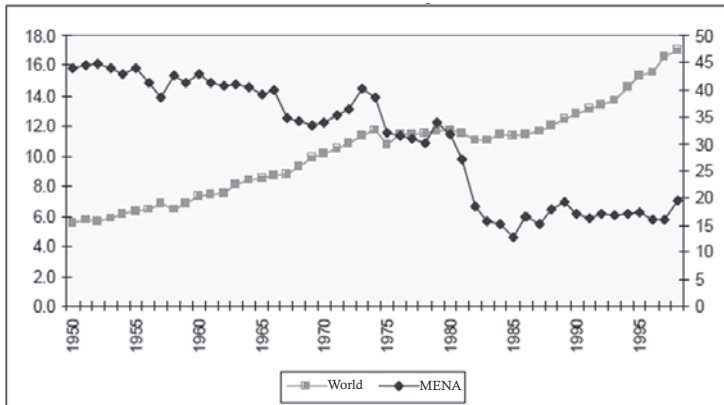
has dramatically declined while global integration has increased, led by the East Asia and Pacific region. If we exclude oil from MENA's trade, the picture becomes even worse.

Figure 1: MENA trade restrictiveness 1997 compared to 2002 (Abed and Davoodi, 2003)



Note: Scale is 1–10, with 10 being most restrictive.
 Source: IMF staff estimates.

Figure 2: MENA versus worldwide long-term globalisation trends

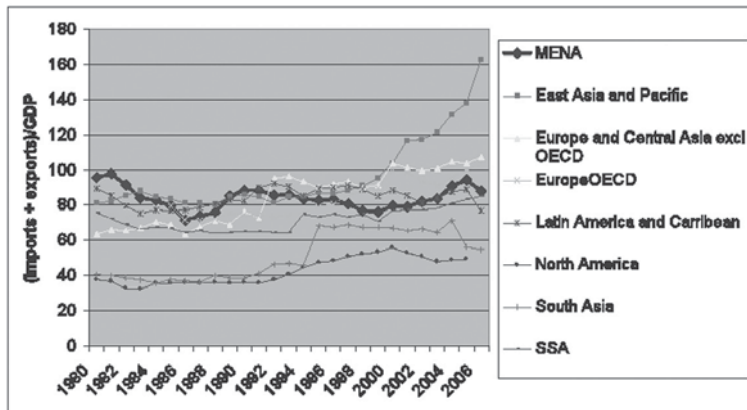


Source: Srinivasan (2002), p.4
 Note: Measured as the ratio of exports to GDP in 1990 PPP dollars, MENA on right axis, world on left axis.

Comparing MENA with other regions of the world using the measure exports plus imports as a percentage of GDP (Figure 3) we can see that although MENA was one of the more open regions in the 1980s, as other regions have become increasingly integrated in terms of trade (notably East Asia and Pacific), MENA has remained constant and has even reduced openness from 1981–7 and 1992–2000. Srinivasan (2002, p.6) notes that these weak trade integration patterns in MENA are partly the result of unsupportive trade policy measures and high trade protection. Figure 3 shows that between 2000 and 2006 there was a slight increase in trade openness for MENA, but this was largely due to the increase in oil prices as opposed to any increase in trade volumes, with the recent oil price rise boosting export growth in the resource-rich countries of MENA.

Consideration of the growth of total trade compared to the growth of GDP is another meaningful indicator of globalisation, showing whether a region's trade has been growing faster or slower than its GDP. Figure 4 shows average MENA total trade growth as a ratio of GDP growth from 1980 to 2007³ and broadly shows most data points clustering between -0.005 and 0.02.

Figure 3: Trade openness by region

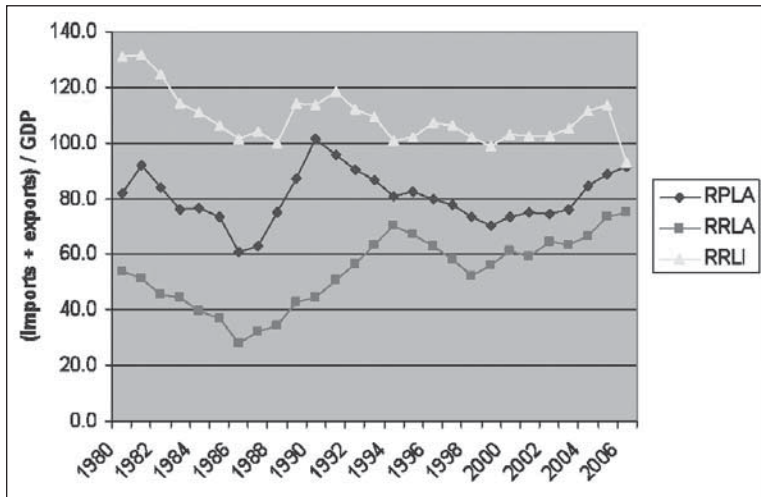


Source: WDI online

The picture of the MENA region becoming less open to trade in the past two decades while the rest of the world has become increasingly open presents a highly aggregated picture. We can sub-divide the MENA region into different groups of countries to see if any clear patterns emerge.

Firstly we can classify the MENA economies in terms of resource and labour balance: RRLA resource-rich, labour-abundant; RRLI resource-

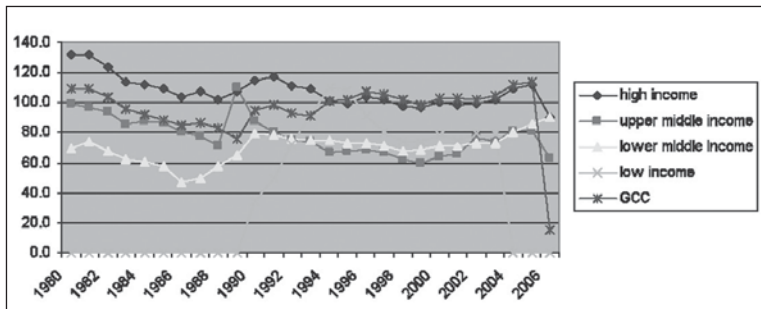
Figure 4: Average MENA total trade growth/GDP



Source: WDI online

rich, labour-importing (the GCC countries); and RPLA resource-poor, labour-abundant. Figure 5 shows imports and exports as a percentage of GDP by this economy type. What is marked is the persistent hierarchy in terms of openness of the groupings: the labour-importing countries are the most open, followed by the resource-poor countries, and the resource-rich, labour-abundant economies are the least open.⁴

Figure 5: Trade as a percentage of GDP

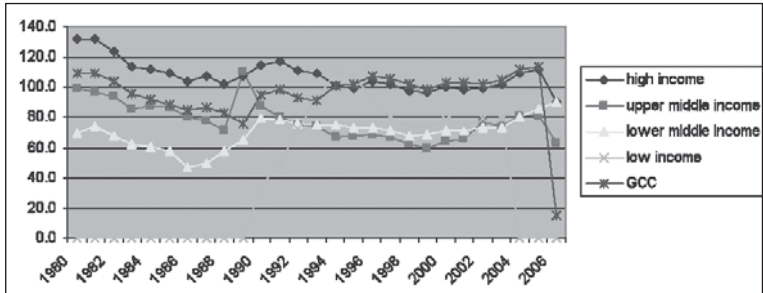


Source: WDI online

We can also consider the openness indicator by countries grouped according to their income levels (see Annex 1 Table A1 for details of income groups and countries in each group). This is done in Figure 6. Considering the openness indicator by MENA income group and the GCC it is clear that there is a great deal of diversity between income group, with openness appearing to be broadly proportional to income levels until the early 1990s. During the 1990s Yemen, the only country in the low-income group, opens up at a rapid pace, as do countries within the lower-middle-income group, whereas the upper-middle-income and high-income groups experience a reduction in openness. Once again, this trend changes in the 2000s as trade as a share of GDP increases for all income groups. Comparing the pattern in Figure 6 with trends in the terms of trade it is clear that much of the variation is price rather than quantity-related. The GCC countries dominate the high-income group and drive the fluctuations in the indicator.

Figures 5 and 6 show that although for MENA as a whole the region has become less open there is clearly great diversity of experience between different groups of countries, ranging from Bahrain being the most open to Iran being the least open.

Figure 6: Imports and exports as percentage of GDP by MENA income group



Source: WDI online

Note: As for Figure 5, the apparent convergence of the RRLI country group in 2006 is a data anomaly caused by missing 2006 figures for some countries in this group.

In addition to a low level of trade integration, the MENA region also suffers from a highly concentrated export base. Indeed in terms of the product-services balance in trade, the trade of the MENA region is dominated by products, with services amounting to less than 20 percent of total trade (Nabli, 2006). MENA exports are highly concentrated in oil and oil-related products and the pace of diversification has been very slow. In 1978 fuels and related products accounted for 94 percent of region's exports. By 2000 this had fallen to only 83 percent. Other natural resource exporters

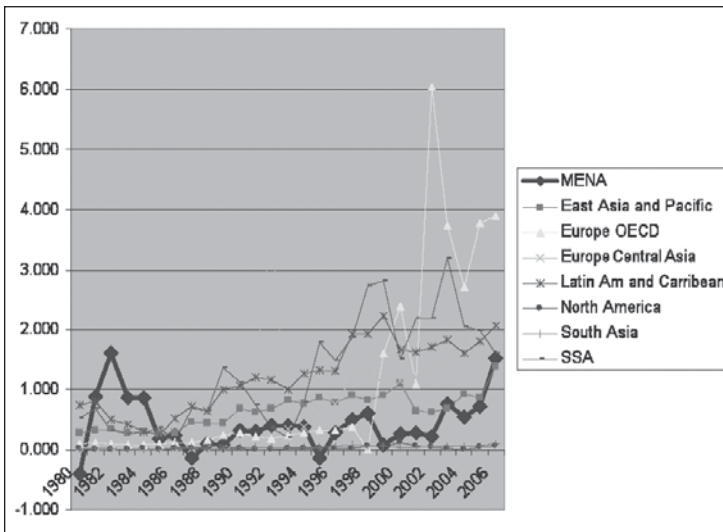
such as Malaysia, Indonesia and Mexico have been much more dynamic in diversifying their economies away from natural resources – proving it is possible to do this despite the supposed oil and natural resource ‘curse’.

The MENA region has also seen a decline in its number of dynamic non-fuel exports. These are defined as products whose export growth exceeds 15 percent per annum. In 1988 MENA exported 84 such products but by 2000 this had fallen to 66. These data are also supported by the 2009 UN Arab Human Development Report, which noted that the Arab World has been suffering from a de-industrialisation phenomenon, and that the region is even less industrialised today than it was two decades ago. The same argument is also supported by the fact that Arab intra-regional trade has also grown very slowly compared to that of other regions. In 1970 only 5 percent of MENA trade consisted of intra-regional trade. By 1998 this had risen to only 8 percent.

DFI as a measure of globalisation

The data on DFI flows when compared to GDP show that the MENA region as a whole attracts relatively less DFI when compared to other regions, as shown in Figure 7. DFI flows into MENA as a percentage of GDP exceeded that for all other regions in the mid-1980s. However, by

Figure 7: Total DFI/GDP by region (US\$ current prices)



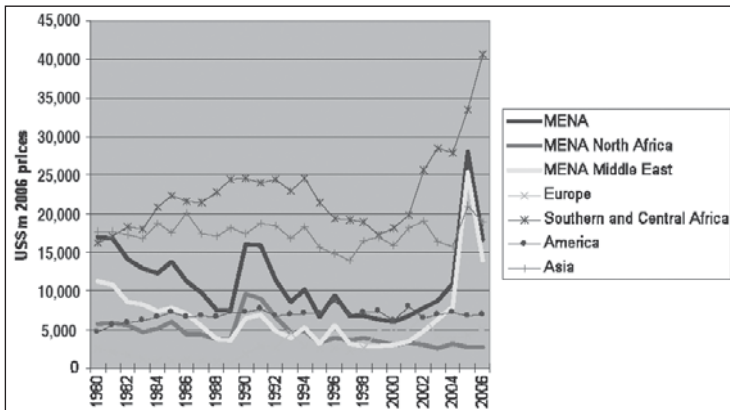
Source: WDI online

2006 the reverse was the case. In all other regions DFI as a percentage of GDP rose significantly, with the big four Latin American economies of Mexico, Brazil, Argentina and Chile having a ratio of over 2.5 percent by the early 2000s. Overall, we can see that between 1986 and 2005 the MENA region had one of the lowest ratios of DFI to GDP of any region. These data are supported by the finding of Almounsor (2005, p.259 note 13) that the MENA region on average received less than one percent of the world's net DFI inflows from 1975 to 2005. The data for MENA also follow quite a variable trend. This variability in the data is due largely to the high and variable DFI inflows to Saudi Arabia and Bahrain.

Despite the disappointing historic trends in DFI as a percentage of GDP for the MENA region, there has been a sharp increase in DFI flows into the region in very recent years, as shown by Figure 8. In particular, net DFI inflows (US\$ current prices) in 2006 were 5.7 times the value in 2000 and the average annual growth rate of DFI between 1996 and 2006 was 24.7 percent, the highest of all regions (World Bank, 2008). Currently, Saudi Arabia is the biggest recipient of DFI in the region followed by Morocco and Bahrain.

As a group the GCC countries are the biggest recipient in the region, also experiencing the highest extent of volatility. This is a reflection of the fact that most DFI received by the GCC is oil-related, which is generally more volatile and is not often subject to the same economic and political conditions that determine DFI in other sectors, such manufacturing.

Figure 8: MENA region total DFI flows and GDP (current US\$)



Source: WDI online

Another important dimension of globalisation, which is linked to DFI, has been the rapid growth in intra-industry trade. This takes place when different parts of the production chain are located in different countries, resulting in trade between firms in the same industry. This has been the fastest growing portion of global trade. MENA's low share of DFI is also reflected in its small share of intra-industry trade. In 2000 only 13.5 percent of MENA's trade was intra-industry trade. For countries like Malaysia, Taiwan, Korea and Brazil over 50 percent of their trade consisted of intra-industry trade. The resource-poor countries along with UAE did much better than other countries in the MENA region, with between 15–30 percent of their trade being intra-industry trade. This is disappointing given the fact that being part of global supply chain is an important strategy to increase global integration, attract DFI and diversify export base, as the experience of the East Asian region clearly demonstrates. MENA also has not benefited from rapid global growth in tourism and exports of non-tourism services.

All the above indicators suggest that MENA has not benefited as much as other regions from the rapid growth in world trade and DFI that has taken place over the past three decades. In that foreign trade and DFI are often linked with the growth process, it is therefore not surprising that the region has performed relatively poorly compared to others in terms of growth. The region's growth rate for the decade from the mid-1990s to the mid-2000s was only 3 percent compared to the global growth of 8 percent (Almounsor, 2005).

Ease of doing business

One reason for the disappointing trade, DFI and growth rates for MENA is the difficulty of doing business in the region. The analysis that follows draws upon data from the World Bank's Ease of Doing Business Survey available at www.doingbusiness.org/.

The starting a business indicators identify the bureaucratic and legal hurdles an entrepreneur must overcome to incorporate and register a new firm: the procedures, time and cost involved in launching a commercial or industrial firm with up to 50 employees and start-up capital of 10 times the economy's per-capita gross national income (GNI). Table 1 below shows a selection of the main indicators, ranked by the number of days required to start a business.

It is notable that the official cost of establishing a business in MENA, at 66 percent of GNI per capita, is greater than the mean for the regions. When ranked by the number of days required to start a business the MENA region comes fourth (behind the OECD, Eastern Europe and Central Asia, and South Asia), and when ranked in terms of costs of set-up it comes fifth (after

Latin America and the Caribbean and also after East Asia and Pacific). The start up indicators for businesses in MENA presents a picture of a region that has higher than average set up costs, and more procedures than average. Clearly, it is not easy to do business in the MENA region. This is partly the legacy of a highly interventionist state in the post-independence era which has resulted in high levels of bureaucracy and regulation of the economy.

Table 1: Ease of doing business indicators by region

Region or Economy	Procedures (number)	Duration (days)	Cost (% GNI per capita)
OECD	6	14.9	5.1
Eastern Europe & Central Asia	8.8	26.2	11.1
South Asia	7.6	33.4	40.7
Middle East & North Africa	9.7	38.5	66.0
East Asia & Pacific	8.7	46.8	34.7
Sub-Saharan Africa	10.8	56.3	148.1
Latin America & Caribbean	9.8	68.3	43.6
Mean	8.8	40.6	49.9

Aid flows and globalisation⁵

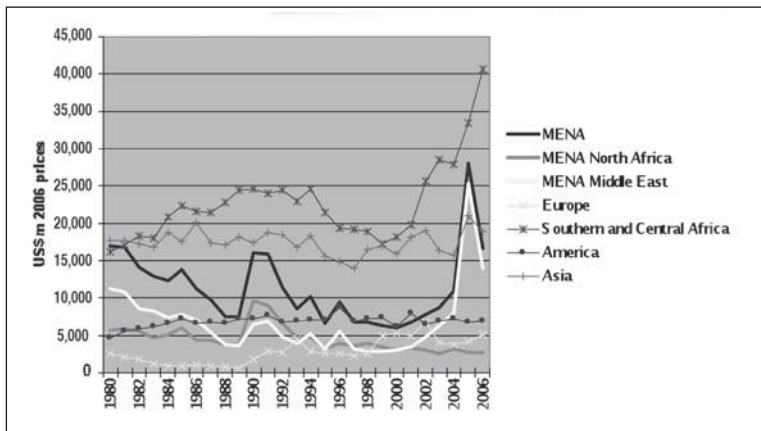
The link between aid flows and globalisation is a complex one. On the one hand, high levels of aid flows could be taken to indicate a lack of globalisation with low levels of growth and development necessitating international support in the form of aid, with aid responding to recipient need. It has been shown elsewhere (Harrigan, El-Said and Wang, 2006) that this is not the case for MENA. Despite high levels of aid per capita in MENA only Yemen is classified as a low-income country. Hence aid flows to MENA do not just reflect recipient need but also reflect a degree of donor interest, both commercial and geo-political. On the other hand, high levels of aid flows are themselves one manifestation of the global link between countries and promote globalisation in two ways. Firstly via the international flow of funds and secondly via the spreading of common global values such as capitalism, economic liberalisation and democratisation which often accompanies this flow of funds (Mosely, Harrigan and Toye, 1995). Chapter 3 of this book examines one way in which aid flows help spread these common values, namely through the IMF and World Bank's

policy-based lending with economic liberalisation attached to the flow of such funds.

Figure 9 shows the standing of the MENA region relative to other regions in terms of Overseas Development Assistance (ODA) total net disbursements (the sum of grants, capital subscriptions and net loans (loans extended minus repayments of loan principal and offsetting entries for debt relief). The first observation is that the region is the third largest global recipient of aid, after Southern and Central Africa and Asia. Secondly, it can be seen that aid to the region is variable and that much of the variation is driven by responses to conflicts within the region. If net debt relief is excluded from the data on aid flows to MENA the large spike in 2005–6 largely disappears. This is because much of this spike is accounted for by net debt relief to Iraq in 2005 and 2006. In 2005 net debt relief to Iraq amounted to US\$14bn, 63 percent of total net ODA disbursements to the region, and in 2006 US\$3bn, or 39 percent of total ODA. Excluding debt relief, aid to MENA has decreased since the 1980s, mirroring the global trend, although the averages for the 2000s show a recovery since the low of the 1990s.

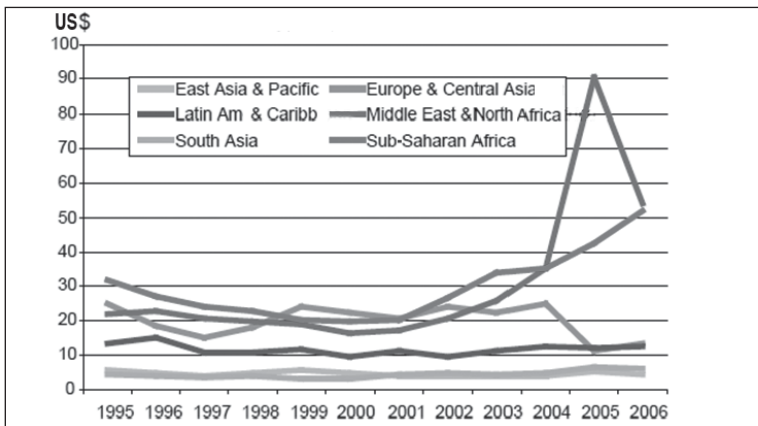
Returning to the issue of aid and conflict within the MENA region, the two spikes in aid inflows, namely in the early 1990s and in 2005–6, are largely explained by donors' response to conflict in the region rather than being a reflection of recipient need. The spike in the early 1990s is largely accounted for by a rapid increase in flows to Egypt. In response to supporting the allies in the first Gulf War, Egypt received a large increase in aid flows as well as massive debt forgiveness of US\$15bn from the West, the highest debt forgiveness package in the history of MENA. Likewise the 2005–6 spike is largely explained by conflict-related aid flows to Iraq, as well as the large debt write-off received by Iraq.

Figure 9: Net ODA disbursements by region



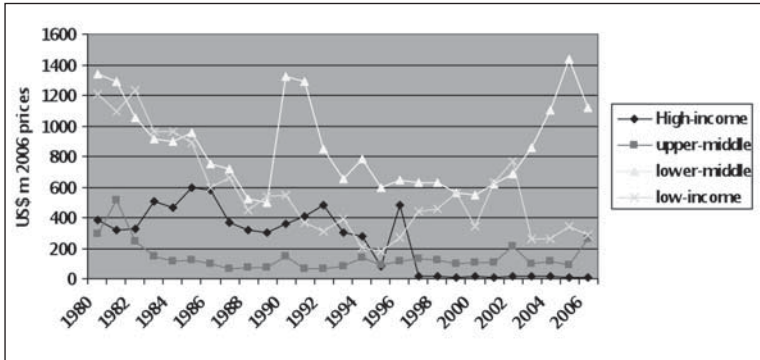
Another important regional indicator of aid flows is aid per capita. This is shown in Figure 10. Making a regional comparison, the Middle East and North Africa still received the largest amount of aid in per capita terms (US\$54) in 2006, rivalling Sub-Saharan Africa (US\$52) (World Bank 2008). Aid patterns in recent years find 2005 to have been a record high for per capita aid to MENA (US\$90), although a reduction in aid to Iraq caused a large decline in the following year.

Figure 10: Net aid per capita by region



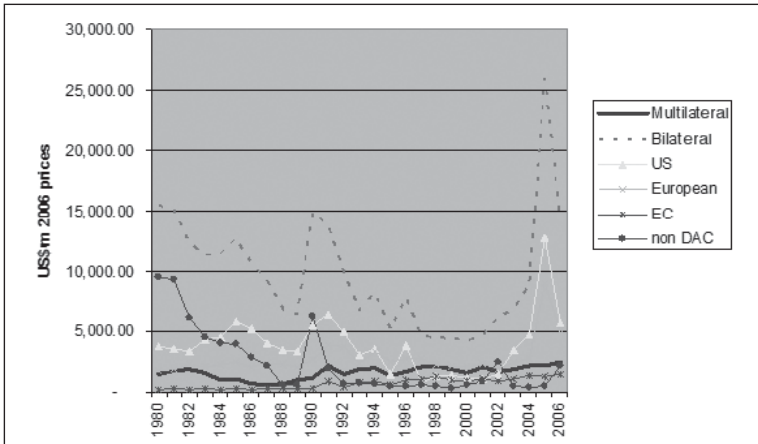
Looking at disaggregated aid flows by country groups classified according to income levels again supports the view that flows to MENA are not just allocated according to recipient need but also reflect a high degree of donor interest. Figure 11 shows total aid flows to MENA excluding debt relief to Iraq in 2005 and 2006. Considering total aid by MENA income group, Figure 11 shows the dominance of the lower-middle-income group, followed by the low-income group. Interestingly the high-income group receives more aid (with a large degree of variation in disbursements) than the upper-middle group until the late 1990s when the data becomes sparse (Kuwait, Qatar, and UAE are missing data from 1996 onwards and Israel from 1997). As would be expected the GCC are only minor aid recipients and it is Israel that explains why the high-income group receives a surprisingly large amount of aid. Between 80 percent (in the early 1980s) and 99 percent (in the late 1980s) of the high-income group's aid goes to Israel. This reflects the fact that Israel is a key strategic ally of the US in the region and has received larger amounts of US aid since the signing of the Camp David Peace Accord in the late 1970s.

Figure 11: Total ODA to MENA income groups, excluding debt relief to Iraq in 2005 and 2006



Considering which are the key donors to the MENA region, Figure 12 shows the dominance of bilateral over multilateral aid. This is not unexpected given the role played by geo-political factors in aid flows to MENA, which have a much greater influence on bilateral as opposed to multilateral aid institutions. It also highlights that the source of variability over time is bilateral aid, as multilateral aid follows a constant, slightly increasing trend. Again, this is consistent with the fact that much bilateral aid is geo-politically motivated, responding to factors such as conflict in the region. The US is the single largest donor, accounting for on average 38 percent of total ODA to MENA.

Figure 12: Total ODA to MENA by donor



Since the early 1980s the influence of European bilateral donors as a group has increased, with total European bilateral aid increasing from 11 percent of all bilateral aid (including debt relief) in 1980 to a high of 59 percent in 1997. Table 2 shows European and US aid to the region for different time periods and illustrates the fact that since the 1980s the European share of aid flows has gradually increased such that by 2000 it matched that of the US. France and Germany are the two largest European donors, providing a total of 36 percent and 26 percent respectively of total aid between 1980 and 2006. 84 percent of French aid to the region was directed towards North Africa, whereas German aid was balanced between the North Africa and Middle East sub-regions of MENA.

Table 2: European versus US net disbursements of total ODA

	European	US
Total ODA		
1980–1989	21%	40%
1990–1999	40%	38%
2000+	38%	38%
Excluding net debt relief		
1980–1989	21%	40%
1990–1999	40%	37%
2000+	32%	45%

The political dimensions of globalisation

One important dimension of the globalisation process is the spread of common values across the globe. In the political arena these include values such as good governance, democracy, respect for human rights and press freedom. Overall, according to different sources (World Bank, 2008; Freedom House, 2007; Almounsor, 2005; Abed and Davoodi, 2003; United Nations, 2002) MENA performed worse on governance, democracy and press freedom indicators than other developing countries. In particular the region performed badly in terms of voice and accountability and corruption.

Governance indicators

Almounsor (2005) finds MENA to be the worst performing region with MENA countries scoring low on governance indicators. Almounsor (2005, p.258 note 5) constructs an institutional quality index. He uses indicators

for voice and accountability, political stability and lack of violence, government effectiveness, regulatory framework, rule of law and control of corruption over ranges from -2 to +2. The majority of MENA countries have negative scores, particularly for voice and accountability and control of corruption. A later update of this index (Abed and Davoodi, 2003) finds that the MENA region has the lowest institutional quality when compared to other regions (East Asia, OECD, Latin America and the Caribbean). The region performs the same as Latin America and the Caribbean on rule of law scores. Figure 13 from the World Bank's World Governance Indicators (WGI) shows the percentile scores for the region in terms of the different governance categories. It is clear that the worst performance is in terms of voice and accountability (discussed further under press freedom below).

Figure 13: World Governance Indicators, regional summary⁷

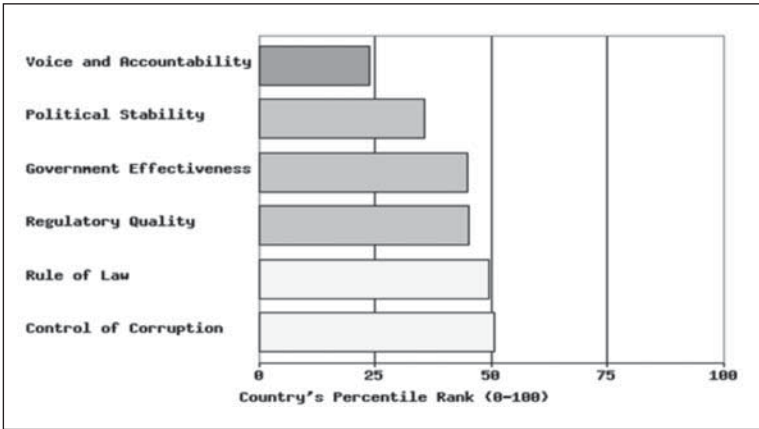


Table 3 compares the MENA region with other regions in terms of governance scores.⁸ Comparing the average of all the indicators by region, the MENA region performs slightly below Latin America, with an average governance score of -0.31, compared to -0.24 for Latin America. Its average performance is ranked 6th below the OECD, the Caribbean, Eastern Europe and the Baltics, East Asia and Latin America. On average, the MENA region performs better than South Asia, Sub-Saharan Africa (SSA) and the Former Soviet Union (FSU).

It is clear that these average scores mask a lot of variation across the different indicators. As noted above, the MENA region performs particularly poorly on the voice and accountability indicator, only slightly better than the FSU with average governance scores of -0.88 and -1.01 respectively. Whilst performance in terms of the political stability indicator

Table 3: Regional average governance scores (-2.5 to +2.5)

	Voice and Accountability	Political Stability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Average
MENA	-0.88	-0.51	-0.21	-0.17	-0.04	-0.07	-0.31
Caribbean	0.6	0.57	0.53	0.49	0.43	0.53	0.53
East Asia	-0.03	0.34	-0.09	-0.18	0.15	-0.19	0.00
Eastern Europe & Baltics	0.51	0.25	0.27	0.55	0.08	0.01	0.28
FSU	-1.01	-0.43	-0.72	-0.68	-0.89	-0.86	-0.77
Latin America	0.12	-0.33	-0.24	-0.15	-0.52	-0.3	-0.24
OECD	1.31	0.96	1.51	1.48	1.51	1.72	1.42
South Asia	-0.69	-1.32	-0.5	-0.61	-0.46	-0.56	-0.69
SSA	-0.55	-0.53	-0.77	-0.74	-0.75	-0.64	-0.66

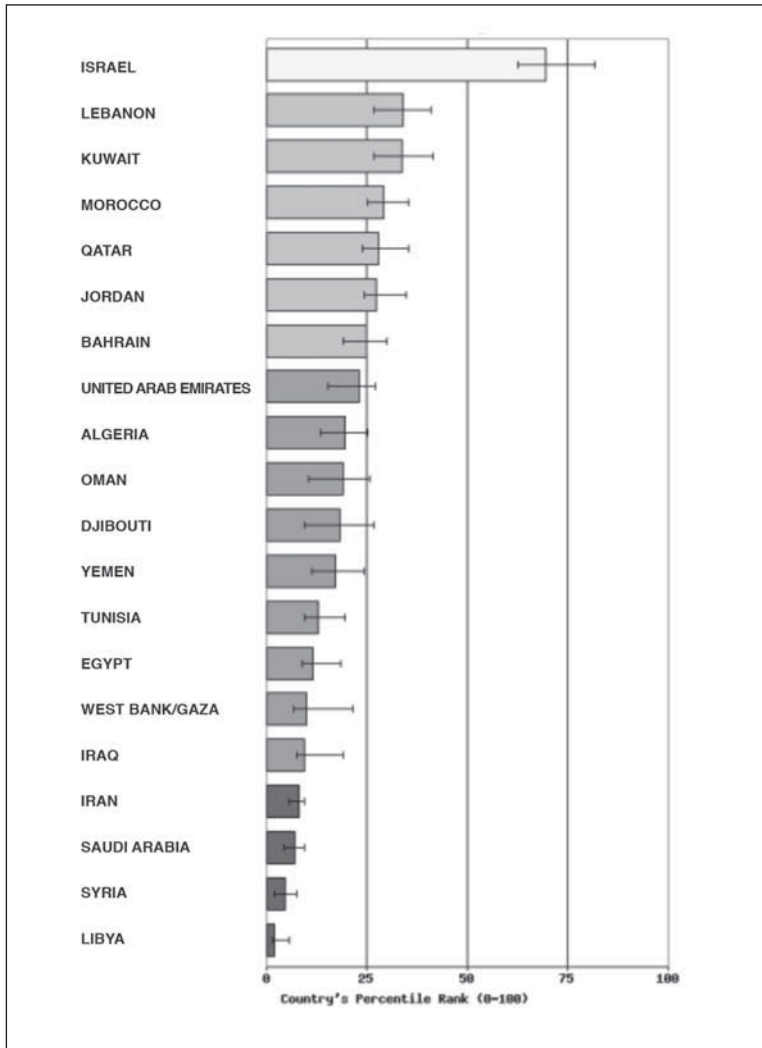
Source: Kaufman, Kraay and Mastruzzi (2008)

is not quite as negative, it is comparable to that of the FSU and SSA. Figures 14 and 15 show the results by two of the different categories of the World Bank's World Governance Indicators broken down for each MENA country. It is clear that the worst overall performance is in terms of voice and accountability; however, performance in terms of government effectiveness (Figure 15) is much stronger and the highest of the different categories, supporting the theory of a 'governance gap' in the MENA region between the two indicators. Abed and Davoodi (2003) note that the demarcation between the public and private sectors in many countries in the region is unclear, which encourages corruption.

The Arab Human Development Report (United Nations, 2002, p.27) describes the three deficits that define the MENA region: the freedom deficit; the women's empowerment deficit; and the human capabilities/

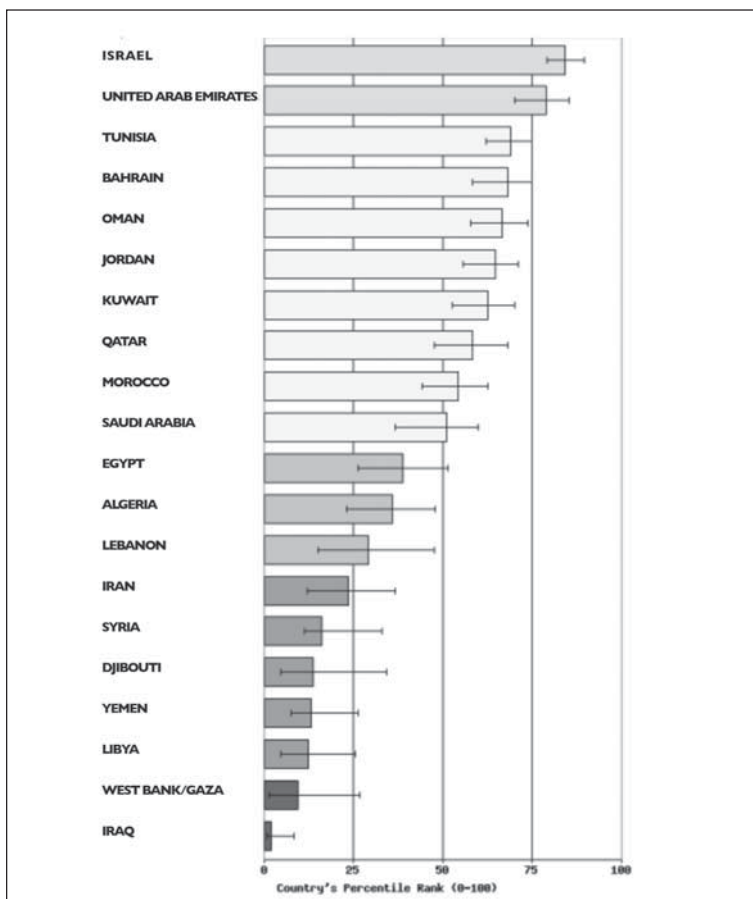
knowledge deficit. The freedom deficit was observed following the region's scoring the lowest on a freedom index in the late 1990s (United Nations, 2002, p.27). In terms of world freedom indicators the regional average was 5.5 for political rights and 5.0 for civil liberties, below the global average of 3.0 for both categories (Freedom House, 2007).

Figure 14: Voice and Accountability 2007



Source: Kaufmann, Kray and Mastruzzi (2008)

Figure 15: Government Effectiveness



Source: Kaufmann, Kray and Mastruzzi (2008)

Table 4 ranks the countries in the MENA region by political rights and civil liberties. In contrast to other governance indicators which are closely associated with income levels (World Bank, <http://go.worldbank.org/LGTT1USV00>), the ratings of freedom are not correlated to income levels as a range of scores is found within each income grouping, and Yemen (the only low-income country) scores higher than a number of high-income and upper-middle-income countries. Indeed, the World Bank notes that performance is worse for countries with higher incomes that rely on oil resources, as they do not depend on a good business environment to attract DFI (<http://go.worldbank.org/LGTT1USV00>).

Table 4: Political rights and civil liberties rankings for MENA countries

Country	Political rights	Civil liberties	Status
Israel	1	2	F
Jordan	4	4	PF
Bahrain	5	5	PF
Djibouti	5	5	PF
Kuwait	5	4	PF
Lebanon	5	4	PF
Morocco	5	4	PF
West Bank and Gaza	5	6	NF
Yemen, Rep.	5	5	PF
Algeria	6	5	NF
Egypt, Arab Rep.	6	5	NF
Iran, Islamic Rep.	6	6	NF
Iraq	6	6	NF
Oman	6	5	NF
Qatar	6	5	NF
UAE	6	5	NF
Libya	7	7	NF
Saudi Arabia	7	6	NF
Syrian Arab Rep.	7	6	NF
Tunisia	7	5	NF

Note: A rating of 1 represents the best outcome, 7 the worst. F represents 'Free', PF 'Partly Free' and NF 'Not Free'.

Source: www.freedomhouse.org/template.cfm?page=351&anapage=341&year=2008.

Responses to demands for accountability from the World Bank and IMF according to their international standards have been mixed. Some countries have voluntarily participated: assessment of fiscal transparency in the operation of the public sector and private sector interface (Iran, Pakistan and Tunisia); data transparency and integrity (Jordan, Morocco and Tunisia); monetary and financial policy transparency (Algeria, Tunisia, UAE, Morocco and Oman); and legislation on anti-money laundering (most countries) (Abed and Davoodi, 2003).

Democracy

Only one country in the region is considered to be an elected democracy (Israel) yet it is notable that this country's occupation of the Palestinian Territories represents an infringement of freedom and of political and basic rights. Although the constitutions, legislation and government notices of the region appear to support the principles of democracy and human rights, practices are often in contradiction (United Nations, 2002, p.2). Typically the governance structure is one of a powerful executive which escapes the accountability requirements. The first Arab Human Development Report of 2002 states that 'Obsolete norms of legitimacy prevail' in the Arab World, while the last report of 2009 states that the Arab state has come to represent the major security threat to its own citizens. This means that progress in political liberalisation noted by some observers of the region in the early 2000s not only has not led to real democratic processes, but might have been reversed instead. As Abed and Davoodi wrote in 2003:

... elections for representative legislatures are becoming more open and meaningful, and the political leadership is becoming more aware of the need for political reform.

One explanation for this reversal in democratic process is the so-called 'war on terror' and ensuing anti-terror laws which have been used to give 'government security agencies sweeping powers 'and simultaneously undermine any reforms that could possibly weaken the grip of incumbent regimes over power' (United Nations, 2009, p.6).

Press freedom

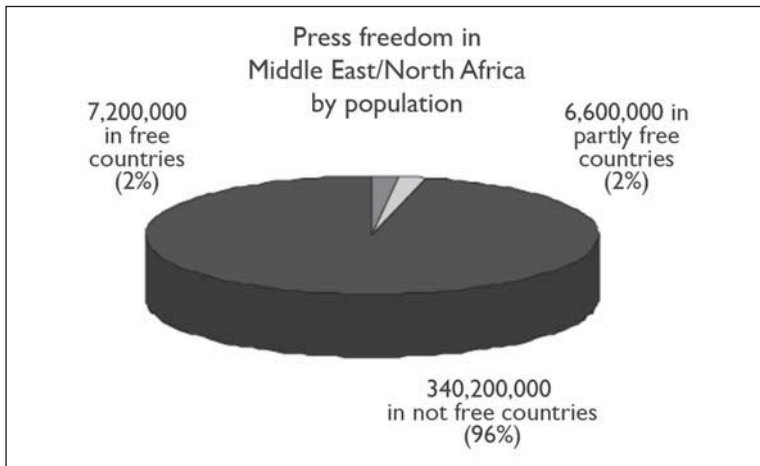
The data from Freedom House's 2007 report show that the MENA region continues to be the worst performing region in terms of press freedom indicators. One country was rated free, two rated partly free, and 16 rated not free in 2006. The general setting is constrained by restrictive legal environments, in which laws concerning libel and defamation, the insult of monarchs and public figures, and emergency legislation prevent journalists writing freely (Freedom House, 2007). Countries highlighted as concerning are Libya, Syria, Tunisia and the Palestinian Territories, and very recently Iraq. However, Freedom House noted that the increased reach of the Pan-Arab satellite television networks and the internet has improved freedom in recent years, and noted some movement towards more critical print media. In 2006 a negative movement was seen for Saudi Arabia, Iran and Egypt. Today 96 percent of the MENA population live in countries without press freedom (Figure 16).

Table 5: Regional press freedom breakdown (countries grouped by regions)

Region	Free	Partly free	Not free	Number of countries
Americas	17 (48%)	16 (46%)	2 (6%)	35
Asia Pacific	16 (40%)	10 (25%)	14 (35%)	40
CEE-FSU	8 (28%)	10 (36%)	10 (36%)	28
MENA	1 (5%)	2 (11%)	16 (84%)	19
Sub-Saharan Africa	8 (17%)	19 (39%)	21 (44%)	48
Western Europe	24 (96%)	1 (4%)	0 (0%)	25
TOTAL	74 (38%)	58 (30%)	63 (32%)	195

Source: Freedom House (2007).

Figure 16: Press freedom in MENA by population



Source: Freedom House (2007).

The need for globalisation in the MENA region

The above analysis has painted a picture of a region that has been partly bypassed by the globalisation process in terms of both economic and political indicators. Does this matter? The answer partly depends on whether the globalisation process is viewed in a positive or negative light. Is it good or bad for developing and emerging countries? The anti-globalisation movement would argue that globalisation is simply a new form

of imperialism enabling the West to exploit cheap labour and other assets in developing and transitional economies. Hence, from this perspective, MENA would be seen to be better off remaining outside the globalisation process. Some of the more extreme Islamic political groupings in the region might also argue that globalisation introduces inappropriate capitalist and consumerist values into the region which undermine traditional religious and cultural values and that the globalisation process often harms the poorest and most vulnerable groups in society. On the other hand most international organisations such as the International Monetary Fund, the World Bank, most UN agencies, and the European Commission take the view that if properly managed globalisation can bring many benefits and are recommending policy reforms in the region to boost trade openness, DFI flows and the spread of good governance and democracy.

Three reasons have been put forward by the World Bank (2003) as to why it is essential that MENA participate more fully in the globalisation process, particularly from an economic perspective:

1. Declining sources of traditional rent and income – oil, aid, migrant remittances.
2. Growing competition in trade from other regions.
3. Structural imbalance in the region's labour market – rapid growth in the labour force but declining domestic job opportunities, causing excessively high rates of unemployment which is a severe threat to social cohesion in the region.

Rental incomes

The World Bank (2003) has argued that traditional sources of rental-type incomes are declining for the MENA region, particularly incomes from oil, aid and migrant remittances and because of this growth based on the old inward-looking model of development has collapsed. This argument was put forward before the latest hike in oil prices and new rents from high oil prices might further weaken the need and pressure to integrate into the global economy. This prediction has so far proven inaccurate as it took place before the 2003 war against Iraq which increased oil prices to previously unprecedented levels. As His Royal Highness shows in his foreword to this volume, this dampened incentive for reforms in the region and massively increased government intervention to historically unseen levels. Nevertheless, long-term commodity price forecasts (produced before the latest hike) predicted that by 2015 real oil prices would have fallen back to their level at the start of the 1970s. It is hard to know now whether this will happen, but if oil prices do decline this will in turn affect GCC aid and migrant remittances to other countries in the MENA region. The recent

debt crisis in Dubai, which defaulted on her foreign debt for the first time during the writing of this chapter (November 2009), and which for long has been seen as a model to emulate by sister Arab states suggests that the region as a whole is up against serious challenges that require more serious and different kinds of policies than those pursued in the past.

As we have seen above, if we remove major conflict-related disbursements, the MENA region as a whole has been experiencing declining net aid disbursements since the early 1980s, much of which has been influenced by a trend decline of ODA to the Middle East sub-region. Many aid donors are shifting their aid towards low-income countries, which excludes most of the MENA region – although the European Union is doing the reverse and concentrating more of its aid in the MENA region at the expense of low-income regions like Sub-Saharan Africa. Total aid flows are predicted to stay stable as EU aid replaces GCC and US aid, but with population growth this implies a decline in aid per capita. According to the 2009 Arab Human Development Report, the Arab World will be home to some 395 million people by 2015, compared to 317 million in 2007, an increase of 78 million people in a span of eight years. This is equivalent to another Egypt.

Migrant remittances have been a third major source of rental income to the region. Migrant remittances as share of GDP have halved since the 1980s and are now less than 3 percent of the region's GDP. Until recently, low oil prices, a rising supply of domestic labour in GCC countries and cheaper labour from the Indian subcontinent have reduced migration and worker remittances for many countries in the region. In the rest of the world, especially post 9/11, barriers to labour mobility are also rising, restricting labour migration outside the region. In addition, unemployment in Europe and the flow of immigrants from the former USSR and Eastern Europe has reduced European demand for labour from MENA.

In the GCC in particular, the onset of the current global crisis at the end of 2007 and beginning of 2008 has already led to the introduction and intensification of national strategies that aim at reducing reliance on foreign workers and increasing dependence on national workers. This is reflected in such programs as the 'Saudiasation program', the 'Qatarisation program', and the 'Emiratization programme'. Already hundreds of thousands of workers, both Arab and non-Arab, have been laid off even before the debt crisis was recently announced in Dubai. This trend is now expected to continue to rise inside the GCC countries with serious implications for poverty in oil-poor states.

As all three sources of rental income decline it becomes imperative for the countries of MENA to integrate more fully into the global trade network and to attract DFI flows to boost export-led growth and employment generation.

Increased competition

A second reason put forward by the World Bank as to why MENA needs to globalise is the increased competition that the region faces in global markets. This takes the form of rising competition in world markets in both skill-intensive and labour-intensive export activities.

In skill-intensive exports MENA is threatened by the recent accession of many Eastern European countries to the EU and the EU trade agreement with Turkey. These emerging economies are competing with MENA in her main export market of Europe. Latin America and the Caribbean are also rapidly improving their competitiveness in skill-based exports. At the same time MENA also faces intense competition in labour-intensive exports from low-wage countries like China, India, Vietnam, Bangladesh and Indonesia. This is particularly so in textile and garment exports which traditionally have been an important source of manufactured exports for MENA with MENA increasing her share of world exports in these products. But the emergence of these new low-cost producers and the recent abolition of the Multi Fibre Agreement, which previously gave MENA countries preferential access to European and US markets, means this is now under threat. This is a major problem for Egypt, Tunisia, Morocco and more recently Jordan, countries that have traditionally relied on the textiles and garments industry (Jordan since the mid-1990s) to boost exports and employment. China in particular has increased her share of world trade in textiles and garments from 5 percent in 1980 to 18 percent in 2000. Not only are labour costs higher in MENA countries compared to many of the emerging cheap-labour economies but MENA is also losing competitiveness because real effective exchange rates in the region have risen relative to the cheap-labour economies.

Labour markets

Excess supply in the MENA labour market is perhaps the most pressing reason why MENA countries need to generate export-led growth and attract DFI by integrating more fully into the global economy. The region has seen a rapid rise in new entrants to the labour force due to the young age structure of population (including female young entrants) and high population growth (the population of the region has more than doubled since 1980 from 150 million to 317 million in 2007). This problem is particularly severe in GCC countries, many of which have a population growth rate of more than 5 percent. As a result it is predicted that between 2000 and 2010 there will be over 40 million new entrants to the labour force, which is currently growing at 3.4 percent per year (World Bank, 2007). Official figures already suggest that open unemployment is 15 percent in the region, the highest regional unemployment rate in the world, and most acknowledge that the true figure is even higher than this. In other middle-

income regions growth in the labour force is slowing and unemployment rates are less than half those in MENA. A particular problem in MENA is the growth in unemployment among the educated, especially secondary school leavers and university graduates and particularly women. The result of excess labour supply has been a decline in real wages in the region – but not enough to make the region competitive when labour productivity is taken into account.

A standard line of argument is that rapid economic growth is essential to absorb the excess labour and that globalisation can bring growth. The World Bank (2007) argues that to absorb new labour entrants and reduce unemployment by half the region requires a GDP growth rate of around 7 percent per annum to generate the necessary employment growth of about 4–4.5 percent per annum. But sustaining a 7 percent GDP growth rate for over a decade will be very hard (it is expected that industrial countries will only manage a growth rate of 2.5 percent). Such growth rates imply that for the already diversified economies, that is, the resource-poor labour-abundant economies, non-oil exports will need to grow twice as quickly as they have in the past and that for the oil exporters (assuming slow growth in fuel exports) they will need to increase by a factor of ten. The need for rapid growth in non-oil exports to absorb a growing labour force and bring down currently high levels of unemployment means that economic globalisation in the form of trade integration is essential. Attracting the correct type of DFI can also help boost the export drive.

Can MENA benefit more from globalisation?

The World Bank (2007) is very upbeat in this respect. It argues that the very fact that MENA countries have performed well below potential in terms of various indicators of trade and foreign investment means they have considerable catch-up potential. World Bank Figures 1.15–1.18 look at actual versus predicted non-oil exports, imports, tourism revenue, and DFI for a range of countries. The predicted levels are derived from each country's income levels, population and resource endowments. The figures show that virtually all MENA countries are underperformers. From this analysis the bank argues that MENA has considerable scope to improve.

The World Bank analysis is possibly over-optimistic in that it neglects two key factors: firstly it ignores some of the political economy factors. The bank assumes that MENA countries will be both able and willing to put in place the types of reforms the World Bank advocates and that these reforms will be seen as credible. Richards and Waterbury (1998) convincingly show that political economy factors such as the implicit social contract in the MENA region and the long tradition of a malfunctioning interventionist state may

militate against the types of reforms advocated by the bank. Secondly, the bank's analysis ignores the effects of insecurity and conflict in the region which deters both domestic and foreign investors.

In terms of the potential to globalise and benefit from greater international trade most analysts agree that non-oil merchandise exports hold the greatest potential for the region along with some niche agricultural products which are not water-intensive such as fruit and vegetables in countries like Morocco and Iran, animal and fish products in countries like Morocco and Tunisia, and some niche service activities. There are already some encouraging signs. For most countries in the region the share of non-oil exports has been increasing from the late 1970s, when the share was below 10 percent to over 20 percent in the 2000s for the region as a whole. The main growth has been in manufactured exports especially to Japan and the US whilst exports of food and other agricultural products have been falling. This is especially true for Maghreb countries where exports of clothing and textiles (Morocco and Tunisia as well as Egypt and a few GCC countries), chemicals (Morocco, Tunisia as well as Jordan) and machinery have been growing.

Despite some encouraging signs it is unlikely that all countries in the region will attain the optimistic 7 percent per annum growth rates which are necessary to improve living standards by 2.5 percent per annum and reduce unemployment. Some countries in the region are still very disengaged from the global economy – Egypt, Iran, Iraq and Syria whilst others like Morocco, Tunisia and Jordan have made significant progress. In addition, although many countries have successfully stabilised their macro economy, this has been at a low-level equilibrium, that is, without significant sustained growth (Harrigan and El-Said, 2009). Shafik (1998) identifies four groups of countries in terms of their future. She looks at the necessary growth rate of non-oil exports to 2010 if GDP per capita is to grow by 2.5 percent per annum. The first group consists of Tunisia and Israel for whom the required growth rate of exports to achieve a 2.5 percent per annum increase in living standards is below their past performance and therefore likely to be obtained. The second group consists of Morocco and Jordan for whom the required growth of exports is likely to be achieved given a favourable external environment. The third group is Bahrain, Egypt, Syria and UAE for whom Shafik argues that the targeted growth of exports could be achieved only given a major reform effort. Finally, Shafik identifies Algeria, Iran, Iraq and GCC countries apart from UAE as these are very unlikely to achieve their targeted export growth rates. Since Shafik's analysis was conducted (in 1998) many countries in the MENA region experienced a growth boom, between 2004–07. This has improved their prospects, although much of the boom has come on the back of higher

oil prices so may not have done that much to diversify the export base away from oil.

The possible dangers of globalisation

The type of reforms being advocated to ensure MENA countries integrate more fully into the global economy are the standard types of economic liberalisation packages, including: macroeconomic stabilisation programmes; trade liberalisation; privatisation; financial sector liberalisation; liberalisation of the agricultural sector; institutional development; and a reduction of state regulation of the economy and improvement in the regulatory environment. These reforms are not without their problems and pose possible dangers to increasing the MENA countries' integration into the global economy. These dangers are not inevitable but they may very easily arise if the process is not properly handled. The World Bank (2003) argues that the transition needs to be properly managed and that job losses need to be considered.

Key issues to be considered include the timing of reforms, the sequencing of reforms and the overall pace of reform effort. In terms of the pace of reform the choice is between gradualism and a big bang approach. It is noteworthy that China has been more successful than the former USSR and Eastern Europe because it did not take the orthodox big bang approach. Despite this the World Bank report argues against gradualism in MENA's reform process. The bank does nevertheless acknowledge that, especially with regard to trade liberalisation, sectors and groups will be affected differently and that there will be winners and losers. For example, inefficient firms that cannot compete in a newly liberalised trade environment may be forced to close down with the loss of jobs. Hence, there is a critical need to ensure smooth structural transformation with support offered to new competitive industries to absorb the unemployed labour. This may well imply the need for some kind of state industrial development strategy as in Tunisia with the latter's '*mise à niveau*' programme which provided enterprises with funds to restructure their operations (Harrigan and El-Said, 2009 pp.105–147).

In MENA it is likely that during the transition there will be job losses in a range of different sectors and industries. These include: capital-intensive industries, particularly manufacturing previously heavily protected for the domestic market; the public sector; and agriculture. Unless there are adequate investment incentives and support for export-orientated companies job destruction may outpace job creation, especially in industries facing new competition from liberalised imports such as pharmaceuticals in Jordan, textiles in Egypt and footwear in Morocco. In some sectors which may be particularly harmed by liberalisation there might be a strong case for

gradual reform, such as in agriculture. Crops and livestock, especially small-scale rain-fed cereal production, have traditionally been heavily protected in the region and the poor and women are likely to be hard hit by liberalisation of this sector, which would find it hard to compete with cheap imports. A similar problem existed in Mexico with the formation of NAFTA and hence NAFTA delayed the liberalisation of maize markets for 10 years to enable a phased adjustment by rural subsistence farmers. Mexico also had gradual phased-in liberalisation in sectors which were employment-intensive to try and minimise job losses, such as automobiles and pharmaceuticals, and did not liberalise state banking or the oil sectors. At the same time the state provided support to jump start promising new export-orientated enterprises in the *maquiladora* border investments. Again, the Mexican experience implies the need for a long-run vision and industrial strategy designed and supported by the state, not a laissez-faire free-for-all big bang liberalisation.

We can already contrast the different experiences of Morocco, Tunisia and Algeria in the MENA region. Morocco and Tunisia were early liberalisers in the region and despite the reduction of protection to the manufacturing sector in the late 1980s job losses were quite small and total employment remained buoyant. They had a coherent industrial sector strategy and avoided combining trade liberalisation with a massive downsizing of state-owned enterprises and privatisation. By contrast Algeria in the early 1990s combined trade liberalisation with a massive restructuring of state enterprises and fiscal retrenchments at a time of severe macroeconomic downturn and low growth. As a result about half a million people lost their jobs between 1991 and 1998 – 10 percent of the labour force. This was similar to the experience in Eastern Europe and clearly illustrates the need to properly sequence the reform process.

Conclusion

It is clear that when compared to other regions, MENA has not received the maximum benefit from the process of globalisation in both economic and political terms and that there is considerable scope for catch-up.

In economic terms, considering the pattern of trade since 1980 as a proxy, the region has become less open compared to other regions, as it has remained fairly constant in terms of trade integration while in other regions integration has increased. In this respect globalisation in MENA is not commensurate with its middle-income status and its lagging in terms of the extent of globalisation has meant that the region's growth for the decade from the mid-1990s was 3 percent compared to global growth of 8 percent. In addition, although there have been substantial increases in DFI flows to the MENA region in the last decade, when compared to other regions

MENA was consistently a poor performer after the mid-1980s. The start-up indicators for businesses in MENA presents a picture of a region that has higher than average set-up costs, and more procedures than average. It is ranked fourth out of six regions in terms of the number of procedures and duration of set-up and fifth in terms of cost.

Regarding foreign aid, the region is the third largest global recipient of aid, after Southern and Central Africa and Asia. Aid to the region is highly variable and much of the variation is driven by responses to conflicts within the region from bilateral donors. Excluding debt relief, average annual aid to MENA since 2000 has fallen from the average of the 1980s, mirroring the global trend, although the averages since 2000 show a recovery since the low of the 1990s. The share of total aid accounted for by multilateral donors is lower in comparison to Southern and Central Africa, as would be expected, and the largest single donor to the region is the US, accounting for on average 38 percent of total bilateral aid between 1980 and 2006. However, since the early 1980s the influence of European bilateral donors as a group has increased.

Politically, globalisation often consists of a spreading of common values and norms such as good governance, democracy, respect for civil liberties and press freedom. Here again, MENA lags behind many other regions. Overall, MENA performed worse on governance and democracy indicators than other developing countries. In particular the region performed badly in terms of voice and accountability (only slightly better than the Former Soviet Union) and corruption. Freedom House (2007) and Almounsor (2005) found the region to be the worst performing in terms of political rights and civil liberties. Comparing the average of all the World Governance Indicators by region, MENA's average performance is ranked 6th below the OECD, the Caribbean, Eastern Europe and the Baltics, East Asia and Latin America, although it performs better than South Asia, Sub-Saharan Africa (SSA) and the Former Soviet Union (FSU). The practices in the MENA region appear to be in contradiction to the principles of democracy that are defined in its constitutions, legislation and government notices (United Nations, 2002, p.2). Not even one Arab state can be classified as a true democracy. The region also scores badly in terms of press freedom, and continues to be the worst performing region, with only three countries rated free or partly free, largely due to restrictive legal environments.

Many of the remaining chapters in this book look at different dimensions of globalisation in more detail and by way of country case studies. For example, the remaining chapters in Part One examine the process of economic liberalisation both in the region as a whole and for two countries in particular, Morocco and Jordan. Part Two looks at the political facets of globalisation by studying the process of democratisation in the region. Part

Three looks at what can happen when globalisation goes wrong in the form of the spread of extremism and radicalisation in the Arab World.

Notes

- ¹ See Annex 1 for a note on classification of the MENA countries.
- ² There is often substitution between the usage of the terms 'openness' and 'liberalisation', however, these should not be confused. For instance in East Asia a policy of active export promotion was pursued which did not involve liberalisation, however barriers to export were reduced and it appears to be increased openness in the data analysis.
- ³ Three extreme outliers – namely Tunisia, Djibouti and Oman – have been excluded from Figure 4.
- ⁴ Note the apparent convergence of the RRLI country group in 2006 is a data anomaly caused by missing 2006 figures for some countries in this group.
- ⁵ All data for this section were taken from the OECD's DAC online database.
- ⁶ Based on data from Kaufman, Kraay and Zoido-Lobaton (1999).
- ⁷ Percentile rank indicates the percentage of countries worldwide that rate below the selected country. Higher values indicate better governance ratings. Percentile ranks have been adjusted to account for changes over time in the set of countries covered by the governance indicators.
- ⁸ Governance scores are the estimate of governance between -2.5 and +2.5. Higher scores correspond to better governance. Data obtained from World Bank World Governance Indicators http://info.worldbank.org/governance/wgi/sc_country.asp.

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Annex 1: Note on Classifications Used

There is a lack of consistency in the classifications used across different data sources and sometimes within the same institution. The MENA region is defined in different ways by the World Bank, for instance in the WDI online database it includes the high-income GCC countries, whereas the World Bank country classification table excludes these. Table 1 provides three different types of classification, and in this chapter we have drawn upon types one and two.

Table A1: Classifications Used

Type	Category	Countries	Notes
1. Income grouping WDI, April 2008	High-income	Bahrain, Israel, Kuwait, Qatar, Saudi Arabia, UAE	2006 GNI per capita was \$11,116 or more
	Upper-middle income	Lebanon, Libya, Oman	2006 GNI per capita was between \$3,596 and \$11,115
	Lower-middle income	Algeria, Djibouti, Egypt, Iran, Iraq, Jordan, Morocco, Palestinian territories, Syria, Tunisia	2006 GNI per capita was between \$906 and \$3,595
	Low-income	Yemen	2006 GNI per capita was \$905 or less
2. GCC	Gulf Cooperation	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE	
3. Economy type Almounsor (2005), p.238; WDI data	Resource-based industrialisation economies	Algeria, Bahrain, Iran, Kuwait, Libya, Oman, Saudi Arabia, UAE	
	State-led development economies	Comoros, Djibouti, Egypt, Mauritania, Syria, Somalia, Sudan, Yemen	
	Balanced economies	Jordan, Lebanon, Morocco, Tunisia	

Table A2: Resource-labour classifications

	Resource-rich	Resource-poor
Labour-abundant	RRLA	RPLA
(net inflows of workers' remittances)	Algeria, Iran, Iraq, Syria, Yemen	Djibouti, Egypt, Jordan, Lebanon, Morocco, Tunisia
Labour-importing	RRLI	
(net outflows of workers' remittances)	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE	

Source: World Bank Sector Brief, Economic Policy in MENA (2005) at <http://siteresources.worldbank.org/INTMNAREGTPECOPOP/Resources/ECONOMIC-POLICY-ENG2005AM.pdf>.

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3

Toward a Framework for Arab Economic Reform: Learning from the Evidence

Jamil Ali Hammoud

Introduction

For many economists and social scientists, the emergence of the Washington consensus in the late 1980s marked a significant shift in the thinking and policy making of the World Bank, IMF, OECD, G8 and other international organisations from modelling development to modelling liberalisation (Naim, 1999; Stewart, 1997; Williamson, 2000).¹ The Washington Consensus, through macroeconomic stabilisation and structural adjustments, combined to inspire a worldwide movement of economic reforms. Needless to say, globalisation contributed in no less important ways to the crystallisation of the reforms agenda of the late 20th and early 21st centuries. Consequently, liberalisation of trade, privatisation, investment regulations and later good governance, institutional building and gender equity became the order of the day (Alexandria Declaration, 2004).

Meanwhile, the economies of the Arab World could not stay on the margin of what was happening, especially in the aftermath of oil-price decline, the appearance of public finance crises, a mediocre track record of economic performance and realisation of failing development models (Dasgupta et al., 2002; Nabli and Veganzones-Varoudakis, 2004). Accordingly, reform took on a pressing nature and several Arab countries embarked on reform programmes under the banner of stabilisation and adjustment.

Today, in the aftermath of 9/11, the issue of Arab economic reform has become even more pressing and has taken on new dimensions relating particularly to political reform, administrative reform, democratisation, state accountability and gender equity. Yet many serious and thought-provoking questions still surround the issue of reform (Alissa, 2007). What is meaningful economic reform? What model should guide the

reform process? What is the inter-relationship between economic reform and political reform? How should we measure progress in reform? How to mitigate social costs and distribute economic benefits? Yet what interests us the most here is the question of the reform model. In particular, what can we learn from the evidence of various Arab economic reform initiatives and efforts undertaken up to now in order to propose an appropriate and effective framework that can then be transformed into a reform model flexible enough to treat variations from one Arab economy to another?

In spite of a growing body of research and literature concerning Arab economic reform, the question of the overall framework seems not to have received due attention and consideration.

A clarification of what is meant by framework is certainly due here. A framework is not a set of mathematical equations reflecting economic relationships. Neither is it a specific and detailed programme. It is more of a vision that clarifies the destination, a set of broad principles coherent enough to form an overall panoramic picture.

To accomplish this objective, this chapter is structured around the following three main sections: Arab economic performance in perspective; reform: the agenda and evidence; and reform: toward an effective framework.

Arab economic performance in perspective

Short-run performance: improvements in macro-indicators

In the Foreword to the third in a series of annual overviews of the region, the World Bank states, 'During the last few years, MENA has turned in strong economic performances, driven to a large degree, by high oil prices and a favourable global environment, but also by reform policies that, through gradual, are generally on the right track' (World Bank, 2007).² This statement summarises the World Bank's view on economic performance of the Arab World for the past five years or so. Indeed, it portrays an image of impressive macroeconomic growth driven mainly by high oil prices and revenues. The parallel between growth and oil revenues is evident from GDP figures and oil prices per barrel for the period 2002–6. While the average oil price almost tripled from \$24pb to \$64pb,³ GDP growth for the MENA region has improved from 4 percent to 6.2 percent and from 4.7 percent to 7.5 percent for the region's oil exporters. In comparison with other parts of the world, the MENA region registered 2.2 percentage points in its GDP growth rate. That is higher than East Asia and the Pacific (1.4), Europe and Central Asia (1.7), and Sub-Saharan Africa (1.5).

A close inspection of the image portrayed by the World Bank will reveal the following performance observations:

- A narrower gap between MENA and other developing regions as measured by growth of real per capital income. This gap has declined from 1.7 percent vs 2.8 percent growth over the second half of the 1990s to 4.2 percent vs 5.7 percent over the current period.
- The emergence of intraregional investment flows and DFI as important growth-enhancing factors for the region. This is largely explained by a shift away from Arab investments outside the region due to 9/11 and privatisation projects in several Arab countries, especially in energy and telecommunications.
- Increasing participation of women in the labour force. The rate increased from 28 percent in 2000 to 31 percent in 2005, reflecting a 2.1 percent annual change rate, compared to 0.1 percent for men.
- A narrower gap between MENA and other developing regions in unemployment. The aggregate unemployment rate for the region fell from 14.3 percent to 10.8 percent between 2000 and 2005. In comparison with other regions, the rate has come into line with that of Europe and Central Asia and Latin America and the Caribbean. Internal to the region, employment growth has exceeded labour force as well as working age population growth by a significant amount.
- Increased liberalisation of trade policy. The simple average tariff rate for the region decreased from 19.4 percent in 2000 to 13.1 percent in 2006.

These figures may be compared to the simple average tariff of the world, which declined from 13.6 percent to 9.8 percent. In essence, the region has significantly moved toward alignment with the rest of the world. This movement is also reinforced by a significant decline of non-tariff trade barriers.

In addition, the World Bank points out improvements in various measures of structural reform such as the business climate, governance, privatisation, and public administration.

Boom for whom, for how long?

Pieced together, these observations point to a clear picture of a cyclical oil boom that has spilled over into marked improvements in the overall macroeconomy of the region. Yet as short term and as unsustainable as they may be, these improvements have not touched all parts and populations of the Arab World. In fact, the improvements are significant mostly for Arab oil exporters. The economies of non-oil exporters have shown minimal improvements as a result of oil revenue spill over or continue to stagnate deep into their chronic structural crises.

Moreover, and even for oil exporters, indicators of economic activities that have a potential of sustainability do not seem to have changed much

throughout the recent oil boom. Arab economies continue to revolve around resource extraction and rent-seeking activity. Consequently, the populations of the region remain vulnerable to the ups and downs of historically declining international prices of primary resources.

Furthermore, performance of reformers does not seem to vary much from that of non-reformers. In essence, the only distinction that may be made, as far as performance is concerned, is between oil exporters and others. To put it differently, the Arab World shows strong short-term performance whenever oil prices increase with or without reforms. Adjusted for improvements directly resulting from higher than expected oil revenues, most Arab economies will show similar mixed results. This raises serious questions about the success and viability of implemented reforms in terms of extent, timing, commitment, appropriateness, direct and indirect side effects.

Let us examine the evidence supporting these observations.

As Table 1 shows, breaking down MENA GDP growth into growth rate for country groups will reveal that only oil exporters show significant improvement. Meanwhile, growth rates for other country groups have slightly improved or remained flat. In fact, the growth rate for the Resource Poor Labour Abundant group declined between 1996 and 2005.⁴ The same conclusions may be reached with respect to per capita income growth rates.

As for sustainable growth, we have taken industrial production and DFI as indicators of what may give rise to overall growth in the long run. Industrial production growth rates have deteriorated for the entire region. The only category that shows some industrial production growth is the Resource Poor Labour Abundant group. As for DFI, its growth rate has remained flat, with the exception of Resource Poor Labour Abundant countries again (see Table 2).

With regard to unemployment and job creation, the MENA region has shown impressive growth in the number of jobs created in recent years – higher than all other regions of the world.⁵ Consequently, the unemployment rate has been falling. However, this progress must be qualified in several respects. Firstly, the region remains the lowest in the world in total employment rates. Secondly, labour productivity is low, flat or even negative. Thirdly, the increased participation rate of women in the labour force is translating in effect into ever-greater female unemployed. Fourthly, the unemployment rate among the highly educated continues to be high. Accordingly, serious questions arise about the types of jobs being created. Several studies point out in this regard that newly created jobs seem to occur in agriculture and in the public sector (Kapsos, 2005; World Bank, 2004).

Table 1: GDP and per capita income growth (1996–2006)

Country Group	1996–99 average	2000–03 average	2004	2005	2006
MENA Region					
Real GDP growth (%)	3.6	4.6	5.9	5.9	6.3
GDP per capita	1.7	2.6	3.9	4	4.2
Resource Poor Labour Abundant					
Real GDP growth (%)	4.7	3.9	4.8	3.8	5.6
GDP per capita	2.7	2	3.1	2.1	3.6
Resource Rich Labour Abundant					
Real GDP growth (%)	3.8	5	4.9	4.6	4.3
GDP per capita	1.9	3.1	3.1	2.9	2.5
Resource Rich Labour Importing					
Real GDP growth (%)	3.3	4.7	6.9	7.5	7.5
GDP per capita	0.4	1.5	3.6	4.2	4.2

Source: World Bank (2007)

Last but not least, it is interesting to see whether Arab reformers have registered performance figures better than those of non-reformers. Arab reformers include those countries that have adopted World Bank-IMF structural adjustment and stabilisation programmes. These countries are Egypt, Jordan, Lebanon, Morocco and Tunisia. As can be seen in Tables 3 and 4, nothing appears exceptional about the performance of these countries. Their GDP and per capita income growth rates are about the same as those of non-reformers. Although some of these countries have been implementing structural adjustment and stabilisation programmes since the 1980s, they still do not have much to show for it.

Reformers' simple average GDP and per capita income growth rates are consistently below the growth rates of the entire region. This observation reinforces our view that the growth being experienced in the region is coming from elsewhere. Specifically, it comes from oil exports and oil revenues.

We conclude this section where we started, but with a modification of the World Bank statement. Yes, there has been short-term cyclical improvement in economic performance, but not for all. Yes, oil revenues significantly contribute to the improvement, but for how long? Yes, reforms have played

a role but their contribution is almost negligible. Thus, the statement should read as follows: during the last few years, Arab oil exporters have turned in strong economic performances, driven to a large degree by high oil prices and a favourable global environment, but also to a minimal extent by reform policies that, through gradual, are generally on a hesitant and confused track.

Table 2: DFI and industrial production growth (1996–2006)

Country Group	1996–99 average	2000–03 average	2004	2005	2006
MENA Region					
Industrial production	.....	1.50	3.80	4.10	-0.40
DFI as a share of GDP	1.00	0.90	0.90	1.50	1.70
Resource Poor Labour Abundant					
Industrial production	.....	1.30	2.80	2.20	3.40
DFI as a share of GDP	2.40	2.20	2.10	5.40	8.00
Resource Rich Labour Abundant					
Industrial production	.....	2.80	4.20	4.80	-2.30
DFI as a share of GDP	0.20	0.50	0.60	0.50	0.90
Resource Rich Labour Importing					
Industrial production	.....	0.80	4.00	4.60	-1.10
DFI as a share of GDP	0.70	0.50	0.70	0.70	0.30

Source: World Bank (2007)

Table 3: Reformers' real GDP growth rates (1996–2006)

Countries	1996–99 average	2000–03 average	2004	2005	2006
MENA Region					
Reformers' simple average	4.16	4.06	5.82	3.76	4.06
Egypt	5.20	3.80	4.20	4.60	6.90
Jordan	2.90	4.90	8.40	7.30	6.30
Lebanon	2.60	3.40	6.30	1.00	-5.50
Morocco	4.20	4.00	4.20	1.70	7.30
Tunisia	5.90	4.20	6.00	4.20	5.30

Source: World Bank (2007)

Table 4: Reformers' per capita income growth rates (1996–2006)

Countries	1996–99 average	2000–03 average	2004	2005	2006
MENA Region	1.70	2.60	3.90	4.00	4.20
Reformers' simple average	2.04	2.22	4.18	2.16	2.40
Egypt	3.30	1.80	2.20	2.60	4.40
Jordan	0.10	1.90	6.00	4.80	3.90
Lebanon	0.80	2.10	5.00	-0.30	-6.70
Morocco	1.80	2.30	2.90	0.70	6.30
Tunisia	4.20	3.00	4.80	3.00	4.10

Source: World Bank (2007)

Performance in the long run

In the diplomatic terms of Abed and Davoodi (2003), the Arab World's economic performance in the past 30 years has been below its potential. Departing from a framework of macroeconomic stabilisation and structural adjustments, this World Bank study ascertains that historically the region's development policies have suffered from dependence on oil wealth and a legacy of central planning.

Consequently, the Arab World as a whole failed to generate high and sustained growth, did not reap the benefits of globalisation and world economic integration, and was unsuccessful in dealing with persistently high unemployment rates. These outcomes have resulted from an interplay of the following factors:

- High population growth and low productivity
- Lagging political and institutional reforms
- Large and costly public sectors
- Inefficient and inequitable educational systems
- High trade restrictiveness
- Inappropriate exchange rate policies.

In essence, recognising these factors as the root causes of poor performance sets them as the reform agenda for the present and future of the Arab World. Indeed, World Bank literature and policies all clearly point to full liberalisation of the economy as the name of the reform game.

We may agree or disagree with the World Bank's diagnosis and treatment, but the pains and symptoms of the Arab World's illness are clear and evident. No two specialists agree on the nature of weak and failing economic performance of the region since the dawn of independence. Accordingly, we will focus our attention in the next section on a qualitative

characterisation of long-term Arab economic performance, in the spirit of taking a broader perspective than that typically taken by the World Bank and its brother the IMF.

The core of the Arab political economy model

Today, the Arab World is a complex of inter-related political, social, and economic problems, which are not the product of the moment, but have accumulated over time. The 1940s were a decisive decade for the Arab people in several critical aspects.

Firstly, the 1940s marked a halt to the reform movement of the 1920s which, had it continued, may have well put Arabs on the track of modernisation and set out the subjective conditions necessary to reap the benefits of globalisation some 60 years later.⁶ Secondly, they marked the occupation of Palestine, the liberation of which has since become the cause for which Arabs are expected to postpone democratisation, forgo liberties, and sacrifice their standard of living. Thirdly, they witnessed the emergence of the contemporary Arab political system of governance, which may be characterised as hereditary or military or both. To be fair, the contemporary Arab political system of governance goes back as far as the first days of the Omayyad Empire. Fourthly, the 1940s gave rise to the Pan-Arab movement, which became in time 'the opium of the Arab people'. Neither have we been able to produce one united Arab nation, nor have we built the state institutions necessary for our separate Arab countries.

It is only in the context of these critical developments that Arab economic performance can be understood and explained, for economic activity takes place within the framework of a comprehensive political economy model. As such, economic activity simultaneously affects the model and bears its effects. Consequently, it makes sense that the Arab World has been unable to reap the benefit of globalisation. Did it not halt its march toward modernity some 60 years ago? It also makes sense for the Arabs to have a legacy of central planning or state control. After all, a totalitarian regime will lose its grip on power in the face of decentralised economic activity. Citizens who do not directly or indirectly depend on the state for their livelihood will sooner or later raise questions about the legitimacy of the state.

It should be clear by now that our assessment of long-term Arab economic performance bypasses the easily observed secondary problems of low productivity or underdeveloped financial markets or stagnant growth or high unemployment. It instead goes to the heart of the primary problems that characterise the Arab political economy model which has prevailed since the dawn of independence. What follows is a sketch of these primary problems detailed only within the scope of this chapter.

State–private sector co-dependency

The state needs the private sector to exploit the resources it controls. Exploitation of gas, oil and other resources is necessary to finance establishment and management of those institutions needed to maintain power, such as police, army and various ministries. Part of resource exploitation wealth is also needed to run a public sector large enough to provide subsistence to citizens. Finally, those in control of the state machinery need their share of the wealth.

Meanwhile, the private sector requires permits and licences from the state in order to exploit the resources. Once the permits and licences are obtained, it is the state that provides protection for private sector activity.

Accordingly, co-dependency is established between the state and the private sector. This co-dependency limits the scope of economic activity to resource exploitation. Neither the state nor the private sector has any interest in seeking economic activity apart from resource exploitation. Such activity carries the potential of unnecessary additional risk for the private sector and a risk of losing control for the state. It is exactly for this reason that economic activity in the Arab World has historically remained in rent-seeking and primary resource exploitation.

State–religious establishment co-dependency

The reform movement of the 1920s (Mohammad Abdo, Mohammad Rashid Reda, Rafa'a El Tahtawi, Jamal Eddine Al Faghani, Taha Hussein, Kassem Amina, Shibli Shmail et al.) posed a serious threat to the traditionally conservative religious establishment in the Arab World. The movement advocated modernity concepts and notions that threatened the authority of the religious establishment. Therefore, the halt to the reform movement brought about by the developments of the 1940s was welcomed by the religious establishment who expected the newly emerging Arab state to take Arab society in a new direction away from that of modernizing reforms. Moreover, the religious establishment needed shelter from the state for its traditional conservatism.

As for the newly emerging Arab state, and in the absence of liberties and democracy, legitimacy to govern could only come from the religious establishment. Moreover, the latter would be effective in appeasing the populace in the name of religious beliefs and in directing its attention toward the liberation of the Holy Land. Accordingly, a mutually beneficial state–religious establishment co-dependency developed early in modern Arab history. In fact, recent fundamentalist and revivalist Islamic movements emerged mainly as a protest voice against this co-dependency. We dare suggest here that in their own minds, fundamentalists and revivalists are also, in their own way, initiating reform.

State–citizenry co-dependency

The vehicle for this co-dependency is a large public sector capable of providing the necessary livelihood to masses of unskilled and semi-skilled labourers. Indeed, at the dawn of independence the Arab labour force was largely traditional and unskilled. Even today and in spite of significant leaps in education, this force remains by and large unskilled.

In reality, the newly emerging educated class has rocked the boat of state–citizenry co-dependency. These competent professionals are no longer content with low-paid, unchallenging public sector jobs. The result is immigration where possible. If not, then why not work for the public sector and produce very little? That translates into the low productivity observed in most reports on the region. Yet if not possible still, then why not find your way around the law to make some money. If most public sector employees do it, then no one can complain. As such, corruption becomes systematically tolerated and exercised (Rachami, 2003).

State–external forces co-dependency

The external forces referred to here are the World Bank, the IMF and the industrialised countries behind them. These forces have political, economic and ideological interests in the Arab World. Unfortunately for the citizens of the region, they have historically regarded the Arab state as the guarantor of their interests. Therefore, they have provided the Arab state with foreign aid, loans, grants and other assistance programmes. If, for instance, an Arab government violated the terms of its programme with the IMF, the Fund would always find ways to rectify the situation. After all, the Fund cannot put too much pressure on the Arab state, for it may break. The alternatives in this case were once Communist or Pan-Arabist. Today, it may be fundamentalist. Therefore, the Arab state status quo remains the best possible alternative.

Meanwhile, the Arab state is well aware of its own strategic importance for the West and is always willing to use it to its advantage. It was only after 9/11 when the US and the G8 shifted their view of the region and launched their campaign of ‘democratisation’ that some superficial political reforms made their way through a few holes in the state–external forces co-dependency.

These four co-dependencies form the core of the Arab political economy model that has prevailed at least since World War II. In essence, the model has survived and continues to do service due to the state’s ability to maintain its position at the crossroads of these co-dependencies. Moreover, the underlying relationships and exchange of interests of the four co-dependencies have remained intact. They may have been rocked or shaken but they have never been broken.

In the economic dimension, these co-dependencies have combined to produce an Arab economy having to some extent the following structural characteristics.

- Direct or indirect state control
- An intrinsically weak private sector
- Citizens' dependence on the state
- Dysfunctional backward and forward linkages
- Low wages, under-employment and low productivity
- Primary resources and rent-seeking dependence
- Systematically tolerated and exercised corruption
- Co-existence of traditional, modern and feudal sectors
- A disenchanting and disenfranchising educated class.

It is difficult to imagine the success of any reforms if they do not address primarily the co-dependencies and consequently these structural characteristics.

The reform agenda and evidence: more of the same

The urgency of reforming Arab economies has recently been highlighted by several reports and actors. It has also been addressed by Arab governments and ruling élites, at least in the aftermath of 9/11. Indeed, a consensus seems to be growing among governments, business leaders, civil society and international financial institutions that economic reform in the region is imperative (Alissa, 2007).

The internal agenda

At government level, Arab leaders have been outspoken in favour of reform. Their support for reform was declared in the Arab League Summit of Tunis in 2004. Business leaders, for their part, have launched several initiatives in support of reform, the most visible of which was the Arab Business Council of the World Economic Forum. As for international initiatives, we can cite the G8 plan of support for reform and the EU Barcelona Declaration. One can not neglect the US Middle East Partnership Initiative and Middle East Free Trade Area (Shalabi Ali, October 2003).

A review of the reform initiatives proposed will reveal a distinction between Arab actors and international actors. One must acknowledge here that Arab talk of reform is largely reactive. It has been brought about by external pressures. As such, at times it emerges as confused and confusing and at others it spells out contradictory objectives. Mostly, it sticks to generalities, declarations of intentions and expressions of good will. In truth, at the level of those in power, it seems that the urgency of reform has not been sincerely felt. On the contrary, ruling élites increasingly regard

economic reform as an opportunity to consolidate the reconfigured ruling élite. In the words of Dillman (2001), 'regimes have been quite adept at maintaining patronage coalitions and determining the mechanisms by which public and external resources are divided up'.

Aside from that, different Arab actors have different perspectives on reform. Therefore, their initiatives vary and even conflict. We would expect regimes to consider reform successful if they eased social and economic tensions and allowed the ruling élites to stay in power. The private sector, for its part, will advocate reforms if they open up more opportunities for business and profits. In contrast to both, civil society would want reforms to result in improvement in the standard of living and a more equitable distribution of wealth (Alissa, 2007).

In accordance with such priorities, ruling élites have been willing to entertain reforms to the extent that they are selective, gradual and small steps that do not touch the core of the Arab political economy model. A project privatised here, a regulation relaxed there will hopefully accomplish the purpose and ease the pressure. Meanwhile, the private sector has found no other way but to align itself with the liberal initiatives of international organisations. It is the implementation of such initiatives that will bring about the desired business opportunities and profits. This in essence leads us to the initiatives of international organisations and external forces.

The external agenda

Peter Sutherland, the former head of the WTO, stated in Dubai: 'The opening up of markets and the removal of domestic regulatory obstacles are essential to the creation of future wealth.' (*Gulf News*, 12/4/2003). Little more than a year later, this line of thought was echoed by American Undersecretary for the Treasury, John Taylor, (US Department of State, 28/12/2005). For a while it seemed that Western officials had nothing to talk about but Arab reform.

In addition to many press releases, several official documents addressing Arab reform surfaced after 9/11. A survey of what has been said and written will show that although the motives may vary and the perspectives may not coincide, the core of the external reform agenda is common. The latter clearly revolves around the fundamental notion of economic liberalisation. As far as the World Bank and the IMF are concerned, the slogans may change, the packaging may vary, and the priorities may get reshuffled. However, the two institutions have historically advocated the same ideologically based agenda of market economy, liberalisation and integration into the international economic order. A sampling of recently published papers by World Bank and IMF staff will clearly show the emphasis on these concepts (Abed and Davoodi, 2003; Gardner, 2003;

IMF, 2003; Nabli and Veganzones-Varoudakis, 2004 and others). To that extent, what does liberalisation entail? In other words, what are the specific elements of the external reform agenda?

- Privatisation of public sector enterprises (especially energy, utilities, telecommunication, transport)
- Transformation of the state from an active economic manager to a passive economic regulator
- Removal of state subsidy programmes and enactment of tax reform to improve the state budget position
- Restoration of the role of markets in resource allocation
- Deregulation, especially in the areas of investment laws to encourage DFI
- Removal of tariffs, quotas and other trade barriers to facilitate integration into the world economy
- Development of capital markets to channel savings into investments.

One cannot ignore recent additions to the recipe resulting from heightened interest in political reform after 9/11. Therefore, the external agenda of reform today also speaks of gender equity, good governance, institution building and administrative reform.

The commonality of these elements to the external agenda of reform should not necessarily imply common tendencies among principal external forces. To that end, we make several observations here.

Firstly, external forces compete against each other for what they view as their interests and spheres of influence in spite of their common reform agenda. Nonetheless, they all see liberalisation of Arab economies as advancing their interests. Secondly, the pace of reform as well its prioritisation is also an area of disagreement. For instance and in the era of adjustments, the IMF gave higher priority to macroeconomic stabilisation. As the IMF moved to post-adjustment, the priority also moved more toward alignment with and integration into the world economy. In both areas, the Fund insists on wholesale rapid reform (Istvan and Bonin, 1992). Meanwhile, the United States gave higher priority to governance and public administration reform in its partnership initiative. Thirdly, the external agenda of reform has been rejected by the Arab state especially due to its latest focus on governance. Western calls for political reform seemed to pose a direct threat to the state–external forces co-dependency. Fourthly, the external agenda addresses consequences rather than the root causes of poor Arab economic performance. Specifically, it does not address the core of the Arab political economy model, hence the four co-dependences.

Reform: the evidence

Evaluation of the evidence on reform in the Arab World is probably the

most difficult of issues surrounding the reform debate. This is due to several key questions that remain subject to controversy. There is simply no consensus on answers to such basic questions as: What is reform? How can we measure reform? What economic outcomes are linked to reform? Is there a link between reform initiatives and traditional economic indicators?

These questions do indeed complicate the evaluation of reform efforts and initiatives undertaken by several Arab countries throughout the 1980s and 1990s. Interesting in this regard are the qualifications expressed by World Bank-IMF economists as they evaluate reforms. Yet that does not seem to deter these two institutions from arriving at definitive conclusions and prescribing what they have always prescribed.

Many Arab countries have had over 20 years of reform experience in one way or another. Egypt's experience, for instance, can be traced back to the early 1970s when President Sadat launched his policies of 'Infitah'. Syria for its part is a latecomer to reform. As for Morocco, Tunisia, Algeria, Mauritania and Jordan, they adopted reform initiatives during the 1980s. Lebanon did not catch the reform bandwagon until the 1990s.

The nature of this reform experience is evident from the types of programmes and initiatives undertaken in various countries. Under the burden of internal crises and external pressure, Arab countries embarked on derivative programmes of macroeconomic stabilisation and structural adjustments. We say derivative programmes because reformers did not strictly adhere to the tenets of the World Bank-IMF reform recipe. Loose adherence in itself bears today on success and progress assessments made by many specialists, especially economists associated with the Washington consensus.

Nonetheless, Arab reformers became part of economic policy designs the change of which was sarcastically compared to fashion designs coming from Paris and Milan by Moises Naim (1999). Notorious among the faddish economic policy designs of the last 20 years or so are deregulation and privatisation. These were the two types of reform packages most favoured by Arab reformers, at least until 9/11 triggered the next wave of fashionable policy designs. This time a change of priorities among international organisations (World Bank, IMF, G8, EU) and their sponsors brought about an extension of policy designs emanating from 'democratisation' and revolving around good governance, institution building, administrative reform, gender equity, transparency and civil society.

The general characterisation of the Arab reform experience varies from one source to another and from one economist to another. For their part, World Bank-IMF officials and economists seem to agree on two main points. Firstly, the Arab World has been able to pull out of various crises and achieve success in macroeconomic stabilisation. Secondly, success

in structural adjustment has been disappointing. These two conclusions are the underlying themes of the latest two comprehensive World Bank reports about the economies of the Arab World (World Bank, 2006; 2007). Moreover, IMF studies concur with such conclusions. For instance, Abed and Davoodi (2003) state: 'In sum, while macroeconomic stability was maintained, the MENA region as a whole failed to generate high and sustained growth rates'. Addressing an IMF economic forum, Mustapha Nabli confirms: 'The structural reform agenda has not gone very far, actually. If you compare even the most successful compared to what's happening in the rest of the world, the reform agenda has been in general weak, often hesitant, and in some cases even reversed.' (IMF 2003)

In general the Arab reform experience has been described in as slow and gradual (World Bank, 2007), disappointing (Dasgupta et al., 2001), selective (Dillman, 2001), unenthusiastic (Bellin 2004), confused (Alissa, 2007), lagging behind (Alonso-Gamo et al., 1997) and threatening the status quo (Abootalebi, 1999).

As for the Arab World's growth performance and its relationship to reforms undertaken, this link has been explored by two preliminary yet comprehensive studies conducted by Nabli and Veganzones-Varoudakis (2004) and Dasgupta et al. (2001). The more recent of the two studies raises the question of whether disappointing growth performance has been caused by lagging behind in terms of reform or by a small growth dividend of reforms. It was found that both explanations are relevant. Dasgupta et al. concluded that reforms may have played a role in reversing the large negative total factor productivity losses of the 1970s and 1980s. In addition, they found that the private investment response to reforms has been lagging. Nevertheless, both studies were unable to arrive at definitive conclusions regarding the link between growth performance and reforms. Indeed, this link has been strongly suspected but never definitively demonstrated.

Of special importance in the results of the two studies is the lagging private investment response to reform. As it seems, the private sector that was touted as the saviour of Arab economies did not deliver. This was the least surprising to us. Indeed, since Arab reforms have not touched the state-private sector co-dependency at the core of the Arab political economy model, the private sector has remained caught in the trap of sticking to economic activity associated with resource extraction and rent-seeking. Moreover, heightened uncertainty brought about by the introduction of reforms further deters the private sector from investing in economic activity that does not yield immediate short-term return.

Talk of the private sector leads us to deregulation and privatisation: the two favoured aspects of reform.

Arab reformers have all been engaged in privatisation programmes with

varying intensity and degrees of success. Morocco was the first to adopt a privatisation policy. It was quickly followed by Tunisia, Jordan and Egypt (Shehadi, 2002). In 1999 Lebanon passed a privatisation law that is yet to be implemented. Still, serious privatisation efforts did not take place until the second half of the 1990s. Moreover, proceeds from privatisation have been very modest. As far as individual country experiences are concerned, Iraq is the only country that embarked on rapid comprehensive privatisation. Between 1987 and 1990, the state either sold or partially privatised some 80 state enterprises (Jiyad, 1996).

Closely linked to the question of privatisation is the issue of deregulation. In essence, that is why we have taken these two aspects of Arab reform together. As prescribed in structural adjustments programmes, deregulation is meant to generally re-establish the appropriate mechanisms for a market economy where the forces of profit incentives, prices and competition work their magic. In some instances, reforming Arab countries have stayed true to this purpose. Several types of subsidy programmes have been eliminated or phased out. The general level of tariff and non-tariff trade barriers has been lowered. Some sectors of the economy such as banking and telecommunications have been deregulated.

However, it must be noted that most deregulations that have taken place essentially target laws that government is willing to change, and investments and rules that would allow the state to privatise what it wants to privatise. It seems that deregulation of investment laws is aimed at producing a more favourable environment for DFI. Relaxation of restrictions governing ownership and repatriation of profits as well as provision of laws to protect foreign investors are the areas where we can observe serious deregulation. Noted in this regard are the efforts of the United Arab Emirates, Bahrain, Qatar and, to some extent, Morocco. As for privatisation-related deregulations, most Arab reformers have passed laws and established authorities to govern the privatisation process, although in some countries such as Algeria and Lebanon, the new laws remain to be implemented.

Questions and concerns

The evidence on reform suggests several questions and concerns that bear today on the success and progress evaluations of Arab reform in general and individual country reform experiences in particular.

Firstly, reform campaigns have been reactive in the sense of responding to crises or external pressure or both. At least in Lebanon, Jordan, Egypt, Morocco, Tunisia, Algeria and Mauritania reforms have been imposed by the IMF and the World Bank. The reactivity of reforms results into two important concerns. On the one hand, policy designs are aligned with external interests rather than internal needs. On the other hand, the state

has been able to exploit nationalistic sentiments in an effort to avert external pressure and to justify its unwillingness to engage in reform.

Secondly, the macroeconomic stabilisation and structural adjustment reform recipe of the IMF-World Bank is one-size-fits-all. Very little has been done to account for particularities that characterise the evolution of Arab society, its culture and values. IMF-World Bank officials have consistently turned a deaf ear to this concern in favour of their entrenched ideologically based policies of economic liberalisation at any cost.

Thirdly, in almost all cases reforms have been initiated and implemented via a top-down approach. Affected constituents have had little to do with the formulation of policy designs. Consequently, constituents have shown minimal commitment to the appropriate implementation of policies, especially when the associated economic and/or social costs are painful.

Fourthly, Arab countries seem to first initiate a reform and then consider how it may fit into a comprehensive strategy guided by a visionary framework. This is like building the rooms before designing the house.

Fifthly, serious questions are raised about relaxing investment restrictions in order to encourage DFI. There is nothing wrong with DFI as long as it takes its proportionate role in the context of a national economic strategy designed to ensure national interests. As Dillman (2001) points out, in the cases of Morocco, Tunisia and Algeria, ruling élites have found the necessary ways to reconfigure themselves and become the domestic partners of foreign investors, thereby strengthening rather than weakening the state-external forces co-dependency.

Toward a framework for reform

Arabs today are passing through a dangerous time of tough and difficult choices that bear far-reaching consequences. The moment is dangerous because the region has entered into a dynamic of change. The forces of change can be identified and their effects can already be seen in various aspects of our life. Yet the direction remains unclear.

The future of the Arab World is being drawn and redrawn in various corners of the world except in the Arab World. Meanwhile, Arab political, social and economic élites have gone on the defensive, fixing their eyes only on one prize: preservation of the status quo. Yet the dynamic of change and the interests of change forces are likely to produce a new status quo. The question for the ruling élites then is whether or not they will be able to reconfigure themselves so that they re-emerge as the ruling élites of tomorrow.

The stakes involve more than selling a state enterprise here or employing 1,000 people there, launching a human rights commission in this country

or appointing a female minister in the other, installing 100 computers in this agency or automating forms in that board. The entire Arab system or method, or approach, or whatever one may choose to call it, is in crisis. To some, this may sound too pessimistic. But the challenge is one of great historical magnitude. Will the Arab World halt its chronic stagnation and start laying down the groundwork necessary to make its way to the universe of modernity? A dynamic of change is certainly necessary. But will there be enough modernising forces to seize the moment?

It is in this larger and broader perspective that we look at the issue of Arab economic reform. This perspective implies first and foremost targeting the four co-dependencies forming the core of the Arab political economy model. Hence, it implies upsetting the intricate balance of mutually beneficial inter-relationships between the state, the private sector, the religious establishment and the citizenry. It also implies establishment of a new balance that would be conducive to modernity without threatening identity and its associated core value system. To accomplish that we suggest a reform framework that includes, at least, the following elements (in no specific order):

- Reform is an indigenous need before it is an external pressure. The Arab World needs reform because it has failed to produce the progress and prosperity deserved by our populations. To say reform is an indigenous need is to admit that we have a problem and to accept our share of responsibility for causing it. It is also to move from a reactive mode to a proactive one, focusing attention on alignment of the reform agenda with indigenous interests and not external priorities.
- Alignment of the reform agenda with indigenous interests will motivate internal constituencies to identify with reform and claim a stake in it. Debate and dialogue amongst internal constituencies coupled with such alignment will likely produce a reform coalition able to carry forward the reform agenda and overcome resistance to it. After all, reform should not be the parachute sent by the World Bank-IMF to drop on the Arab World that it has always been.
- A coherent and comprehensive framework specifying the mission, the vision, and the journey between the two must be adopted in order for reform to remain on track and to produce results consistent with strategic objectives.
- Reform is simultaneously political, social and economic. It is thus because modernisation is not merely a question of employment, productivity and GDP growth. It is also a question of motivation (profit), property rights (means of production), resource allocation and wealth distribution. The economic policy design that addresses

these issues cannot ignore their political and social contexts and implications. Ignoring social implications will turn those who stand to reap the most benefits from reform into the enemies of reform. As for political implications, the question has thus far been whether political reform has a priority over economic reform or vice versa. Yet no one is arguing that we do not need political reform. Therefore, this debate is senseless: political and economic reform should go together.

- Adaptation to globalisation is a necessity not a choice. The longer we wait, the harder it will become because the dynamics of globalisation are not waiting for anyone. To adapt now is already a daunting challenge, for the existing gap is quite significant. We fail to understand why the choices in the Arab World are typically proposed as extremes. Either we have to accept globalisation wholesale or reject it wholesale. There are other possibilities between the two. The only thing that should not be viewed as a possibility is staying on the margin of globalisation.
- A peaceful settlement to the Arab–Israeli conflict must be concluded. For too long, this conflict has been a perfect Arab scapegoat. This is the cause for which we have had to postpone democratisation, forgo liberties and accept stagnation in our standard of living. This should not be misinterpreted as compromising Arab rights or as settling the conflict at any cost. But it does mean putting an end to the equation of having to choose between our standard of living and the attainment of Arab rights.
- The ongoing conflict between Arab-Islamic culture and modernity must be resolved in a manner that would allow Arabs to feel a sense of retention of their basic cultural values while engaging in a process of modernisation. It is the breakdown of the reform movement of the 1920s, which would have put Arabs on the road to modernity, that has brought Arab society to where it is now. Again, why does the choice have to be culture or modernity?

Economic reform should not be seen in a vacuum, in isolation from the ideological, political and social choices that society makes. In fact, that is a major cause of failing Arab economic reform. In this chapter, we have attempted to reformulate the Arab economic reform question and place it in its broader context. Limitations on the scope of the chapter did not allow us to delve in more depth into some of the points made. We hope that further research will compensate for that.

Notes

- ¹ The Washington Consensus was best articulated by John Williamson as 10 policy principles needed to guide reform and has been since 1989 subject to intense debate among economists.
- ² MENA stands for Middle East and North Africa. It is used by the World Bank and the IMF to designate all Arab countries plus Iran in some versions and Pakistan in other versions.
- ³ Oil prices referred to in this paper are calculated as the simple average of main oil market prices by the World Bank.
- ⁴ In its reports, the World Bank divides MENA countries into three categories. These are Resource Poor Labour Abundant (RPLA), Resource Rich Labour Abundant (RRLA) and Resource Rich Labour Importing (RRLI). RPLA includes Djibouti, Egypt, Jordan, Lebanon, Morocco, Tunisia and Palestinian Territories. RRLA includes Algeria, Iran, Iraq, Syria and Yemen. RRLI includes Bahrain, Kuwait, Libya, Oman, Qatar, Saudi Arabia and UAE.
- ⁵ Employment figures are estimates calculated by the World Bank on the basis of data for 11 Arab countries.
- ⁶ The Arab-Islamic reform movement of the 1920s refers to the lively debates revolving around such issues as separation of mosque and state, women's rights, the Islamic system of governance and other similar issues taking place among such prominent thinkers as Mohammad Abdo, Ali Abed Raseq, Al Afaghani, Kassem Amine, Taha Hussein, Al Tahtawi, Malek bin Nabi and others.

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4

Two Decades of Liberalisation Reforms in Morocco: Successes and Failures

Aouatif El Fakir¹

Introduction

The declared objective of the liberalisation reforms during the 1980s and the 1990s was to accelerate the transformation of pre-capitalist developing economies into 'modern' market economies. With this objective in mind, international agencies and donors promoted policies to confine the state to service-delivery and to integrate these economies into the global trade network. After more than two decades, however, developing countries that implemented these reforms are still dependent on a conjuncture of external factors and their growth rates remain stunted. Furthermore, the increasing openness of their markets, as illustrated by the larger percentage of merchandise trade in GDP (gross domestic product), had little impact on income and investment. During the 1980s and 1990s, gross capital formation in Mexico, Morocco, Argentina or Tunisia was reduced (World Bank database: www.worldbank.org). Growth in income per person fluctuated without paralleling the trend in trade. The questions we need to answer are: Why did the liberalisation reforms fail to make national markets more efficient and the private sector more active? Why did these reforms not increase investments, growth and welfare, as the liberalisation theories had predicted?

In this chapter, we try to answer these questions for the case of Morocco by focusing on sustainable competitiveness and growth. We assess the effects of reforms on the country's capability to design and manufacture competitive

products and processes taking advantage of technologies, whether imported or domestic. In other words, we evaluate the consequences of the reforms with respect to: i) the emergence of an institutional framework for economic take-off; and ii) technological learning.

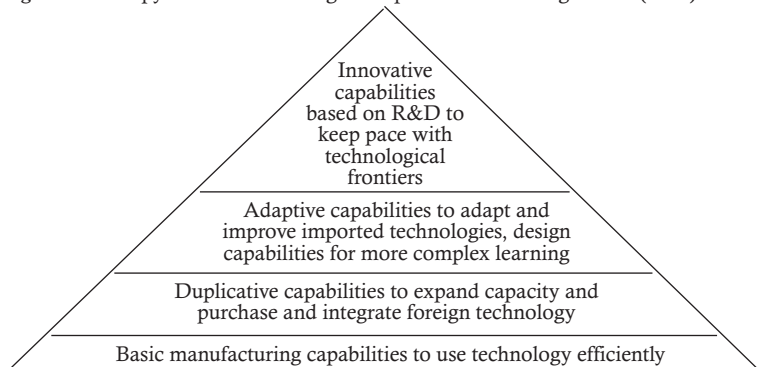
Our point of view is that an actual economic take-off of developing countries occurs when companies are able to improve their competitiveness through technological learning. Without such learning, firms will not be able to use imported technologies efficiently, to expand production capability or innovate on the basis of their own research and development (R&D) efforts.

In Section 2, we expose the theoretical background and the analytical framework of our research. In Section 3, we use this framework to examine the liberalisation reforms and discuss their outcome in terms of technological learning. We outline in Section 4 some recommendations leading to sustainable competitiveness and effective take-off.

Technological capabilities and the role of the state

The competitiveness and the growth of companies, industries and countries depend on their capability to meet demands in terms of quality, quantity and timeliness. Viotti (2003) calls this capability ‘technological capability’ and defines it as ‘managerial and technical skills and know-how that allow to manufacture products and processes and to change incrementally or radically their design or performances’. Lall (2001) distinguishes four levels of technological capabilities. As we can see in Figure 1, basic capabilities enable firms to use imported technology efficiently; duplicative capabilities enable them to use some technology elements to expand production; adaptive capabilities enable them to adapt and improve foreign technologies and to carry out complex engineering, and innovative capabilities lead to development of new technologies.

Figure 1: The pyramid of technological capabilities according to Lall (2001)



In theory, policies and strategies are designed and implemented to guarantee the acquisition of the necessary technological capabilities for each stage, what we call here 'technological learning'. In practice, however, some companies (or countries) improve their capabilities while others stagnate. Scholars of the development process have tried to explain this difference and especially the stagnation of some developing countries. Sen (1975) considers that the failures of the market have led to the transfer of inappropriate technologies. That is, some imported technologies are labour-saving even with an abundant workforce. According to Helleiner (1975), the solution is to make information on technology available, enhance bargaining power, limit suppliers' influence and have a consensus about national policies. On the other hand, studies of successful technology transfers show that it is crucial to have a threshold of skills and knowledge to use, adapt or improve imported technologies (Lall, 1993; Bell and Pavitt, 1993). In addition, Perez and Soete (1988) have shown that it is essential that the combinations of infrastructure, knowledge, skills and externalities available match the different stages of technologies and paradigms. Pack and Saggi (1997) explain that technology transfers and domestic R&D are complementary in the beginning of the development process and end by competing at the top of the pyramid of technological capabilities. Others consider that the domestic R&D system is the best tool to resolve domestic problems and satisfy domestic demand (Sagasti, 2004; Herrera, 1973; Jones, 1971).

On the basis of the national systems of innovation (NSI) approach, Arocena and Sutz (2000) argue that developing countries stagnate because of the lack of interactive learning spaces (ILSs). These are interactive activities and processes where individuals and organisations generate, exchange and use knowledge to enhance their ability to learn and to resolve problems in a systematic way. For instance, without an ILS involving a domestic company and a technology's supplier (through training and technical assistance), the former cannot acquire basic manufacturing capabilities. If the company does not interact with its clients, it cannot identify which product features to upgrade and thus cannot acquire adaptive capabilities. Finally, if the company does not interact with public research structures or universities, the innovation process can be longer and more difficult.

Studies of industrialized countries show that the acquisition and the upgrading of technological capabilities depends on specialized institutions and on the co-evolution of technologies, institutions and organisations (Freeman and Soete, 1997; Nelson, 1993; Lundvall, 1992). Formal institutions (property rights system, tax system) and informal institutions (habits, norms of cooperation) regulate relationships between individuals and groups and support interactions, learning and innovations (Edquist,

1997). Moreover, these studies point out the crucial role of the state in enforcing formal institutions and encouraging informal institutions in order to perform technological learning. In addition, governments turned learning toward specific areas through policies and procurement.

The role of the state is actually the subject for debate between two views. The dominant liberal-market consensus confines the state to service-delivery whereas the 'social transformation model looks at the role of the state in the context of the transition to capitalism' (Khan 2002). The first view asserts that by achieving market effectiveness, protecting property rights, fighting corruption and enhancing democratisation and accountability, the state automatically guarantees growth and welfare. The liberal-market consensus, based on new classical economics and new institutional economics, is still underpinning the plans, reforms and recommendations of international agencies and donors such as the International Monetary Fund, the World Bank or the European Union regarding developing countries. Paradoxically, the current financial crisis re-establishes the intervention of the state to save institutions, even among the proponents of free markets.

The social transformation model argues that the development process is a transformation of pre-capitalist economies into advanced capitalist ones. Regarding technology development in particular, Lall and Teubal (1998) observe that, in developing countries, the basis of technological knowledge internal to firms is relatively weak and that the supporting network of outside enterprises, institutions and human capital is underdeveloped. As a result, technological learning is costly and risky. They argue that governments must establish institutions and policies for setting national priorities for industrial and technological development and provide incentives to economic agents for prior activities where more externalities are generated than others and where markets fail to do so adequately. As Khan (2002) sums up, the capability of the state to effectively enforce institutions and policies with low costs enables capitalists to emerge and technological learning to take place.

The comparative study of some emergent countries achieved by Dahlman and Nelson (1995) shows that the macroeconomic environment and incentives regime determine technological and economic take-off. Appropriate human capital, foreign technologies, industrial infrastructure, public support and funding are crucial for the acquisition of technological capabilities. Other studies point out the crucial role of governments in providing resources, setting up incentives, anticipating needs and coordinating actors. For instance, the South Korean government invested in infrastructure and education, promoted large domestic firms (the *chaebol*), provided direct funding and subsidies to them, intervened in bargaining with foreign suppliers and set up tax incentives and protection to encourage

technological learning (El Fakir, 2008; Lim, 1999; Kim, 1993; Dahlman et al. 1987; Westphal et al. 1985).

In the same way, the Chinese government swapped technology in strategic industries to support technological learning of domestic firms in the mobile phone industry. China pressed foreign firms to transfer their knowledge to domestic ones and allowed the domestic companies to improve their products through restricting indirectly the domestic market access to foreign companies. Chinese firms improved their competitiveness in their local markets very quickly before engaging in a harder contest on a global level (El Fakir, 2007; Von Zedtwitz and Jin, 2007). The Indian government restricted foreign investment flows in strategic industries to strengthen indigenous technological capabilities. Following a controlled opening of the economy, many large Indian companies are now able to compete in global markets thanks to technological learning, human capital and know-how accumulation (Krishman, 2003; Aggarwal, 2000; Forbes, 1999; Lall, 1999, 1987). Similarly, the Singaporean government strongly stimulated specialised high-skill/high-tech industries for export markets by attracting transnational companies (TNCs) into high value-added activities. The Taiwanese government protected and subsidised capital, skill and technology-intensive industry, set up incentives for exports of more advanced products and provided intense support for local R&D and upgrading of small and medium enterprises (SMEs) (Lall and Teubal, 1998). None of these countries followed the liberal-market consensus. It is acknowledged that many of these countries are still witnessing significant corruption, rent-seeking behaviour, weak property rights and lack of accountability.

On the basis of previous works and studies, we assume here that technological learning is the way to achieve sustainable growth and economic take-off in developing countries. This learning depends on ILSs that emerge at the enterprise level: within companies or between companies and other actors (suppliers, clients, universities, services providers, competitors and so on). Learning could be intra-organisational, inter-organisational or both. ILSs cannot emerge if there are no incentives and pressures on the firms to be more competitive and if they do not have required resources. We assume also that the role of the state is to establish an institutional framework providing resources and incentives and exerting pressures and compulsions in order to stimulate the acquisition of technological capabilities.

Next, we analyse the impact of liberalisation reforms on the acquisition of technological capabilities in Morocco. We examine how these reforms influenced the role of the state and thus the institutional framework and how they stimulated or prevented the emergence and the evolution of interactive learning spaces. On the one hand, we examine how the liberalisation reforms were put into practice, to what extent they influenced the state capability to

intervene and which institutional frameworks were set up. On the other hand, we assess the technological learning of Moroccan companies during two decades of reforms. This assessment is based on survey of a sample of large Moroccan companies in the most important industries. We then discuss the effective outcome of reforms in terms of technological learning, competitiveness and growth.

Impact of reforms on the role of the state and technological capabilities

In the 1970s, Morocco, like many other developing countries, was encouraged to increase its external debt. However, after the second oil crisis and when the US Federal Reserve raised its interest rate to reduce inflation in the beginning of the 1980s, Morocco could not pay back its debts. The decline in the price of phosphate and the jump of the price of petrol worsened Moroccan imbalances. The first attempt to bring the deficit under control by reducing demand led to the bloody Casablanca events of 20–22 June 1981, after the suppression of subsidies on subsistence goods by the government. Morocco then entered into negotiations with the Paris and London Clubs² to reschedule its debts and was forced to accept a stabilisation programme in an agreement with the International Monetary Fund in 1983. A structural adjustment programme (SAP) in cooperation with the World Bank followed in 1984–5 with the aim of reducing the deficit, taming inflation and improving market efficiency (Morrisson, 1991). The 1990s witnessed the good governance agenda, which aimed to carry out economic and political reforms at the same time.

Reform implementation

In the 1980s, the financial support of the IMF and the World Bank was assured, provided that the Moroccan government complied with the following: reduced the budget deficit by cutting investment and operating expenditures; controlled inflation by reducing demand; transferred economic power to the private sector by privatising public companies and reducing state intervention; and took steps to integrate the Moroccan economy into the global economy by deregulating protected sectors, opening domestic markets to foreign goods and capital and promoting exports on the basis of comparative advantages in commodity, low technology and labour-intensive industries (Morrisson, 1991).

In the 1990s, the good governance agenda, on the basis of new institutional economics, partially ‘rehabilitated’ the role of the state in economic and social life. There are many definitions of good governance; we quote here the most well-known and used. For the OECD, it ‘encompasses the role

of public authorities in establishing the environment in which economic operators function and in determining the distribution of benefits as well as the relationship between the ruler and the ruled' (www.oecd.org/dac/). For the World Bank, good governance is 'epitomized by predictable, open and enlightened policy making; a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law' (World Bank, 1994). The European Commission defined the concept of governance as 'the capacity for a state to serve its citizens' (CDISE, 2006).

In addition to increasing market openness and supporting existing comparative advantages, the agenda argued that, in developing countries, transaction costs could be high not only because of state intervention but also because it is difficult to enforce property rights and contracts. Therefore, the reform agenda added the topics of property rights protection, the fight against corruption, accountability, democratisation, the rule of law and services delivery to the poor (Khan, 2006). Hence, economic, political and institutional reforms had to be performed simultaneously.

During the 1990s, the Moroccan government accelerated the privatisation programme and started to remove market protection. Morocco also took advantage of €27.6 million to modernise its judicial system and €85 million to reform its administration.

The impact of reforms on the role of the state: unproductive bias

The SAP and good governance agenda were based on the liberal-market consensus. Thus, they imposed market supremacy in terms of resources allocation, confined states to service-delivery and advocated the integration of developing countries into the global production chain according to the theory of comparative advantage.

In Morocco, the reforms led to the reduction of the budget deficit and inflation. From 1983 to 1988, the budget deficit decreased progressively thanks to significant reduction of investment expenditures. Inflation dropped from 7 percent by the end of the 1980s to 2 percent by 2000 and total debt service declined from 35 percent in 1985 to 11 percent in 2005 excepting a peak of 33 percent in 1995 (World Bank database: www.worldbank.org). The stabilisation programme led to a rise of foreign currency reserves so that Morocco could reimburse the World Bank loan. The Moroccan government also learned how to achieve budget discipline and maintain the national accounts in balance as much as possible. These two aspects made the macroeconomic environment more stable and more attractive for investors.

One of the negative aspects of the downsizing of the state was that it created a vacuum in many areas, including industrial planning and long-

term development strategies. Today, these are designed according to international lenders' or private consulting firms' advice and follow 'best practices' that do not necessarily match the context of the Moroccan economy. At the end of the 1990s, the best practices suggested setting up many incentives to increase private R&D expenditures, even though most companies did not have the necessary capabilities to conduct R&D. Furthermore, the government could not direct private investments towards industries/technologies that could provide sustainable growth prospects and time to learn. As the Moroccan state transferred strategic industries to private entrepreneurs (domestic and foreign), companies followed the rational course, pursuing short-term profit rather than upgrading their technological capabilities. For instance, Morocco's entrepreneurs took advantage of garment quotas for the European market to export cheap and low value-added products. Finally, in the 2000s, the government launched the 'Emergence' plan to support specific industries that account for the future of Morocco such as offshoring or aeronautics. However, a closer look at this plan shows that it actually supports a new kind of sub-contracting by private or foreign investors in search of cheaper labour and short-term profitability.

In addition, despite the implementation of the good governance agenda, corruption and rent-seeking networks are still operating. Hence, actors do not trust each other or the impartiality of the courts. In 2006, Morocco ranked 53rd in terms of rule of law; South Korea ranked 72nd, Tunisia 60th and Malaysia 65th. It is very difficult for new actors to enter into lucrative sectors. In 2006, Morocco ranked 47th in terms of regulatory quality while South Korea ranked 70th, Tunisia 58th and Malaysia 69th.³

All monetary incentives continued to benefit the established capitalists rather than encourage new entrants, while weak growth and low productivity prevented the attainment of development targets. As a consequence, the majority of manufacturing industries grew at a rate slower than that of global trade. Their market share increased in declining industries such as manufacture of fertilisers or in slow-growing industries such as equipment for distribution of electricity. Conversely, exports declined in the world's fast-growing industries such as textiles or leather and in only very few industries did Morocco's share grow faster than global trade (Finance Ministry, 2005). By and large, Moroccan growth was feeble from 1980 to 2005 and although income per capita increased it did not converge with that of European countries, for instance.

The impact of reforms on technological learning: learning stagnation

From the 1960s until now, Moroccan companies (either public or private) imported technologies in the form of equipment, turnkey plants and

engineering. They were supposed to be involved in a process of technological learning during that time.

In 2007, we surveyed 21 large Moroccan companies (accounting for 4 percent of companies with more than 200 employees) to assess this process of technological learning. Our survey covered industries that account for 89 percent of employment, production and exports (agro foods, chemicals, refining, non-metal mineral manufactures, garment, textile, machinery and electric devices, metallurgy and metals manufactures). The survey shows that equipment importation is still the main source of technology and Moroccan companies acquire basic manufacturing capabilities through on-the-job training and technical assistance provided by the supplier. Few companies expanded their production facilities; a smaller percentage adapted technologies through their own engineering. A very small number of companies carried out R&D to innovate and keep pace with technology frontiers.

Even innovative Moroccan companies interacted weakly with their customers and seldom brought production or design problems to domestic engineering and R&D structures. The technology suppliers were the main consultants in terms of equipment selection, project design, plant installation and even R&D implementation. The small and medium enterprises (SMEs) behaved similarly. According to a study of innovation performed in 2005 by 'R&D Maroc' (a Moroccan association that promotes innovation), SMEs sub-contracted 50 percent of their R&D and technology suppliers account for 47.2 percent of sub-contracting.

Imports of equipment have reached US\$6 billion (in constant 2006 \$), in comparison with US\$3 billion in 2000 (Université de Sherbooke, 2008) while engineering imports reached US\$500 million in 2000 (Kleiche 2000).

On the other hand, transnational corporations (TNCs) confine their Moroccan subsidiaries to basic manufacturing tasks and provide them with standard solutions for production and design problems. In short, interactive learning spaces in Morocco involve mainly domestic companies and foreign technology suppliers or parent companies. Moroccan enterprises seem to generally stagnate at the level of basic manufacturing capabilities even if they have the human, financial and organisational resources to go through complex and innovative processes.

Consequently, total factor productivity that reflects technical progress decreased by 0.36 percent from 1971 to 2004 (Drissi, 2007), whereas Moroccan companies with low productivity⁴ (compared to the productivity mean of Moroccan companies) account for almost 89 percent of SMEs and almost 78 percent of large ones. These low productivity companies account for almost a half of production, two thirds of exports and more than 75 percent of employment (Finance Ministry, 2007). In addition, the

rise of cheaper-labour countries damages Morocco's competitiveness and performance in the global market.

Historically, Moroccan capitalists were promoted by an authoritarian regime that garnered their support by giving them rents in protected areas. As defined by Khan (2002), rents are 'incomes that individuals can earn that are higher than in their next-best opportunity and so rents exist if those in the next-best activities are prevented from getting access to particular resources or opportunities'. For instance, the nationalisation of foreign companies in the 1970s (called Moroccanisation) benefited only a few rich families. Again, the privatisation (promoted by reforms) of public companies in the 1980s and the 1990s rewarded the same capitalists and TNCs. These rent-seekers did not have the motivation to start new and risky businesses. Another example is the engineering sector where imports have been significant from the 1960s onwards because dominant bureaucratic and economic rent-seekers prevent domestic development (Germouni, 1978).

While the good governance agenda tried to cut this rent-seeking by promoting labour-intensive industries or commodities, they simultaneously prevented technological learning. Companies saw their interest in exploiting natural resources or cheap labour without the need to improve either products or processes. Also, the gospel of efficiency discouraged companies from upgrading their technological capabilities for the following reason. Moroccan companies were cost-competitive in the short-run; therefore, efficiency required them to focus on markets where they could sell their products at the right price. However, this strategy was not competitive in the long run because their capabilities did not change to match new market needs and technology changes. Moreover, the lack of trust led to the lack of interaction between actors and prevented technological learning and dissemination. Innovative companies in Morocco seem like competitive islands disconnected from the majority of vulnerable companies.

On the other hand, the government does not provide the necessary resources, such as facilities, funding, information, qualified workers or bargaining power, to improve companies' capabilities. For instance, the World Bank claimed that an emphasis on primary education and a bigger role for the private sector would make the educational system more efficient. However, the enrolment in secondary and tertiary education continued to increase whereas the system had limited resources and private expenditure did not substitute for public expenditure (Benlahcen Tlemçani, 1997). Thus, the educational system is currently unable to train more people with skills appropriate to the new competitive context. The labour force is widely unqualified while unemployed people are young and qualified. For instance, working persons without any education account for 70.5 percent of total working persons while those with tertiary education account for

8.5 percent. Unemployed persons with tertiary education account for 26.8 percent of total unemployed persons while those without any education account for 5.2 percent (HCP, 2008).

In summary, the reforms did not encourage the emergence of the interactive learning spaces and the upgrading of Moroccan technological capabilities. The big concentration of outputs and exports in low technology industries exposes Morocco to a loss of competitiveness. As a result, Morocco's growth is still low and dependent on exogenous factors such as rainfall, the phosphate price and foodstuff prices.

Technological learning as a reform objective

It is clear that Morocco will not be competitive in low technology/value-added industries because of higher real wages than in cheaper-labour countries. Moroccan companies can survive only if they become more creative and innovative. Sustainable growth can be achieved by moving into new, specific areas where Moroccan companies can have a comparative advantage on the basis of higher value-added products and services. However, to reach this new competitiveness, Morocco must implement reforms and policies that lead to an appropriate institutional framework and then to the upgrading of technological capabilities. In our opinion, the role of the state is undeniable in the transformation of the Moroccan economy. Next, we argue that Moroccan state has to acquire growth-enhancing governance and has to set up specific management of the technological catch-up.

State efficiency versus market efficiency

The success of some Asian countries has to be contrasted with the failure of many developing countries where the state was the main culprit for resource waste. But, in our opinion, the market-liberal consensus and its reforms did not address critical problems of technological catching-up and sustainable growth. According to Khan's (2006) study of the governance indicators in high-growth and low-growth developing countries, market-enhancing governance is not significantly better in the first group. In addition, the data suggest a very weak positive correlation between the quality of market-promoting governance and economic growth.

The Moroccan state, as in many developing countries, cannot manage technological and economic development because of structural failures. Firstly, a weak fiscal system puts limits on public resources. In Morocco, the fiscal system is not reliable and most actors are of low productivity, which limits the tax base. Secondly, achieving the necessary political stability for investment, growth and accumulation in strategic sectors requires resources

that do not exist in the budget. Consequently, the state must maintain weak and contested property rights to achieve non-market asset transfers (allocate land to specific groups or use the right of 'expropriation' for infrastructure and productive facilities).

But, managing political stability and non-market asset transfers could generate political corruption and clientelism. In contrast, developed countries carry out costly protection of property rights because the fiscal system is reliable and very productive actors pay taxes and private expenditures to protect their interests.⁵

Successful developing and even developed countries actually did not eliminate the rent-seeking behaviours; they only managed them so as not to waste resources and made these behaviours more productive. For instance, in the 1960s the South Korean central government transferred public resources to private entrepreneurs to build *chaebol*. But failing companies could not buy protection and continue to take advantage of these assets. The Chinese government transferred public assets to private companies to enhance competition and upgrade telecommunications networks and services in the 1990s. The government continues to call companies to order if they do not follow instructions (El Fakir, 2007, 2008).

In summary, current opportunities and pressures require an efficient Moroccan state that can set up an institutional framework according to the pre-existing political structure to: maintain political stability; involve the state and the majority of the population in the development process;⁶ manage and make rent-seeking behaviour favour productive activities; and transfer assets and property rights from unproductive to productive groups.

Management of technological catch-up

Technological learning is costly and risky. Companies have to invest in new equipment, train their employees or conduct R&D projects while changes speed up. If there are no incentives to carry out these investments, companies prefer to avoid them. Markets do not necessarily provide these incentives, especially for long-run competitiveness. This is the role of the state through its industrial and technological policies.

As we saw, thanks to the state interventions, Korean, Chinese, Singaporean or Indian firms enter deliberately into many ILSs that involve diverse actors (suppliers, clients, R&D structures, TNCs and so on) in dynamic industries and new technologies that provide windows of opportunity with strong prospects for learning and growth.

In Morocco, companies have few incentives to achieve costly and risky technological learning for two reasons. Firstly, they avoid investment because of structural failures (lack of trust, unproductive rent-seeking behaviour). Secondly, they do not have the requisite resources (information,

skills, funding and bargaining power) to choose, acquire and assimilate the right technologies.

Rent-seeking behaviour is actually very rational. Capitalists try to invest in profitable activities preferably without competitors. Schumpeterian entrepreneurs innovate to secure a monopoly rent for a while. The problem is that, in Morocco, rent is achieved by unproductive groups thanks to the links with the regime and not to the efforts of innovation. They simply withdraw precious resources from the majority. In addition, companies do not have enough information about new and even mature technologies to allow them to choose the right one. Finally, some suffer from lack of qualified and productive workers because of educational system failures.

Markets direct capital to low value-added/technology sectors that have already achieved competitiveness (or in which the productivity gap does not matter) instead of high value-added sectors because requisite skills, facilities and spillovers are not available. Therefore, Moroccan industrial and technological policies must encourage companies to go into interactive learning spaces through: evolutionary policies establishing priorities and supporting technological learning in each stage; clear compulsions and objectives that prevent wasting resources; technology-watch in order to provide information about technological options and strategic activities; learning and innovation rents (subsidies and incentives) to encourage strategic activities, interactions between actors, dissemination of technologies and generation of positive spillovers; and long-term investment in education, research and infrastructure to consolidate learning skills in strategic areas.

Conclusion

Some developing countries that did not follow the liberalisation reforms achieved higher levels of accumulation, productivity and sustainable growth. Countries that spent their time and effort on improving market efficiency were less successful.

By and large, reforms proposed by the international institutions tend to be normative, promoting the application of 'best practices' derived from advanced countries to developing countries. But these practices are considered at best 'ex post'; in other words, these institutions decree what normally must be applied in developing countries based on experiments that are not reproducible. This normative aspect of reforms leads to two difficulties. Firstly, these reforms are basically exogenous and do not address local concerns. Secondly, in order to be enforced, these exogenous norms must be fully embraced by the majority or imposed by force.

However, the technological and industrial successes of emerging countries are closely related to the institutional and political framework that

sustained ongoing technological learning. Markets are mostly inefficient because of the structural characteristics of these countries. The success of these countries requires governance capabilities that ensure technological learning regarding the most appropriate window of opportunity and the specificities of each country. But many questions remain unanswered, especially in relation to how the state can change into a promoter of productive groups and how unproductive rent-seekers can be made to capitulate.

Notes

- ¹ The author is grateful to Mostafa Hashem Sherif and Jacques Ould-Aoudia for the support received in the preparation of the manuscript.
- ² The Paris Club is an informal group of financial officials representing public lenders from the 19 richest countries. The London Club is the corresponding informal group of private creditors.
- ³ Rule of law indicators measure the extent to which agents have confidence in and abide by the rules of society, in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence. Regulatory quality indicators measure the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. The percentile rank (0–100) indicates rank of country among 212 countries. 0 corresponds to lowest rank and 100 corresponds to the highest one. World Bank development indicators database: http://info.worldbank.org/governance/wgi2007/sc_country.asp, and Ould-Aoudia (2006).
- ⁴ Productivity is measured by the ratio added value/number of workers in all Moroccan companies between 1986 and 2003.
- ⁵ Property rights protection costs are part of the transaction costs that may account for as much as half of all economic activity (Khan, 2006, p.33).
- ⁶ A study by Meisel and Ould-Aoudia (2007) of high-growth developing countries shows that they were successful because development was a priority for the élite and there was a dialogue to strive towards the general interest.

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5

Contesting Structural Adjustment: The Donor Community, Rentier Elite and Economic Liberalisation in Jordan

Warwick Knowles

Introduction

The Hashemite Kingdom of Jordan has proved to be one of the world's most vulnerable countries to external political, economic and security events. In part, the Hashemite regime has been able to maintain its position because of the flows of aid, which have been an enduring feature of the political economy since the establishment of Transjordan in 1921. The importance of the aid inflows has resulted in a number of writers using rentier theory to discuss the political and economic developments in Jordan, on the basis that aid is a form of rent. From the start of the 1970s an additional flow of rent, remittances, has entered the economy, further affecting the structure of the political economy of the Kingdom.

Since the late 1980s, two further structural changes occurred that had the potential to alter the nature of Jordan's political economy. These changes were: the transformation from an economy primarily based on aid (which accrues to the state) to one primarily based on both aid and remittance income (which accrues to the private sector); and the increased depth of involvement of the donor community, led by the IMF and the World Bank, which had as its stated aim the desire to increase the involvement of the private sector in the economy at the expense of the state.

In relation to these changes, this chapter answers two important questions: What was the influence of the donor community on Jordan's political economy? How did the rentier élite react to these changes? In order to answer these, the chapter first introduces rentier theory before assessing the nature of the political economy of Jordan in 1989, when the IMF first

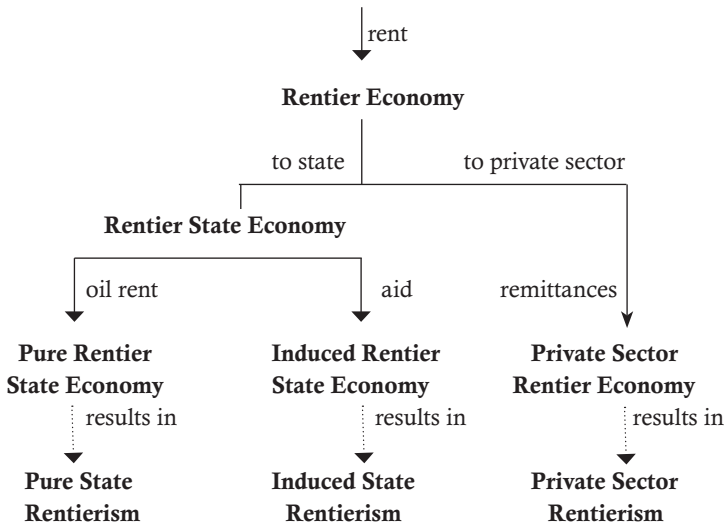
became involved in the economy. Thereafter, the discussion looks at the evolving relationship from 1989 between the state and the donor community before turning to the reaction of the rentier élite to this relationship, by using two case studies.

Rentier theory

Adam Smith was the first to draw a distinction between rent as a reward for the ownership of natural resources, including land and minerals, from other income (wages and profit) (Beblawi, 1987a, p.383). Rent, therefore, differs from normal income because it does not link work/risk with reward. However, the concept of rent has been extended from income accruing from natural resources to include ‘the amount earned that is above the cost of production of the resource/service’ (Ibrahim, 1982, p.2). In short, rent is anathema to both liberal and radical economics: unearned or undeserved income. Different types of rent can be distinguished at the national level but the most important two for Jordan are aid and remittances.

As Mahdavy argues, a ‘rentier economy is an economy which relies on substantial external rent’ (1970, p.428). It is possible to distinguish three ideal types of rentier economy depending on type of rent (Figure 1). The most important distinction is to which particular sector, private or public, the rent accrues. This difference creates what this study terms ‘state rentierism’ and ‘private sector rentierism’.

Figure 1: Relationship between the concepts of rentierism



The importance of the emphasis on a rentier economy is that a different relationship between the state and the private sector is formed from that in a market economy. In the market economy, the relationship between the state and the private sector can be viewed as one in which the private sector expects the state to provide a degree of security and protection, without impinging directly on its activities. The two actors are clearly delineated, but with a degree of interdependence. Furthermore, the state is reliant through taxation on the economic development of the private sector for its own continuance. Importantly, the private sector is not homogenous but comprises many different groups, not all necessarily pulling in the same direction. On the external level, the state's economic relations with the international community are formulated on the need to attract investment and to increase exports.

By contrast, in a rentier economy a different type of state and private sector evolve, producing a different relationship between the two, and also between the state and international community. These relationships are based on a 'rentier mentality' (Beblawi, 1987b, p.52). This mentality breaks the conventional work/risk and reward causation found in the market economy, with the result that 'getting access to the rent circuit is a greater pre-occupation than reaching productive efficiency' (Beblawi and Luciani, 1987, p.13). However, rentier mentality is not only about gaining access to rent but also it allows those with the available resources to attempt to gain control of the rent (Chateleus, 1987, p.110). Finally, protecting control and access becomes an integral part of economic strategy, resulting in a case where 'special social and economic interests are organised in such a manner as to capture a good slice of ... rent' (Beblawi, 1987a, p.386). Government policy takes on a two-dimensional role that involves maintaining control of and access to rent, while pursuing a politically driven expenditure agenda.

However, these relationships are further dependent on the type of rent. Two important variables occur between the types of rents: to whom the rent accrues, and whether a third party plays a significant role (Table 1).

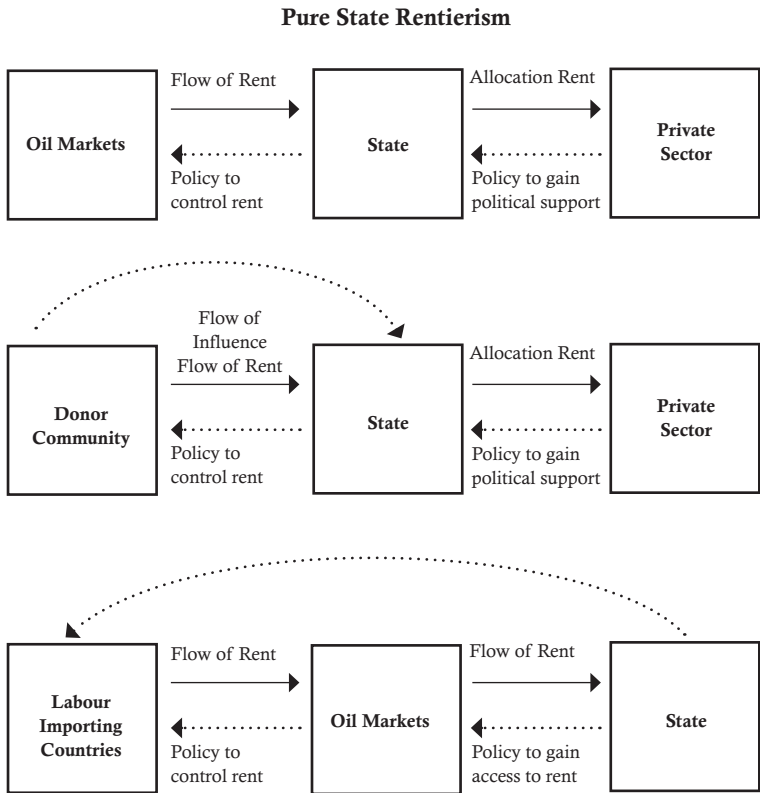
Table 1: Differences in types of rent

Rent	Accrues to	Third Party	Relevance to Jordan
Oil	State	No	Insignificant
OEA	State	Donor Community	Highly Relevant
Remittances	Private Sector	Labour-Importing State	Highly Relevant

Oil rent accrues directly to the state, without the significant intervention of a third actor, resulting in a pure rentier state economy. Aid also accrues to the state, but is dependent to a major degree on the political interests of the donor, resulting in an induced rentier state economy. This dependence exacerbates the already volatile nature of rent, which can result in threats of instability for the incumbent regime. Meanwhile, remittances accrue to the private sector, on the forbearance of a third party: the state in which the expatriates work. The oil revenue slump of the 1980s and the Gulf crisis of 1990 illustrate the vulnerability of Jordanian remittances to external crises.

In brief, in an induced rentier state economy the state, influenced by the rentier mentality, follows a two-dimensional policy, the first of which is focused outwards on the source of the rent (Figure 2).

Figure 2: Types of rentier economy



Source: Knowles (2005), p.18

In order to access aid the state has to adopt, or be seen to attempt to adopt, policies (whether in the field of security, politics or economics), which meet the criteria of the donor, but without affecting the short-term stability of the regime (Brand, 1994). Since the late 1980s, the imposition of political and economic conditions by donors and the end of the Cold War have reduced the autonomy and space for manoeuvre of the rentier state *vis-à-vis* the donor community, providing a restraint on the rentier mentality. The second dimension is the politically motivated expenditure policy, which helps legitimise the rule of the state without the necessity for democratic institutions. Citizenship becomes a source of economic benefit, whether through subsidies or employment, while in return the state expects loyalty without political participation. It also results in economic policy being used to build and reinforce the state, not only through a sizeable bureaucracy, but also through industrialisation policies. Thirdly, the expenditure policy creates a short-termism aimed at increasing rent, not at long-term policies to achieve sustainable economic growth.

The private sector that evolves under state rentierism tends to be: relatively homogenised in outlook (that is, rent-seeking); dependent on the state for contracts and favourable economic policies; and service-oriented to gain access to the rent circuit. The relationship between the private and public sectors is blurred and is evidenced by: the creation of a hierarchal rentier élite drawn from the state and the private sector with the ruling family at its apex; élite circulation between the two sectors (for example, directorships of state-operated companies and political positions); voluntary co-optation or 'capture' of the private sector by the state (for example, business associations become the tool of the state); informal rather than formal contacts between the private sector and the state; and endemic corruption.

Although intuitively the rentier state should be autonomous from society in general and from the private sector in particular, the reverse is actually the case. This apparent paradox occurs because of the rentier élite, which is politically and economically bound to the political and economic structures created by the inflows of rent. Thus, when levels of rent decline, as happened during the mid-1980s, the apparently strong state is unable to implement the change demanded by the international community to overcome the potential collapse of the economy (Chaudhry, 1989, pp.101–46). The close relationship between the state and private sector acts as a major impediment to the threat of change. The élite, with its short-term rentier mentality, lobbies against changes which are perceived to be against their political and economic interests. Rather than becoming autonomous, state rentierism creates a state which because of its links with the private sector makes wholesale, speedy change almost impossible to implement.

An economy based on remittances displays a number of similarities to state rentierism. Both are dependent on rent (albeit of different types); suffer from chronic balance of trade deficits due to the high levels of imports supported by the inflows of rent; show high levels of consumption in comparison to GDP; and tend to be service-oriented. As with other forms of rent, the predominance of remittances in the economy ensures that a rentier mentality is adopted by both the private and public sectors. This rent-seeking mentality is again manifested in the public sector adopting a dual policy (see Figure 2). Firstly, in order for the state to reproduce itself the continuing flow of remittances must be ensured. Policy-making, as far as possible, becomes directed at maintaining relations with the labour-importing countries. Secondly, the state adopts economic policies that attempt to ensure access to the flow of remittances. For example, through customs duties on the imports fed by the remittance economy, incentivising businesses with direct access to the flow of rent, or by establishing compulsory or voluntary savings schemes under its control. However, the lack of direct access to the rent flow results in less finance being available to the state, which therefore is curtailed in its ability to move directly into economy but also is unable to provide the level of social services associated with both a market economy (paid for by taxes) and a rentier state economy (paid for by rent).

Remittances help guarantee 'the financial independence of the private sector' (Brand, 1994, p.101); as a result, the political and economic élites remain independent. Although the economy as a whole develops a bias

Table 2: Summary of state and private sector in different types of economy

Economy Type	State	Private Sector	Relationship
Induced State Rentier Economy	Rentier mentality results in expenditure policy aimed at control of access to rent	Relatively homogenous; dependent on state; service orientation	Regime élite; blurred with élite circulation; voluntary co-optation; informal contacts; corruption
Private Sector Rentier Economy	Rentier mentality results in policy adapted to gaining access to rent	Relatively heterogeneous; independent of state; service orientation	Separate; formal but weak contacts
Production economy	Taxation policy to recreate itself	Heterogeneous; Independent of state; production orientation	Separate; formal but weak contacts

Source: Knowles (2005), p.188

towards the service sector, the flow of remittances does allow the private sector to form a series of different interest groups, similar to the market economy. Overall, the private sector therefore becomes service-oriented, independent of the state and relatively heterogeneous.

The relationship between the two sectors is therefore based on an apparently weak state and a strong private sector. The result is that the formal lines of communication between the two either atrophy (if they existed originally) or fail to develop as fully as in a market economy. In addition, the independence of the private sector from the state ensures that the informal contacts of the rentier state do not materialise. Intuitively, the outcome would seem to be a strong and autonomous private sector and a weak state with little control over the private sector. However, in times of economic crisis, the independence of the state from the private sector allows the former to adopt economic change due to the development of separate élites. (For a summary see Table 2.)

In the rentier state, the principal actors are the state, the regime and the rentier élite. The three are interdependent and overlapping, with the rentier élite forming one part of the state. However, the ability of the rentier élite to gain access to and to control the preponderance of rent in the economy allows it to dominate the decision-making process. For the purposes of this study the rentier élite is broadly defined as an informal group that holds the key positions in the political decision-making set-up (including the top posts in the bureaucracy and the security services), as well as the leading decision-makers and power-brokers in the economic field. In Jordan, membership of the group has traditionally been based around a hierarchal network of families with close ties to the ruling Hashemite dynasty, which is at its apex. However, the composition of the group is dynamic as new members are able to join, while previously important families can be by-passed. An important aspect of the rentier élite has been the degree to which this group has been able to dictate the political and economic agenda of Jordan for their own purposes, within the constraints imposed by the international, regional and domestic environment.

The political economy of Jordan in 1989

Aid inflows exploded in the 1970s with annual growth rates as high as an incredible 196 percent in 1979. The result was an increase from only US\$105.1m in 1972 to a peak of US\$1317m in 1979. Thereafter, the pattern was one of decline until 1989, by which stage the level dropped below that recorded in 1978. Despite the high levels of aid in the 1970s, by 1989, the economy was at its lowest level of dependence on aid (less than 10 percent of GDP) than at any time since independence in 1951, with the exception of the short period from 1967 to 1969. Meanwhile, remittances grew at an

average of almost 100 percent per annum from just less than JD5m in 1971 to JD136.4m in 1976. The rate of increase slowed dramatically towards the end of the decade before a further burst in 1980 and 1981. The inflows peaked at JD475m before fluctuating downwards to JD358.3m in 1989. Nevertheless, remittances per capita were still twice the level experienced in 1973.

Despite the changes in the 1980s, in 1989 the characteristics of induced state rentierism were still strongly present, namely: a dependency on aid; a high level of imports, which helped to create chronic balance of trade deficits; a high level of state expenditure leading to continual budget deficits, which were funded by aid; economic sectoral imbalances in favour of services; a high level of consumption in comparison to GDP; the maintenance of a two-dimensional policy by the state; a private sector that was relatively homogenised in its outlook, dependent on the state, and service-oriented; the existence of a rentier élite using élite circulation and overlapping authority; voluntary co-optation of the private sector by the state; and informal contacts between the two sectors. As a consequence of the expenditure element of the two-dimensional state policy a state-based, rather than market-based, economy was in existence. The results of this expenditure policy were clearly evident, namely: infrastructure development led through state-controlled development plans; state-controlled or state-influenced enterprises; subsidies, both of basic necessities, such as bread, electricity and water, and those aimed at favoured businesses, such as cheap loans and tax breaks; contracts from the state to favoured businesses; regulations aimed at preferred businesses; 'Royal' favours, such as free land in return for political support; a bureaucracy built around allocative, rather than extractive, mechanisms; and the state as a major source of employment. A major part of the policy of the IMF from 1989 was to reduce these aspects of state involvement in the economy while simultaneously increasing its regulatory role.

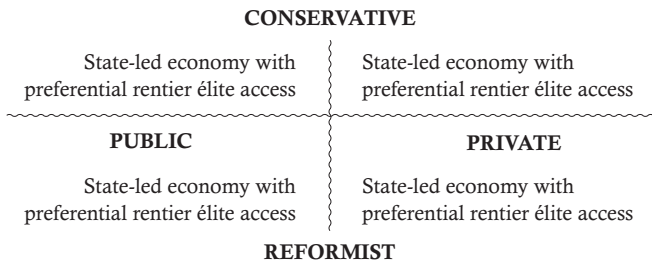
The overlap of state-private sector relations, in 1989, was manifested in four areas: state involvement in productive companies; state involvement in the market, through planning, price controls and subsidies, licences and contracts, import restrictions and exemptions, and through investment and credit institutions; the use of access to the economy by the state for political purposes, including the bureaucracy and the rentier élite being dependent on the status quo, the use of appointments to the boards of state companies as rewards or to co-opt potential opponents, preferential access to the economy and informal interaction; and the institutional structure of the private sector.

The institutional organisation of the private sector was highly formalised, with state control being implemented through both regulation and the threat or actual use of security measures. Until the mid-1980s, the two main

institutions of the private sector in Jordan were the Chamber of Commerce (FJCC) and the Chamber of Industry (ACI). These two institutions were joined by the Jordanian Businessmen Association (JBA), which was created by the rentier élite in 1985 in response to the escalating economic crisis. Its establishment can be seen as a defensive measure by the rentier élite against the potential divisiveness of both the economic recession and the new export-oriented economic policy. The new economic direction was by its very nature bound to result in winners and losers among the old guard, while the recession signalled an end to the period of risk-free growth of the 1970s and the early 1980s. Suddenly, there was insufficient pie to go around. In this new competitive era, the FJCC and ACI were often at odds over which policies to support.

As previously discussed, when an economy based on state rentierism enters a crisis, the state as an institution faces major difficulties in adopting policies of economic liberalisation, due to the existence of the rentier élite. By 1989, the rentier élite in Jordan was facing this problem. The amount of aid was declining and in order to gain future support from the donor community the state had to introduce economic liberalisation. In addition, the increasing importance of remittances in the economy exacerbated the pressure on the rentier élite. New economic policies were required in order to gain access to this flow of rent. Furthermore, from the mid-1980s the beginnings of a battle for control over and access to the declining flows of rent became apparent. By 1989 the storms of the recession began to erode the comfortable symbiosis that had been built between the private and public sector élites and differences within the rentier élite very slowly became more apparent. The splits occurred along two axes: private–public sector and reformist–conservative, each with their preferred outcomes (Figure 3). The potential for splits was important, if the IMF was to be able to introduce the degree of change it wanted: a cohesive rentier élite would have been more able to resist any conditionality.

Figure 3: Preferred outcomes of new groups in rentier élite



The state and donor community from 1989

Despite spikes in the levels of aid in 1990–1, following the economic crisis in 1989 and again in 2003 and 2004 as a result of the War on Terror, aid levels were below that of the late 1980s. Although remittances have increased in nominal terms each year since 1989, they peaked in 2001 at over 22 percent of GDP, before falling back to less than 18 percent of GDP in 2006. Nevertheless, in relative terms this remains higher than at the end of the 1980s. These figures highlight the transformation from an economy in which aid predominated to one in which remittances are the key driver. Thus, the economy had moved towards one which can be best described as a private sector rentier economy. The second structural change was the increased involvement of the donor community, led by the IMF and supported by the World Bank, the Paris Club of Official Lenders and official aid agencies, with the aim of creating a market economy.

After the crisis of 1989, three factors dominated Jordan's economic relations with the outside world: the need for loans from the IMF and World Bank; the need to address the high level of government debt; and the need for aid. The countries and institutions, which could fulfil these requirements, form what this study terms 'the donor community', whose price for providing assistance was to extract promises for economic change by the Jordanian state.

Throughout the 1980s, the impact of the troika of the Cold War, Keynesian development practices and the large dollar surpluses of the Arab oil-exporting countries, upon which a rentier mentality had evolved, were gradually eroded. These changes resulted in an overall reduction in the global levels of aid through the 1980s and 1990s. Countries such as Jordan were not only less able to attract aid, but also the recipients had to adopt new economic policies to attract further aid. From independence, and in particular from the early 1970s, the state as an institution attempted to offset economic problems by rent-seeking, rather than by building a self-sustaining economy. Given the changes in the international environment and the changing patterns of global aid in the 1990s, could the Jordanian state as an institution continue to attract *and also* control access to rent?

The terms and conditions for the four structural adjustment programmes (SAPs) agreed with the IMF from 1989 varied neither with the economic position nor the degree of adherence to the terms of the previous programmes but depended to a considerable extent on the political situation in the region and the domestic threats to the Hashemite monarchy. The conditions attached to SAP I (1989) were more onerous than those attached to SAP II (1992), by which stage the importance of Jordan to the Arab–Israeli peace process and maintaining sanctions on Iraq was paramount. In addition, the initial SAP had created tension within Jordan, inducing rioting

in Ma'an – an area associated with the regime's bedrock support, thereby threatening the stability of Hashemite rule. Thus, SAP II was negotiated with the need to maintain political stability, rather than economic change, in mind. By 1999, when SAP III was negotiated, the regional situation had changed. The peace process had stagnated, the international reaction to the death of King Hussein indicated a perception that Jordan could no longer play an important role in unlocking the peace process, and sanctions on Iraq no longer received the full backing of the international community: thus reducing the strategic importance of Jordan and resulting in stronger conditionality. However, by the time negotiations on SAP IV commenced in 2002, Jordan's strategic importance had once become paramount, because of the War on Terror, resulting in less onerous terms being applied again.

Throughout the SAPs, the IMF and World Bank adopted a public 'carrot' and private 'stick' approach to the delays by the state in implementing the conditions of the programmes. The public demonstrations of support by the Bretton Woods Institutions (BWIs) could be seen as boosting the stability of the regime in the face of public unrest expressed in the widespread riots in 1989 and 1996 against price rises caused by the reduction in subsidies under the SAPs. Importantly, the praise helped the supporters of change among the rentier élite in the face of considerable opposition to the economic reform process (from the street, in parliament, and the bureaucracy, as well as from other members of the rentier élite).

A lack of coherence between the objectives of each of the aid donors to Jordan is apparent, because of differing national interests and differing economic philosophies. The two main donors of the 1990s, the US and Japan, both diluted the efforts to implement a policy of economic liberalisation. The national interest of the US to impose a regional order in the Middle East pitched Jordan into a key strategic position in the early 1990s and again from 2001. After the start of the Madrid Conference in late 1991, the US was able to convince the IMF and the World Bank to adopt the soft glove approach to the negotiations for SAP II. Washington's encouragement of rent-seeking through increased aid (including debt write-offs) increased with the signing of the Jordan–Israel peace treaty in 1994. The Japanese philosophy of development differed from the hegemonic Washington Consensus. Based on their own experiences, they believe the state has a significant role to play in development and that the way forward was through new private sector growth rather than through privatisation of older companies. In addition, the Japanese desire for regional stability, based around the Hashemite regime, allowed Jordan to continue rent-seeking during the Second Gulf War, when other donors pulled out.

Washington was torn between the potentially conflicting aims of its political and security national interests in the region which included (the

majority of the time) providing support for Jordan, one of its key allies in the region, and the promotion of a policy of economic liberalisation. By encouraging the BWIs to adopt a soft glove approach and the Paris Club to write off rather than reschedule debts, along with continued bilateral economic assistance, the US allowed a rentier mentality to continue. However, by imposing a degree of conditionality which promoted economic liberalisation, the opportunities for rent-seeking within the economy were slowly reduced. In addition, other bilateral donors, in particular Japan, embraced a policy aimed at creating a new vibrant private sector, to bypass the captured old guard. A policy of 'education' adopted by the donors included training, seminars, workshops, conferences and media campaigns to encourage an enterprise culture. Funding of new enterprises was encouraged at the grassroots level by micro-finance, while larger companies were supported through loans administered by the Industrial Development Bank. The emphasis by the donor community on support institutions, particularly in the field of advocacy for private sector organisations such as the Young Entrepreneurs Association, allowed the divide between the private and public sector to become more defined, and helped to swing the balance of power in favour of the reformist-private sector camp. Although the aim was to create a market mentality, the policy of continuing aid maintained a degree of rentier mentality, with businesses and support organisations fighting for access to the aid rent. However, with the donor emphasis on sustainability, the funding was usually on a one-off basis, in order to focus long-term efforts on the market-based solution.

Overall, the scope for maintaining the rentier mentality was provided by the lack of coherence within the donor community (which was advanced by the state through actively discouraging donor group meetings), particularly concerning which policies to adopt. The BWIs adopted a soft glove version of the Washington Consensus from 1992 including the reduction in government expenditure, while the UN family, along with other donors, stressed the importance of allocating extra government expenditure for social safety nets. As discussed earlier, the US allowed Jordan considerable latitude initially because of its role in the Arab-Israeli peace process and since 2001 because of the War on Terror. In contrast, the Japanese continually questioned the philosophy behind reducing the role of the state, which they believed was vital for development. However, although donors held their individual perception of what was best for Jordan within the context of the donor's national interest the overall tendency was to support the IMF's attempts to change the economic direction. Even the UN family, which has as its emphasis human development rather than economic development, has accepted IMF conditionality (Gharaibeh, 1999).

Finally, by playing on the fears of the international community, in

particular the US, concerning the domestic stability of Jordan, the state was able to use the threat of the opposition within Jordan to conditionality to ensure that opportunities for rent-seeking were not as limited as the economic position would have justified. However, when necessary, the IMF was able to force the state to implement change that was potentially destabilising, as in the case of the bread price rises in August 1996. In that case, the population was 'prepared' for these rises as a result of debate in the media and parliament; this had not been the case prior to the riots in 1989.

Self-preservation of the rentier elite

In order to assess the reaction of the rentier élite to the twin threats of donor community involvement and changing patterns of rent, this chapter uses two case studies: the introduction of a VAT system and the phasing out of subsidies. These were both demanded by the IMF in SAP I in 1989 but have yet to be fully implemented. As discussed previously, the rentier élite came to prominence in Jordan in the early 1970s, but the recession in the late 1980s saw cracks beginning to appear within the group, which the donor community needed to exploit if it wanted to be able to introduce a market economy.

The example of the sales tax/VAT illustrates how the rentier élite reacted to a conditionality that threatened both its economic and political bases. The declining levels of rent required new sources of revenue if the state was to be able to maintain any semblance of an expenditure policy. Importantly, the choice of sales tax as the new vehicle for the state to raise its revenue can be seen as part of the continuance of élite control of the decision-making process – an indirect tax such as the sales tax falls proportionally more heavily on the poor than a progressive direct tax such as income tax, which hits the rich harder. Paradoxically, sales tax revenues were required to maintain the state in order to ensure the political base of the rentier élite, but the necessary price rises provoked the spectre of renewed social dislocation, as happened in April 1989. However, the tax also directly threatened the economic base of the rentier élite, through reduced sales and therefore reduced profits at a time of increasing competition from foreign-sourced, high-quality, low-priced goods as the trade environment was liberalised. These threats help explain the long battle against the implementation of VAT and the level of the tax raised.

One of the conditions of the first SAP was that the government should introduce a VAT system by 1991. As a first step towards compliance, a consumption tax on a range of imported and locally produced items was introduced in the 1990 budget. Thereafter, a general sales tax (GST) was to be introduced before VAT was fully implemented. After only one year, the IMF was already expressing dissatisfaction with the government's

commitment to introducing VAT (EIU, 1990 p.13). The hiatus caused by the Gulf War saw little progress being achieved; thus by June 1992, in the Kingdom's Letter of Intent, the government promised to implement GST by January 1993 (EIU, 1992, p.14). Although the draft law was prepared by November 1992, the government failed to implement the tax as promised. After considerable debate, a watered-down version of the General Sales Tax Law was eventually enacted on 1 June 1994. The IMF had initially sought a rate of 12 percent and the government 10 percent but parliament diluted the rate further, to only 7 percent. On luxury goods the government had sought 25 percent, but this rate was reduced to 20 percent. In addition, a number of exemptions from the tax were granted. Finally, parliament decreed that the government could not commit itself to implementing VAT for five years, rather than three, and also that the change would have to be discussed in parliament first.

The IMF had agreed tacitly to delay the introduction of GST until after the November 1993 elections because of the unpopularity of the tax both on the street and in parliament. However, the major reason for delay was the considerable pressure applied by the private sector, which argued that the economy was not prepared for the tax. Partly in an effort to gain support from the private sector, a joint private-public sector committee was established at the beginning of 1994 to study GST. As a result, certain sections of the private sector were able to gain significant levels of exemptions. Indeed, local economist Dr Fadel Fanek argues that private sector importers and professionals (that is, those with access to the rent circuit) were able to benefit at the expense of local industry and government revenue (MEED, 07/05/93, p.17). In addition, the private sector had also been able to delay the extension of the tax to the service sector from six to 36 months. The private sector was also able to influence the bill through parliament. With regard to the changes to the bill, Ali Abul Ragheb, Chairman of the Financial Committee of the Lower House (and later Prime Minister), commented that the committee had met with many economic figures, 'particularly those associated with the Amman Chamber of Industry, the Amman Chamber of Commerce and various professional associations' (SWB, WER, 29/03/94, p.WME/5).

Following the promulgation of the law, a committee was established to close the loopholes. The committee comprised the Director-General of the Customs Department, the Head of the FJCC, the Chairman of the ACI and the Secretary-General of the Ministry of Industry and Trade. However, rather than expand the base of the tax, pharmaceuticals were also given exemption within two months (EIU, 1994, p.13).

A recurring feature of the state's policy since 1989, particularly in the economic field, was to allow parliament to water down various proposals,

only for the policy to be fully implemented at a later date: often with little protest in parliament or on the street despite the strength of the initial opposition. Thus, 16 months after sales tax was first introduced the rate was raised from 7 percent to 10 percent, albeit at the insistence of the IMF. However, as a *quid pro quo*, the number of goods exempted was raised from 55 to 78.

The conditions attached to SAP III, which was agreed in April 1999, included the agreement to replace GST with VAT. The Memorandum on Economic and Financial Policies, dated 4 July 2000, acknowledged that the legislation modifying GST to convert it into VAT had not been submitted to parliament before the end of March 2000, as promised. The government blamed the need to pass the WTO-related amendments for the failure to process the legislation. Over a decade after it was first promised, a VAT system was eventually implemented at the beginning of 2001, the sales tax rate having been increased from 10 percent to 13 percent in mid-1999, with the number of exemptions also being reduced.

The case study of the sales tax illustrates the ability of the rentier élite to be able to use the threat of instability to stave off change. The threats to the economic and political power bases of the rentier élite help explain the long battle against the implementation and the level of the tax raised. On the question of homogeneity of the rentier élite, certain sectors – the importers and the service industry professionals in particular – were able to benefit by gaining exemptions from the tax, at a direct cost to other parts of the economy.

The continued drain of subsidies threatened the economic recovery of the economy but, at the same time, their withdrawal removed another pillar of the political advantage of expenditure policy. Furthermore, a number of subsidies, such as assistance for exporters and agriculture and on fuel, had a direct bearing on the economic base of the rentier élite. As with the sales tax, the effects would not be evenly distributed throughout the rentier élite, and implementation would also offer new opportunities. The question of food subsidies was even more politicised than that of the imposition of the sales tax. On two occasions, in 1989 and 1996, riots had broken out over the withdrawal of subsidies. Worryingly for the regime, on both occasions the disturbances emanated from among those considered to be the traditional supporters of the Hashemites.

Prior to the involvement of the IMF, the Ministry of Supply set the prices for basic staples, including wheat, bread, sugar, rice, milk, beef, lamb and poultry. By maintaining the price below the market level, the state was forced to meet the shortfall. Before the collapse of the dinar, the cost was approximately JD4m per year (MEED, 17/03/89, p.21). However, with the onset of the recession, the budget for 1989 had initially allocated JD33m

for this purpose (*MEED*, 17/03/89, p.21), but by March the estimates had grown to JD60m (SWB, WER, 07/03/89, p.i). Despite the escalating costs, the state reiterated its commitment to subsidies on basic goods as well as continuing 'to support the military and civil consumer corporations, which serve about 350,000 employees, military, retired and their families' (SWB, WER, 09/01/90, pp.A1/4–6). The eventual cost of subsidies in 1989 was JD72m (SWB, WER, 13/02/90, pp.A1/3–5) and by 1990 subsidies on food alone reached JD102m (3.9 percent of GDP) (Government of Jordan, Ministry of Planning, 2000, p.5). Before the IMF would allow SAP I to be confirmed, the government was forced in April 1989 to implement a series of price increases, including fuel prices, telephone charges, oats and barley. The outbreak of violence in reaction to these increases in non-food items created extra space for the government in later discussions with the IMF because of the fear within the donor community of political instability.

The IMF was, nevertheless, determined to cut the food subsidy bill through the targeting of the subsidies to those most in need, thereby reducing some of the political concerns of addressing the problem. In March 1990, the IMF was reported to have cut short its annual review because, among other reasons, it felt the government was not serious about addressing the problem of food subsidies (*MEED*, 16/03/90, p.25). The refugee crisis as a result of Iraq's invasion of Kuwait in August 1990 helped focus the minds of the decision-makers, with the result that food-rationing coupons were introduced on 1 September for sugar, rice and powdered milk. A year later, the scheme was extended to include flour (SWB, 12/11/91, p.A/17). The coupons were available to all families, thus creating a two-tier pricing system, which was expected to reduce the cost of the subsidies by around JD20–30m per annum (EIU, 1990, p.12). These changes were met with a subdued reaction on the street, in the media and in parliament.

In January 1994, subsidies on sugar, rice, dried milk, frozen chicken and olive oil were restricted to families with an income of less than JD500 per month. Nevertheless, the failure to address the main subsidy, bread, resulted in the cost of the subsidies rising to JD100m in 1995 (*MEED*, 26/07/96, pp.12–13), with the Minister of Supply, Munir Subar, claiming that the cost would be JD150–160m for 1996 (SWB, WER, 09/07/96, pp.WME/12–13). The escalating cost was partly due to an increase in the world price of wheat. As a result, Subar announced in early July that bread prices would be increased from 85 fils per kg to 250 fils per kg. The proposed increases were condemned in the media, in parliament and on the street. However, the IMF maintained pressure by refusing to accept the Letter of Intent of 13 June 1996, arguing that Jordan had already promised to deal with the question of subsidies in the Letter of Intent of 31 December 1995. The regime, in the person of Crown Prince Hassan, was reported to have

requested leeway from the IMF in implementing the price rises, but the IMF said that arrangements made with other donors could not be implemented until the subsidies were lifted (SWB, 02/08/96, MED16–17). Although attempts were made to debate the situation in parliament, the sitting was suspended on 8 August without the issue being resolved. Eventually, the price was raised to 180 fils per kg (*Mideast Mirror*, 19/08/96, pp.13–20) on 13 August, with the result that riots broke out on 16 August in Karak and spread to Amman the following day (SWB, 19/08/96, MED/1–2).

The coupon system of subsidies on rice, sugar and milk was replaced on 1 September 1997 by cash for those families with an income of less than JD500 per month. In January 1999, all general cash transfers on food had been replaced by targeted assistance to the needy families through the National Assistance Fund. This system met the requirements of the IMF by targeting welfare spending to the needy. In addition, the prices of fruits and vegetables, along with a number of other consumer commodities, were liberalised (Central Bank of Jordan, 1997). Nevertheless, the price of a number of other commodities, including the important ones of bread, crude oil derivatives (at the end of 2000, subsidies accounted for 20–40 percent of the price [*Jordan Times*, 06/12/00]), and agricultural inputs such as fodder were still set and subsidised by the state. In its Letter of Intent issued in April 2002, the government agreed to increase the prices of fuel oil, diesel, kerosene and LPG by a weighted average of 10 percent (a move that would not bring prices in line with market prices). In addition, the government also committed itself to raising the price of bread ‘gradually at the appropriate time’ and to raising the prices of animal feed to market levels (Government of Jordan, 2002). The administrative pricing structure for animal feed was dismantled immediately following the letter. One further indirect method of subsidisation was through the Civil and Military Stores, which supplied cut-price, if not subsidised, goods to government employees: these stores were opened to the general public in 1998.

The subsidies’ case study demonstrates that as the levels of state rentierism fell, the rentier élite had to adopt different policies in order to continue the legitimacy of their political rule. No longer were they able to buy wholesale political support; instead funding had to be more carefully targeted in order to husband the declining resources. However, broad-based subsidies were continued through the control of the price of basic staples, such as bread, and through the Civil and Military Stores. The riots in 1989 and 1996 in the face of declining state rentierism enabled the rentier élite to gain support from the donor community, which did not wish to see the collapse of the Hashemite regime, fearing this would cause further instability in a region already considered to be inherently unstable.

Conclusion¹

The two case studies highlight the complexity of the relationship between the donor community, the state, and the rentier élite. The relationship was not only affected by the declining levels of aid rent, but also by the changing interests of the central actors. The priority of the economic conditionality of the IMF SAP was diluted by the political interests of certain members of the donor community. The threat of political instability within Jordan and regionally allowed the rentier élite greater latitude than should have been expected, given the severity of the economic crisis and the structural problems facing the economy. However, over the period, the IMF managed to exacerbate differences within the rentier élite created by the changing patterns of the rentier economy, thereby reducing the cohesiveness of the latter. This split within the rentier élite allowed an increasing acceptance of the conditions sought by the donor community. However, a full-blown commitment to a market economy is still not possible due to the historic relationship between the rentier élite and society in general. In Jordan considerable opposition to the wider policies of economic restructuring, including privatisation, still exists in parliament, on the street and within the media. The need to preserve the support of certain sectors of society in order to maintain political legitimacy continues to be a major factor in the behaviour of the rentier élite.

Following the intervention of the IMF from 1989, a number of phases in the relationship between the state, the BWIs, and economic liberalisation can be adduced. From 1989 to 1995, the state was to a large degree able to repel the main thrust of the conditions sought by the BWIs. From 1995 to 1998, the pressure applied by the BWIs began to tell with positive moves, especially in the legislative field, to implement the policies of economic liberalisation. Finally, from 1998, there came an acceptance by the state of the need to adopt the conditions sought. However, even in this period the degree of support for the process fluctuated. The ebb and flow can be seen as part of the battle within the rentier élite concerning the desirability of adopting economic liberalisation, and also regarding the most appropriate method of implementation: should the change allow a state-led economy in which the rentier élite dominate or, as sought by the donor community, a market-based economy?

Overall, the rentier élite showed a willingness to comply with the general principles of the IMF SAPs. However, the support was watered down by the need to maintain both political legitimacy and short-term, self-interested economic expediency. Major threats to the interests of the majority of the rentier élite, such as the imposition of the sales tax at 13 percent, were fought bitterly. Private sector economic interests meant the élite did not

seek a fully fledged free market, but were increasingly willing to support a distorted form of liberalisation. A complex balancing act was forced on the state to maintain sufficient support for the IMF policies to ensure the continued support of the rest of the donor community; to maintain the political support of certain segments of society; and to ensure that control and access was maintained to the decreasing volumes of aid rent. This balancing act was achieved by following the general momentum of the IMF policies, while continually grinding out concessions that were later often diluted, as the educating effects of the donor community won out.

By the early years of the new century, the majority of the economic élite in Jordan seemed to be convinced of the need to privatise. What swung the balance in favour of reform? Firstly, the debate over economic liberalisation (and in particular privatisation), encouraged by the certain sectors of the state and donor community for the previous decade and a half, helped undermine opposition from both the street and parliament, through a continual drip-by-drip approach. Secondly, the donor community employed considerable resources to help foster a climate of acceptance for the idea of privatisation. By funding academic seminars, training courses, media advertising, discussions through local and foreign NGOs and the promotion of advocacy groups, the donor community was slowly able to build up a groundswell of support for privatisation. Not only was the street and, to a degree, parliament convinced, but more importantly previously opposed factions of the rentier élite realised that personal gains could be won. Their conversion was not ideological but for reasons of self-interest. Importantly, by the time SAP IV was introduced, the pressure for reform was not only being driven from the top of the regime but for the first time was now coming from the private sector.

Note

- ¹ For a fuller discussion of the topic, see W. Knowles (2005) *Jordan Since 1989: A Study in Political Economy* (London: IB Tauris).

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6

Security Through Democracy? The Legacy of the Bush Administration and the Future Role of Democracy Promotion in American Foreign Policy

Jana Dorband

Introduction

One of the many consequences of the attacks on 11 September 2001 was the rise of democracy promotion on the foreign policy agenda of the United States. The underlying rationale was the assumption that there was a causal connection between the so-called ‘freedom deficit’ in the Middle East and the emergence of violent extremism. Based on a critical assessment of the United States’ past commitment to stability and support of autocratic regimes in the region, President George W. Bush proposed a new policy agenda that would, instead, push for political reform and establish democratic transformation as a long-term goal. In one of his most programmatic speeches on this topic, President Bush argued: ‘Sixty years of Western nations excusing and accommodating the lack of freedom in the Middle East did nothing to make us safe – because in the long run, stability cannot be purchased at the expense of liberty. As long as the Middle East remains a place where freedom does not flourish, it will remain a place of stagnation, resentment, and violence ready for export. And with the spread of weapons that can bring catastrophic harm to our country and to our friends, it would be reckless to accept the status quo’ (Bush, 2003). The President then announced: ‘Therefore, the United States has adopted a new policy, a forward strategy of freedom in the Middle East. This strategy requires the same persistence and energy and idealism we have shown before. And it will yield the same results. As in Europe, as in Asia, as in every

region of the world, the advance of freedom leads to peace' (Bush, 2003). The reaction to this new commitment to democracy promotion, however, has remained cautious. Particularly, the continued challenges in stabilising and rebuilding Afghanistan and Iraq have highly politicised the debate over the means, ends and prospects of establishing democratic governments and supporting participatory political structures abroad. An opinion poll by the German Marshall Fund (GMF) found that popular support for democracy promotion has fallen significantly between 2005 and 2007 amongst Republicans as well as amongst Democrats.¹ In addition, the reform agenda of the Bush administration has come under scrutiny in the face of a series of political developments and crises in the Middle East such as, for instance, the victory of Hamas in the 2006 Palestinian elections. Political responses to these challenges highlighted the inherent conflicts and short-term trade-offs between the goal of democracy promotion and security concerns. These developments led critics of the Bush administration to decry a gap between the often lofty rhetoric and pragmatic policy choices. The democracy agenda was declared a short-lived experiment that had failed.

This chapter, however, suggests that this conclusion is premature and based on a limited perspective. In order to fully assess the future place of democracy promotion in American foreign policy it does not suffice to focus on the mistakes that were made on the ground or on the tensions and often conflicting objectives that are inherent in any field of foreign policy. Instead, it is necessary to assess the strategic calculation that brought democracy promotion to the forefront of the US foreign policy agenda as well as the institutional framework in which the political reform agenda became embedded. This chapter draws its conclusion from an analysis of three critical and mutually reinforcing dynamics that created a radically new place for democracy promotion in US foreign policy:

1. The gradual yet fundamental transformation of national security threats after the end of the Cold War.
2. The establishment of a new national security doctrine in reaction to the terrorist attacks of 11 September 2001 that identified development as a key element of foreign and security policy.
3. The institutionalisation of the political reform agenda through the Foreign Assistance Reform.

In combination, these three developments gave an unprecedented weight to democracy promotion in US foreign policy and point to its continued if not increasing role well beyond the years of the Bush administration.

A new geography of security and danger: weak states, transnational actors and asymmetrical threats

In the collective consciousness of the United States, 9/11 was a historical

turning point. However, the terrorist attacks did not change the world. They rather demonstrated how radically the world *had* changed since 1989 and created the political urgency to react to these developments. Immediately after the attacks, the Bush administration started the most comprehensive institutional and doctrinal reorganisation of US foreign policy since the end of World War II. Yet, in their very essence these efforts were not merely a reaction to individual terrorist attacks but rather to deeper changes that started with the end of bipolar geopolitical order of the Cold War. As a corollary to the transformation of the international system, the threats to US national security also changed.

Despite a high degree of uncertainty and a lack of strategic direction throughout the 1990s, a new theme emerged in the strategic discourse. States and state behaviour were no longer the main focal point of national security. Instead, there was an increasing concern about threats posed by non-state actors and transnational developments. The state-centered approach to international relations that had dominated Western strategic thinking since the 1648 Peace of Westphalia was gradually eroding. A 1997 strategy paper drafted by the National Intelligence Council conceptualises these changes by focusing on the role states play in the international system. It argues that international order had formerly been based on relations and power arrangements between individual states. Within their borders, however, these states were sovereign actors. The paper argues that this had been 'the hallmark of the international system that emerged at the end of World War II and the environment within which the United States has become the global superpower' (US National Intelligence Council (NIC), 1997). After the end of the Cold War, however, the monopoly of state power – both internationally and domestically – is increasingly challenged. Conflicts are no longer between states but internal, states increasingly fail to meet basic requirements that bind citizens to their government while governments are losing significant parts of their national agenda due to globalisation, the revolution in information technology, and the increasing importance of non-state actors. Based on this assessment the report concludes that the United States will have to develop new concepts of international order and redefine its foreign policy agenda.

The attacks of 11 September 2001 created the necessary momentum to incorporate these new trends and developments into a coherent strategic vision. The 2002 National Security Strategy assessed in a systematic manner what had changed since 1989 and contained a full realisation of the nature of the new threat the United States was facing: 'Defending our Nation against its enemies is the first and fundamental commitment of the Federal Government. Today, that task has changed dramatically. Enemies in the past needed great armies and great industrial capabilities to endanger

America. Now, shadowy networks of individuals can bring great chaos and suffering to our shores for less than it costs to purchase a single tank. Terrorists are organised to penetrate open societies and to turn the power of modern technologies against us' (NSS, 2002). One of the most important conclusions NSS 2002 draws is that great powers no longer pose the only threat to the security of the US. On the contrary, weak or failing states became a primary national security concern: 'The events of September 11, 2001, taught us that weak states, like Afghanistan, can pose as great a danger to our national interests as strong states. Poverty does not make poor people into terrorists and murderers. Yet poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders. [...] America is now threatened less by conquering states than we are by failing ones. We are menaced less by fleets and armies than by catastrophic technologies in the hands of the embittered few' (NSS, 2002).

The CIA threat assessments are consistent with that vision. Transnational threats like international crime or terrorism are blamed on developments within states or on a lack of state power. Issues that had previously been mostly a humanitarian concern or that had been neglected were brought to the forefront of the national security agenda. The CIA warned: 'We know from the events of September 11 that we can never again ignore a specific type of country: a country unable to control its own borders and internal territory, lacking the capacity to govern, educate its people, or provide fundamental social services. Such countries can, however, offer extremists a place to congregate in relative safety' (US Central Intelligence Agency, 2003).

This focus on weak states and lack of development as key security challenges radically transformed the geopolitical map of sources of threats. Developments inside individual states became equally important as the state's external behavior. The threat posed by transnational actors further undermined the state-centered approach to international politics and global security and prompted the US to increasingly look beyond national borders and focus on developments within individual states. Thus, a new global geography of security and danger emerged.

The end of 'Arab Exceptionalism'

As pointed out above, the most important consequence of this new threat perception was a focus on political and socio-economic conditions within individual states. The question how to address that issue became the vantage point for a reassessment of development policy as an element of US foreign policy. Two aspects are important to point out: First, development became

a crucial element of security policy, and, second, democracy promotion was considered to lie at the heart of sustainable development policy.

The conceptual origins and underlying assumptions of promoting a political reform agenda emerged from the strategic re-evaluation of US Middle East policy following 11 September 2001. In that process, the 2002 Arab Human Development Report served as a crucial point of reference. Many of the conclusions of the report, which was written for the United Nations Development Programme (UNDP) by a group of prominent Arab scholars and experts, directly found their way into official policy statements of the Bush administration. Even though there are some major differences regarding the assessment of the Arab–Israeli conflict and its impact on the development prospective of the region,² the essence of the report reflects the underlying rationale of the Bush administration's reform agenda. Thus, the main arguments will be briefly summarised.

The Arab Human Development Report promotes a perspective on development that is both regional and people-centered. Both of these aspects made the findings of the report appealing to Bush administration and its attempts to rethink the US approach toward the Middle East. The report defines 'human development' as 'the expansion of human capabilities, choices and opportunities' (UNDP/AFESD, 2002, p.III) and argues that these elements play a pivotal role for the overall development process of countries and regions. Accordingly, the lack of democratic development is claimed to constitute one of the key problems in the Middle East: 'There is a substantial lag between Arab countries and other regions in terms of participatory governance. [...] This freedom deficit undermines human development and is one of the most painful manifestations of lagging political development' (UNDP/AFESD, 2002, p.2). While the proposed policy agenda for the region is very broad (including knowledge, education, women's rights, free markets, poverty alleviation etc.), the report – using very cautious language – emphasises the need for democratic development: 'Human development is development of the people, for the people and by the people. If development is to be people-centred, then participatory processes need to be central to its evolution. Participation takes many forms: political, economic, social and cultural. Freedom, basic human capabilities and competitive markets are critical conditions for participation' (UNDP/AFESD, 2002, p.9). The report contends that the so-called 'freedom deficit' increasingly feeds into feelings of alienation and discontent: 'Political participation in Arab countries remains weak, as manifested in the lack of genuine representative democracy and restrictions on liberties. At the same time, people's aspirations for more freedom and greater participation in decision-making have grown, fuelled by rising incomes, education, and information flows. The mismatch between aspirations and their fulfilment

has in some cases led alienation and its offspring – apathy and discontent. Remedying this state of affairs must be a priority for national leaderships.’ (UNDP/AFESD, 2002, p. 9)

In short, the report argues that the ‘freedom deficit’ will hinder political, economic and social development in the Arab World and might, in the long run, destabilise its political systems and undermine its social order. This analysis was taken up by the Bush administration and connected to the threat of violent extremism and terrorism. Thus, issues of governance, social development and political participation in the Middle East became directly linked to the national security of the United States. Consequently, the promotion of democracy was declared a strategic priority of US Middle East policy.

The three D’s of national security: defense, diplomacy, and development

The new strategic significance of development issues did not stay limited to the dealings with the Arab World. The National Security Strategy of 2002 defined ‘political and economic freedom, peaceful relations with other states, and respect for human dignity’ (White House, 2002) as the overarching goal of American foreign policy. It develops policy tools that besides the traditional areas of defence and diplomacy also address the area of development and it rejects the conventional notion of conflicting goals between idealist and realist foreign policy approaches. A comparison between the 2002 NSS and the 2006 NSS clearly reveals the direction and evolution of the strategic thought process of the Bush administration. While the 2002 NSS (White House, 2006) already indicated that development would rise to an equal level with defense and diplomacy, it remained very vague on how exactly this new approach would be translated into policy. The 2006 NSS develops this new approach further and makes it even more explicit: ‘Development reinforces diplomacy and defence, reducing long-term threats to our national security by helping to build stable, prosperous, and peaceful societies. Improving the way we use foreign assistance will make it more effective in strengthening responsible governments, responding to suffering, and improving people’s lives’ (White House, 2006). Moreover, the document contains very concrete and detailed proposals on how to implement this agenda – in particular, on how to reform the bureaucratic architecture of US foreign policy in order to reflect the new strategic emphasis on development assistance and democracy promotion.

At the heart of the 2006 National Security Strategy lies the link between ‘liberty at home’ and ‘liberty abroad’: ‘Championing freedom advances our interests because the survival of liberty at home increasingly depends

on the success of liberty abroad. Governments that honor their citizens' dignity and desire for freedom tend to uphold responsible conduct toward other nations, while governments that brutalise their people also threaten the peace and stability of other nations. Because democracies are the most responsible members of the international system, promoting democracy is the most effective long-term measure for strengthening international stability; reducing regional conflicts; countering terrorism and terror-supporting extremism; and extending peace and prosperity. To protect our Nation and honor our values, the United States seeks to extend freedom across the globe by leading an international effort to end tyranny and to promote effective democracy' (White House, 2006). Effective Democracies are defined as 'states that are respectful of human dignity, accountable to their citizens, and responsible towards their neighbors' (White House, 2006). The document acknowledges that 'freedom cannot be imposed; it must be chosen' (White House, 2006). It emphasises that '[t]he form that freedom and democracy take in any land will reflect the history, culture, and habits unique to its people' and underlines the United States' commitment to 'support advocates of freedom in every land' (White House, 2006). In order to achieve that goal, the US will tailor its approach to the specific context of each country and rely on a combination of diplomatic, political and economic tools. However, the document also acknowledges that any policy of promoting political reform will need to be balanced with 'other interests that are also vital to the security and well-being of the American people' (White House, 2006).

The 2006 NSS expresses two core ideas regarding democracy promotion: firstly, that democracy promotion has to lie at the heart of foreign assistance and development policy. And, secondly, that democracy promotion has to be viewed as a long-term commitment to support a transitory process, rather than as an ad-hoc instalment of a new form of government. Another idea that resonates strongly in the document is that of an international community of democracies: 'The United States will lead and calls on other nations to join us in a common international effort. All free nations have a responsibility to stand together for freedom because all free nations share an interest in freedom's advance' (White House, 2006). Connected to that is the intention to internationalise democracy promotion by actively engaging multilateral and regional institutions and organisations.

Towards an institutionalisation of democracy promotion as a key element of foreign policy: the foreign assistance reform

The introduction of a political reform agenda to the Middle East – a region which had not been the focus of such efforts before – as well as the broader

concern for democracy promotion in American foreign policy was reflected in numerous policy initiatives. It affected a broad range of governmental, non-governmental and private actors who are involved in this policy field either as funding or implementing organisations. While it remains highly contested whether democratisation played a key role in the military interventions in Afghanistan and Iraq, the new emphasis on political reform becomes clearly visible in the application of soft foreign policy tools – particularly, with regard to foreign aid and economic engagement. In this field the administration made a genuine attempt to increase pro-democratic elements (Carothers, 2007). These efforts included the creation of the Millennium Challenge Account (MCA), the State Department's Middle East Partnership Initiative (MEPI), the Broader Middle East and North Africa Initiative (BMENA), and a new emphasis on political reform in existing programs at the United States Agency for International Development (USAID). The bilateral free trade agreements with Morocco and Bahrain were also considered a crucial part of the reform agenda.³ While these individual programmes and initiatives certainly created a strong momentum, the current reform efforts in the field of foreign assistance are likely to have a more lasting effect on the role of democracy promotion in American foreign policy. These reforms are part of the overall reorganisation of the foreign policy apparatus following 9/11. So far, the centre of attention had been the transformation of major national security institutions in the area of defence and intelligence. As proposed in the 2006 NSS, however, development policy and diplomacy are now an additional focus of the reform process.

The US Foreign Assistance Reform was announced by Secretary of State Condoleezza Rice in January 2006 as the 'most ambitious development agenda since the Marshall Plan' (Rice, 2006a).⁴ It seeks to address three main challenges. The first challenge is the high degree of fragmentation of foreign aid across a number of different agencies. As a result, coordination, oversight, accountability and transparency had become virtually impossible. Also, many programs are considered ineffective, redundant or even conflicting in their objectives. The second challenge is the lack of a systematic link between foreign assistance and other foreign policy objectives. And, the third challenge is that the institutional architecture of foreign aid still dates from the years of the Cold War and, therefore, does not provide an adequate framework for new tasks and security threats.

With the foreign assistance reform, the Bush administration attempts to tackle these problems and to establish clear objectives for the so-called 'transformational development' agenda. These objectives include a strategic direction for US aid policy that is closely coordinated with other foreign policy goals. Each field office will then be responsible to submit operational

plans that document that funding is used in line with the overall strategic framework. On the programmatic level, the promotion of 'democratic' and 'well-governed' states⁵ is established as a key objective. Improved governance and democratic participation are considered indispensable drivers of sustainable development and economic growth. Regarding the institutional architecture of foreign aid policy, the reform attempts to integrate strategic direction and priorities across various government agencies not only to improve cooperation, but also to improve transparency, accountability and effectiveness. This is particularly important for Congress to exercise oversight and decide over resource allocation.

The starting point for the institutional reorganisation is the closer alignment of the State Department and USAID, who together administer 75–80 percent of all foreign assistance (US Department of State, 2007).⁶ To this end, the new position of Director of Foreign Assistance (DFA) with a rank equivalent to Deputy Secretary was created at the State Department. The DFA, who serves concurrently as Administrator of USAID, is nominated by the President and confirmed by the Senate. He has authority over all Department of State and USAID foreign assistance funding and programs and also provides guidance to aid delivered through other government agencies and entities such as the Millennium Challenge Corporation (MCC) and the Office of the Global Aids Coordinator (OGAC). The office of the DFA is expected to direct and push forward the transformation of US foreign aid policy as initiated by the Bush administration. Its primary responsibility is to ensure that all of US foreign assistance complies with a coherent strategy and is consistent with country-specific foreign policy goals. Thus, through this new office the stronger political and strategic dimension of foreign aid is institutionalised. So far, the DFA has produced two key policy documents that further expand and develop the new development agenda – both in terms of concepts and instruments. In their joint Strategic Plan for fiscal years 2007–12, the Department of State and USAID present how they will implement the policy positions that were announced in the National Security Strategy 2006. The document combines goals in foreign policy and in development policy and establishes a common strategic framework. At its centre lies the idea of 'transformational development' – an approach to development that 'engenders lasting economic, social, and democratic progress, through a transformation of institutions, economic structures, and human capacity, so that nations can sustain further advances on their own.' (US Department of State/USAID, 2007, p.6). This objective emerges from three basic assumptions; 1) The United States' freedom is best protected by ensuring that others are free; 2) the United States' security relies on a global effort to secure the rights of all; and 3) the United States' prosperity depends on the

prosperity of others (US Department of State/USAID, 2007, p.10).

The new Foreign Assistance Framework was drafted in July 2007. It was developed as an analytical tool to link aid policy to strategic objectives and as a common reference for officials in the State Department as well as at USAID who are supposed to implement the transformational development agenda. Based on common traits, the framework divides recipient countries into five different categories: 1. Rebuilding Countries – defined as ‘states that are in or emerging from and rebuilding after internal or external conflict’; 2. Developing Countries – defined as ‘states with low or lower-middle income, not yet meeting MCC performance criteria, and the criterion related to political rights’; 3. Transforming Countries – defined as ‘states with low or lower-middle income, meeting MCC performance criteria, and the criterion related to political rights’; 4. Sustaining Partnership Countries – defined as ‘states with upper-middle income or greater for which US support is provided to sustain partnerships, progress, and peace’; and 5. Restrictive Countries – defined as ‘states of concern where there are significant governance issues’. Based on this differentiation, the framework develops a matrix that links each of these country types to the following five strategic objectives: Peace and Security, Governing Justly and Democratically, Investing in People, Economic Growth, and Humanitarian Assistance. The framework then devises country-specific policy tools and instruments to achieve these goals. The underlying approach to development is dynamic and process-oriented. Each country is viewed in a trajectory of progress ‘with the ultimate intent of supporting recipient country efforts to move from a relationship defined by dependence on traditional foreign assistance to one defined by full sustaining partnership status’ (US Department of State, 2007). The Foreign Assistance Framework identifies which specific policy tools should be employed by the State Department and by USAID at specific stages of that process. Democracy promotion is central to this new framework in two respects: firstly, the creation of democratic and well-governed states is the overarching policy goal of the entire framework. And, secondly, the country categories are based on a combination of political and economic indicators. Accordingly, democratic variables determine the approach that is taken towards individual countries.

Political implications

The Foreign Assistance Reform implies a close integration of security policy and foreign aid under the umbrella of democracy promotion. This does not only affect foreign assistance, it also affects the core task of the State Department: the maintenance of diplomatic relations with foreign countries. Analogous to the concept of ‘transformational development,’

Secretary Rice introduced the term ‘transformational diplomacy’ to denote a new approach to the aims and conduct of diplomacy. Based on the assumption that ‘a more permanent peace’ comes from ‘the spread of democratic values’ and ‘well-governed democratic states’ (Rice, 2006b), Secretary Rice postulated for American diplomats to engage directly with civil society and become more actively involved with issues of good governance and democracy (Rice, 2006b). The NSS 2006 also points to this new objective, which marks a radical departure from traditional diplomacy that refrained from interfering with the internal affairs of foreign countries: transformational diplomacy ‘promotes effective democracy and responsible sovereignty. [...] [D]iplomats must be able to step outside their traditional role to become more involved with the challenges within other societies, helping them directly, channelling assistance, and learning from their experience’ (White House, 2006).

Taken together, the concepts of ‘transformational development’ and ‘transformational diplomacy’ – and their political implementation through the Foreign Assistance Reform – carry a number of important implications. One of the most visible and immediate results regards the relationship between the State Department and USAID. With the creation of the position of the DFA both agencies have, in fact, entered a new phase of inter-agency cooperation and coordination. However, whether this is – as the Bush administration intended it to be – a first step towards a government-wide integration of all actors involved in foreign aid remains to be seen. Most importantly, however, the new institutional structures underline that foreign assistance has not only reached a higher status in foreign policy, it is also increasingly politicised. Aid is considered a political tool that has to be applied in an effective and accountable manner, that is subject to oversight, and that is – most importantly – employed in tune with overall foreign policy objectives. Development does not only have the same status as diplomacy and defence – it also follows the same political logic. Furthermore, the reform efforts substantively alter the United States’ relations with recipient countries who will be subject to greater scrutiny regarding indicators of political development and governance. Diplomatic relations might focus beyond the inter-governmental level and increasingly engage with the civil society.

Conclusions

The Foreign Assistance Reform is still at a very early stage and has to be judged as work in progress. Given the complexity of the problems it seeks to address and the numbers of actors and interests involved, its aims are highly ambitious. In the years to come, individual policies and instruments will

certainly be politically or ideologically contested, renegotiated, and most likely re-labelled. One of the big challenges will be to get Congress involved in the reform process. This will probably entail the rewriting of the 1961 Foreign Assistance Act in order to develop an adequate legal framework for the reform. A full reversal of the reform process, however, appears for several reasons highly unlikely if not impossible.

Firstly, it has to be remembered that these reform efforts are not individual ad-hoc policies. Rather, they have to be contextualised as part of a very broad transformation process. This process certainly gained momentum through 9/11. However, it is an inevitable adjustment and reorientation of foreign policy concepts, instruments and institutions to the new security challenges of the post-Cold War era. In that forward process, there might be competing ideas or contentious positions. Nevertheless, a simple return to former approaches is not a viable policy option.

Secondly, democracy promotion and foreign aid are two topics that currently draw a lot of critical attention from the expert community. Analysts both from a liberal and a conservative perspective argue for a continued emphasis on democracy promotion as an important component of US foreign policy and generally support reform efforts in the field of foreign assistance.⁷ On the one hand, the Bush administration is widely criticised for the means it chose to achieve certain goals and for its failure in the area of public diplomacy. On the other hand, however, the wide array of policy proposals and recommendations underlines that the broader policy community is deeply committed to the core objectives of the reform agenda and supports a sustained reform process in that field. Even harsh critics of President Bush's political reform agenda argue that there should be continued emphasis on democracy promotion under the new administration (Carothers, 2008, 2009; Cofman Wittes, 2008).

Thirdly, there is bipartisan political support for the continued focus on democratic reform. A complete abandonment of democracy promotion is only demanded from the very extreme wings of the political spectrum. Mainstream Republicans and Democrats generally agree that well-governed democratic states are in the United States' security interest and correspond to American values. What is politically contested is not the goal but the question of how to achieve it.

To sum up, under the label 'transformational diplomacy' the Bush administration started a number of reform efforts that placed greater political weight on aid policy and – as laid out in the National Security Strategy of 2006 – aimed at a strategic alignment of security, diplomacy and development. To this end, the promotion of good governance and participatory political structures remain key objectives. The new threats that provided the rationale for the political reform agenda remain valid

today. Consequently, an analysis of the often overlooked reform efforts in the field of foreign assistance, as well as its underlying strategic concepts, strongly suggests a continued emphasis on political reform well beyond the years of the Bush administration. It lies beyond the scope of this chapter to do justice to the complexity of the topic and to include a critical assessment of the reform's flaws, the problems that surfaced in the initial stage of its implementation (Hyman, 2008), and the challenges that lie ahead for its continuation under the Obama administration (Carothers, 2007, 2008; Radelet, 2008). Nevertheless, an interim assessment of this ongoing reform process is relevant and timely. While certain elements surely need revision and modification, the underlying assumptions, objectives and aims will continue to guide policy beyond the years of the Bush administration. Even though newly appointed Secretary of State Hillary Clinton will significantly differ from her predecessor in style and tone, she appears to adhere to the basic tenets of the 2006 NSS. Upon arriving at the State Department on her very first day in office, she emphasised: 'There are three legs to the stool of American foreign policy: defense, diplomacy, and development. And we are responsible for two of the three legs. And we will make clear, as we go forward, that diplomacy and development are essential tools in achieving the long-term objectives of the United States. And I will do all that I can, working with you, to make it abundantly clear that robust diplomacy and effective development are the best long-term tools for securing America's future.' (Clinton, 2009).

Notes

- ¹ Among Republicans the support for democracy promotion fell from 76 percent in 2005 to 53 percent in 2007. Democratic support for democracy promotion declined from 43 percent in 2005 to 31 percent in 2007 (GMF 2007).
- ² The Report identifies 'Israel's illegal occupation of Arab lands' as 'one of the most pervasive obstacles to security and progress in the region geographically (since it affects the entire region), temporally (extending over decades) and developmentally (impacting nearly all aspects of human development and human security, directly for millions and indirectly for others)' (US Department of State/USAID, 2002, p.1).
The Bush administration, on the contrary, had deliberately untied the question of the Arab-Israeli peace process from the political reform agenda in the region (author's conversation with State Department official, March 2007).
- ³ Author's conversation with United States Trade Representative (USTR) official, March 2007.
- ⁴ Unless otherwise indicated, the factual information on the Foreign Assistance Reform is drawn from the relevant websites of the State Department (cf. bibliography for details).
- ⁵ The State Department defines 'democratic' and 'well-governed states' based on the

following indicators: rule of law/human rights, transparent/fair elections coupled with a competitive political process, free and independent media, strong civil society and citizen participation in government and governance structures that are efficient, responsive, and accountable to their people.

- ⁶ Other estimations put that number considerably lower. According to the Congressional Research Service, only 55 percent of the foreign assistance budget falls under the directorate of the Director of Foreign Assistance (Radelet, 2008, p.12).
- ⁷ For substantive contributions to the current debate and policy recommendations see, for example, Carothers (2007), Fukuyama and McFaul (2007) and Brainard (2007).

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Part II:
Democrats Without Democracy
Case Studies

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7

The Meaning of Democracy: A Lebanese Adolescent Perspective

Patricia Velde Pederson

'To think aloud without any fear ...'

Introduction

Democracy is often touted as a highly valued form of government; however, defining what democracy means proves difficult and often it becomes a meaningless catchword, a concept that everyone uses but no one clearly defines. First identified by the Greeks, the concept of democracy has grown and expanded with the ages. Democracy in simple terms means 'rule by the people'; however, in the postmodern world, it is often an ambiguous and illusive concept. Diamond, Linz and Lipset suggest, 'the boundary between democratic and non-democratic is sometime a blurred and imperfect one ...' (1989 p.xvii). Banks (Parker, 1996) describes a democratic society as '... people committed to ways of living together that are marked by popular sovereignty rather ... [than] authoritarianism ... to cultural pluralism rather than oppression in the name of political unity ... [to] commitment to liberty, laws, justice and equality as the moral ground of social life.' (p.iii).

In the past two decades there has been great interest in exploring the potential for and the growth of democracy in the Arab World. Most literature that addresses this concern analyses it from the perspective of Islam *vis-à-vis* democracy (for example, Huntington, 1993; Nasr, 2005; Sarsar, 2006; Springborg, 2007; Tessler, 2006, 2002; Zakaria, 2004). There is continued debate concerning how this political system transfers into a society in which the language has no terminology for Western political concepts such as democracy, citizenship and freedom (Diamond, Plattner and Brumber, 2003; Bukay, 2007). However, in this age of globalisation people are exposed to, adopt, assimilate and redefine new ideas to meet

their needs every day. In other words, democracy 'is not a universal or a unitary concept but is transmuted by each state through its own cultural narratives' (Haste, 2004, p.414).

This transfer is probably most evident in the youth culture – and youth are the leaders of the future. Individuals interested in the potential of democracy as a viable form of government in the Arab World need to explore the knowledge and understanding of this concept amongst Arab youth. Research of this sort may reveal not only how Arab youth define democracy, but also what forces shape their understanding of it and their dreams for the type of society they want in the future. A recent survey of current literature located no studies exploring the thoughts of Arab adolescents' understanding of democracy. This study hopes to add to the extant literature on democracy in the Arab World with an unexplored population.

Review of the literature

Democracy conceptualised

Since the time of ancient Greece, scholars, politicians and individuals at large have outlined and wrestled with the concept of democracy. Hence, it is no surprise that democracy remains an 'essentially contested concept'. (Esposito and Voll, 1996); it holds different meanings to different people and may depend 'on deep-rooted orientations among the people themselves' (Inglehart and Welzel, 2005 p.2). In this chapter, democracy is conceptualised from a political perspective in the liberal tradition rather than a social or economic one.

Perhaps one of the most noted contemporary political theorists outlining liberal democracy today is Larry Diamond. He has outlined his conception of liberal democracy and written extensively about democracy in developing countries, including those in the Middle East. Together with Morlino, Diamond stipulated, 'a good democracy accords its citizens ample freedom, political equality and control over public policies and policy-makers through the legitimate and lawful functioning of stable institutions.' (2004, p.22). Furthermore, they posit that democracy, at a minimum, must allow for: (a) universal, adult suffrage; (b) frequent, open, competitive and fair elections; (c) multiple legitimate parties; and (d) numerous sources of information. Democracy may vary from society to society in the degree practised and the way in which it is implemented and indeed trade-offs and tensions among the dimensions will surface as a society decides how much weight to place on each dimension (Diamond and Morlino, 2004). Thus, liberal democracy is operationalised in a political system, but what guides the quality of this type of government?

Diamond and Morlino articulate eight dimensions with which to evaluate the quality of democracy in a political system. They group these dimensions into three categories: (a) procedural; (b) substantive; and (c) linking. The first five dimensions are procedural and have in common the 'rules and practices' of the phenomenon. First and foremost among them is the *rule of law*. This dimension upholds the civil rights of the citizens and insures that all citizens are equal before the law. This implies that there should be an independent judiciary and that laws are public, constant and not retroactive. The second is *participation*. This means that citizens embrace the responsibility and right to vote, form political associations, voice concerns and engage in support for or protest against governmental policies. Diamond and Morlino argue that tolerance and respect for divergent opinions are essential criteria for this dimension to be fully actualised in a society. The third is *competition*. One measure of this dimension is the amount of systematic, open and fair elections held in a society, where parties and candidates are not denied entry into the political arena. The fourth is *vertical accountability*. This dimension focuses on the level of responsibility elected officials have towards citizens. One method of measuring this dimension is to evaluate: (a) how much and how many different perspectives of information are available to citizens; (b) how responsive elected officials are to citizen concerns; and (c) what the penalties or rewards are for elected officials' actions. The fifth is *horizontal accountability*. This dimension suggests that a 'checks and balances' system be in place to monitor elected officials. This system may be witnessed between government officials or independent agencies may be created to monitor actions of the government (Diamond and Morlino 2004, pp.23–26).

The second category is labelled substantive and has two dimensions. The first is *respect for political, civil and social freedoms*. Political freedoms include the right to vote, organise and join a party and stand for office. Civil freedoms consist of the rights of free speech, religion, assembly, privacy, information and legal defence. Social freedoms include the right to own property, employee safety and fair wages. The second is *political equality*, which suggests that all citizens should have equal rights and legal protection under the law. While true political equality may be illusive, Diamond and Morlino (2004, pp.26–28) assert that there should be some evidence that a society aspires to this end.

The third category, linking, bridges the procedural and substantive categories under the dimension *responsiveness*. This speaks to the ability of the government to meet the demands of the electorate. Responsiveness provides the 'basis for measuring how much or little public policies correspond to citizen demands and preferences as aggregated through the political process' (Diamond and Morlino, 2004, p.22).

Diamond and Morlino suggest that these eight dimensions are not only intertwined, but also fluid. Consequently, they will vary across time and in

intensity within societies. Depending upon the society, one dimension may be more valued and therefore more robust than another. In sum, this framework provides a structure with which to analyse youth conceptions of democracy.

Democracy in the Arab World

In the past two decades there has been a great deal of interest in the condition of democracy in the Arab World. One theme that permeates the literature emphasises the lack of democratisation in the region. Several indicators highlight this dearth. Freedom House (2006) ranked the Arab World the least free of six world regions and *The Arab Human Development Report* (United Nations Development Programme, 2002) also highlighted the lack of democratic governments in the area. To explain this 'democracy deficit,' recent research has focused on the relationship between Islam and democracy. Intellectuals have weighted in on both sides of the argument concerning the compatibility of this religion and democracy.

Among the most notable scholars who suggest that Islam and democracy are not compatible are the Americans Samuel Huntington (1993) and Bernard Lewis (1996). Both suggest that the two tenets are subsumed in different paradigms that simply do not overlap. In fact, they argue that the two concepts directly oppose each other. Further expounding this, the British historian Elie Kedourie stated:

The notion of popular sovereignty as the foundation of governmental legitimacy, the idea of representation, or elections, of popular suffrage, of political institutions being regulated by laws laid down by a parliamentary assembly, of these laws being guarded and upheld by an independent judiciary, the ideas of the secularity of the state, of society being composed of a multitude of self-activating groups and associations – all of these are profoundly alien to the Muslim political tradition. (Kedourie, 1994, pp.5–6)

More recently, Bukay (2007) contended that: (a) Islam delineates all Muslims' actions and Islamic law strictly controls these actions; and (b) God is the ultimate source of sovereignty. Such tenets, he contends, prevent democracy from taking root and are major obstacles to its spread in the Arab World. Pratt (2007) agrees with the premise: however, she contends that incompatibility emerges from a mixture of Islam and other cultural attributes that overlap and impede the expansion of democracy in the region. This mixture involves: (a) cultural acceptance of authoritarianism, (b) complex social relations rooted in class, gender and ethnicity; and (c) the *milieu* of Islam.

Other scholars disagree with such conclusions. One of the most

preeminent is Nasr (2005), who after an extensive examination of Muslim societies in Asia and Africa, concluded that 'Muslim democracy' was a blend of Islamic and democratic values and that it was on the rise. He went even further and declared: 'The future of Muslim politics is likely to belong to those who can speak to Muslim values and ethics, but within a framework of political platforms fit to thrive in democratic settings.' (Nasr, 2005, p.20). He outlined three conditions under which 'Muslim democracy' has emerged in the postmodern world. They are when: (a) the military had withdrawn from the political arena but still remained a stabilizing force; (b) a vibrant middle class had emerged; and (c) regular competitive elections had been held. He stated, however, that although 'Muslim democracy' appeared on the rise in some countries, societies in the Arab World were not advancing quickly toward this goal. Nasr's work dovetails with the work of several other scholars who explore fundamental compatibilities between democracy and Islam (Esposito and Voll, 1996; Fattah, 2006; Tessler, 2002; Tessler and Gao, 2005; Springborg, 2007).

Esposito and Voll (1996) argue that the meaning of democracy shifts over time and across cultures. For example, they suggest that the Islamic concepts of *shura* (consultation) and *ijma'* (consensus) are democratic in nature and demonstrate that a form of democracy, albeit not necessarily in the western tradition, exists in Islam. Like Nasr, they note the resurgence of Islam along with a yearning for more political participation within the context of globalisation, will produce a 'Muslim democracy' shaped by an Islamic perspective. In fact, Springborg (2007) went as far as saying that Islamic democracies may be the wave of the future 'so long as they respect individual rights and accord citizens equal rights and protections' (p.242).

Several empirical studies have been undertaken exploring this phenomenon. One such study analysed the results of a survey conducted between 1988 and 1996 of ordinary Arab citizens from Palestine, Morocco, Algeria and Egypt. Respondents were questioned on their beliefs about the importance of various democratic practices (Tessler, 2002). Important to the present study are two findings. First, participants who held strong Islamic attachments were not necessarily opposed to democracy. Second, there was no difference between respondents who held strong or weak attachments to Islam regarding their belief that politicians should be held accountable. These findings suggest that Islam is not the barrier to democracy that some scholars claim. In fact, Tessler and Gao (2005) analysed the World Values Survey (WVS) and found that between 1999–2002, strong support for democracy existed in four Arab countries (Algeria, Egypt, Jordan and Morocco). They also identified that amongst supporters there was a division between those who favoured secular democracy versus democracy influenced by Islamic tenets, or what some identify as 'Muslim democracy'.

Looking at this issue from a different perspective, Fattah (2006) analysed over 31,000 surveys collected from Muslims in 32 countries in the Islamic world. Among his findings that are especially pertinent to the present study are that: (a) Muslim attitudes were often shaped by opinion leaders and the intellectuals they listen to; (b) a wide range of views existed concerning the influence that Islam should have on a government – although most respondents did not perceive Islam as incompatible with democracy, (c) the middle class was usually supportive of democracy; and (d) there was a positive correlation between support for democracy and level of education (that is, the higher the level of education the more support for a democratic form of government).

Democracy in Lebanon

Lebanon is an Arab, but not a Muslim, state. In terms of the population, the country is divided almost equally between Muslims and Christians. In addition, Lebanon has the highest literacy rate in the region. Over time, the country has developed a unique political system centred on confessionalism. Moreover, when compared with other Arab states, scholars often rank Lebanon as more democratic. For example, Sarsar (2006) developed a Status of Democracy Index to gauge the level of democracy found in the Arab states and found that all of the 17 Arab countries in his study earned low rankings. However, Lebanon and Jordan were at the top of this list for having the most democratic attributes.

Lebanon's unique political system is a legacy of its history (Saikal and Schnabel, 2003). Under the extended Ottoman domination, sections of present-day Lebanon were granted some measure of autonomy and after World War I, European powers put Lebanon under a French mandate, joining together the various religious minorities residing in the area (for example, Maronite Catholic, Greek Orthodox, Druze and Sunni and Shia' Muslims) to form modern-day Lebanon. In 1943 Lebanon received its independence at which time an unwritten agreement between the Maronite and Sunni leaders stipulated that the president would be a Maronite Catholic, the prime minister a Sunni Muslim and the speaker of the parliament a Shia' Muslim. At the same time, the Constitution stated all Lebanese were equal under the law, no matter what their religious orientation and so a democracy based on confessional politics was established. In the decades since independence, sectarian violence has broken out from time to time. Lebanon has experienced two civil wars, the longest lasting 14 years (1975–89) and invasions and occupation by both Syria and Israel. Today the Lebanese continue to grapple with what democracy means for their country and the search for a proper distribution of power among its religious groups continues to this day.

Democracy from an adolescent perspective

In the international arena, few studies have explored the meaning of democracy with an adolescent population. Most research examines the impact of civic content knowledge in general, or specific aspects such as the impact of a citizenship education curriculum, or specific pedagogy with respect to changing adolescents' civic attitudes. Perhaps the largest of these studies were surveys conducted by the International Association for the Evaluation of Educational Achievement (IEA) in the 1970s and more recently in 1999, when approximately 90,000 students in 24 countries were queried about their knowledge of civics. Several items on the surveys addressed the issue of democracy. The results suggest that adolescents take a rather simplistic view of democracy and view free elections as the foremost sign of this concept. Unfortunately, no countries from the Arab World were included in these studies (Torney-Purta, 2001–2).

In 1976 and 1988 the National Association of Educational Progress (1990) queried a large sample of United States students on their understanding of democracy. Correct answers referred to the existence of popular sovereignty, free elections and specific legal rights as guaranteed by the United States Constitution. Data analysis revealed that 83.4 percent of the students in 1976 and 88.4 percent of the students in 1988 correctly identified the meaning of democracy. However, a rather simplistic 'textbook' definition of democracy was the baseline for adequacy in these studies.

In 1981 Sigel and Hoskin published the findings of a study that involved approximately 1,000 high school seniors in the United States. Participants were asked to write an explanation of democracy to someone not familiar with the concept. Although over 80 percent provided a correct 'textbook' answer, only about 50 percent reflected a deeper understanding.

Most recently, a study conducted in the United States found that 53 percent of the 701 adolescents (grades 7 to 12) surveyed could define democracy adequately. Acceptable responses included the following features: respect for individual rights, representative rule and civic equality. The findings suggest that older students articulated the concept more clearly than younger students. A positive correlation existed between defining democracy adequately and (a) discussion of current events at home, (b) parents' level of education and (c) participation in extra-curricular activities (Flanagan et al., 2005).

In sum, these studies reveal that in the United States and in some other non-Arab nations, most adolescents have a rudimentary understanding of democracy, which centers on political freedoms. Moreover, adolescents' understanding appears to develop with age and may be influenced by school and family experiences.

Method

This study employs qualitative methodology with the support of quasi-statistical analysis. Qualitative research aims to explore and describe areas where there is 'immature understanding' because of lack of previous research (Creswell, 1994) whereas quasi-statistical analysis renders support to qualitative findings (Maxwell, 1996). In this study qualitative methodology intends to capture the nuances of the phenomena of democracy by analyzing the overall themes and moods of statements written by adolescents on the topic, while quantitative data consisting of simple statistics (that is, frequencies and percentages) are provided to reinforce the qualitative findings. Put in a different way, this study followed an open-coding content analytic procedure, which is described as a 'process through which concepts are identified and their properties and dimensions are discovered in data' (Strauss and Corbin, 1998, p.101). According to Strauss and Corbin (1998) when one goal of the project is to extend past research, pre-existing concepts (that is, categories) may be used in the analysis. Thus, three categories and eight subcategories outlined by Diamond and Morlino (2004) were used as preexisting categories to analyse the 208 essays.

Data were collected in the form of essays written by a sample of Lebanese adolescents in the spring of 2007. Participants in this study were 208 Lebanese high school students from five private co-educational college-preparatory schools located in various regions in Lebanon. Purposeful sampling was employed to collect views from students living in different locales (that is, urban Beirut and Sidon, the Chouf Mountains, a village on the Israeli border and a tourist village close to Beirut) and who came from different sectarian backgrounds (that is, 26 percent Christian, 26 percent Druze, 38 percent Sunni/Shia' Muslim and 10 percent no response). In terms of sex distribution 39 percent were males and 61 percent were females, all between the ages of 14 and 19 years (mean age 15.6). In addition, administrators and/or selected faculty members from each school were interviewed. These interviews provided an additional perspective of the educational background of the students and the school's mission and curriculum in use. The researcher also spent time in each school observing classes and the school environment.

Before joining the study, all students signed consent forms and completed a demographic questionnaire. Participants were given approximately 30 minutes to compose an essay to answer the question: 'People have different ideas about what it means for a society to be a democracy. In your own words, what does democracy mean to you?' This is the same question that was asked of adolescents in an earlier study undertaken by Flanagan et al. (2005) in the United States. Students were told that there was no 'correct' answer and teachers were asked not to prompt students in any way. All

essays were written in English, the language of instruction at all schools. After the fieldwork was completed, student demographic information was entered into an electronic database and essays were transcribed into a Word document. All quotations from the essays and interviews in this paper are verbatim.

In the first stage of coding, all essays were read to ascertain the depth and breadth of the students' answers. Essays were separated into correct and incorrect definitions of democracy. Incorrect answers fell into three categories: (a) answers were vague and/or so poorly written they did not make sense; (b) explanations that described other terms; and (c) thoughts on the current political situation in Lebanon that did not address the meaning of democracy.

The second stage of coding involved an analysis of the acceptable papers. Answers were considered correct if the students' definitions fell into one or more of three theoretically derived categories as outlined in the literature (Diamond and Morlino, 2004). These categories were: (a) procedural, (b) substantive; and (c) linking. Depending upon the response, an essay could contain data residing in one or more categories. Data were then further analysed into subcategories via open and axial coding (see Figure 1). The goal of axial coding was to relate the categories to the subcategories, thus striving to uncover new relationships (Strauss and Corbin, 1998). Analysis was recursive and continued until no new evidence emerged from the data. Lastly, frequencies and percentages were calculated for each category.

Figure 1: Dimensions of democracy

Procedural

- Rule of law
 - Participation
 - Competition
 - Vertical accountability
 - Horizontal accountability
-

Substantive

- Respect for political, civil and social freedoms
 - Political equality
-

Linking

- Responsiveness
-

Source: Diamond and Morlino (2004).

Results

A review of 208 essays revealed that 75 percent (155) of the participants defined democracy 'at some level', while 25 percent (53) of the students did not. Of those respondents who did not define democracy, some expressed themselves so poorly that the researcher could not understand what they were saying; others admitted they did not know what it meant, or described it in vague terms. For example, one female adolescent wrote, 'I really don't know, because you can never know what a thing means ... except when you have it or have experienced it.' Another male stated, 'Democracy has many meanings ... to me ... it is a good idea to have it in our country.' Others defined the wrong concept. A 14-year-old participant stated, 'Democracy is an important law in our life.' Another 17-year-old noted, 'Democracy is to let students ... choose their own subjects to study.' Lastly, some students did not define the term at all; rather they expressed personal political views. One student explained, 'In our country there is not democracy cause every year a war happens.' She then went on to discuss her views concerning the Summer War of 2006. Another 15-year-old male stated, '... Lebanese must act as "one hand" in order to defeat all people who want to take our property illegally. [...] Lebanese will never surrender and will never leave their homeland no matter how much this will cost. We are ready to die every day to attain our freedom and most importantly our democracy.' Lastly, one female student declared, 'Democracy is when all the Palestinians leave our country and when the Syrians stop interfering in our choices. All weapons ... should be confiscated. The only power ... should be the military and the government of Lebanon.'

Whether or not students clearly defined democracy, most supported it. For example, one female noted poetically, '[Democracy] rescues people from the spider web of exploitation ...' Another student alleged, '[It] helps the world to surmount each and every catastrophe and dilemma ...' A 15-year-old male said simply, 'Democracy is a sacred issue.' Yet another female declared, 'It makes a person be happy ...' However, not all students were so optimistic and some expressed doubt that a democracy could ever exist. For example, one 17-year-old male said, 'Democracy doesn't exist. It is just a dream. It is a word that suggests empty promises. Lebanon is anything but a democratic country ... politicians and reporters are being killed for their beliefs and yet my country is still called democratic.' Another participant called it 'merely a theoretical concept'. Several other students outlined the conflict between religion and democracy. Reflective of this idea, one 15-year-old female wrote, 'Democracy is the notion that all are equal in the eyes of the government ... as long as organised religion exists, pure equality will not.' Thus, while a quarter of the students could not define the meaning of democracy, most seemed to support the concept,

although some were skeptical if 'real' democracy could ever exist.

Analysis of the 155 essays (75 percent) that did reflect an understanding of the concept suggests that over half of the students (56 percent) defined democracy in one of the three categories (see Table 1). A sizeable majority (42 percent) gave a broader definition spanning two categories and only two percent of students gave definitions that encompassed all three categories. Table 1 reflects the number of categories students' essays revealed. Further analysis of the responses within each of these categories follows. Firstly, the procedural category will be reported, followed by the substantive category and lastly the linking category.

Table 1: Student identification of democracy in the procedural, substantive and linking categories

Categories Found in Essays	Number	%
Three Categories	3	2
Two Categories	65	42
One Category	87	56
Total	155	100

Procedural category

Further analysis of the responses revealed the focus of each subcategory breakdown in the procedural category (see Table 2). Forty-nine student essays in this category identified participation as the most important of the five dimensions in this subcategory. Participation in the political process occurs in many ways and at many levels. Although some students articulated that voting was one way to participate, most outlined that in a democracy people had to be tolerant of divergent views. Statements like the following were typical of this perspective: (a) 'In Lebanon we have 18 different religions and to live in a democratic way we should all accept each other [and] respect each other's opinion [and] abilities'; (b) Democracy is listening to everybody's opinion and respecting it'; (c) 'Democracy also is respecting the other. It is feeling like a bird flying without a hunter waiting for him.' Twenty-nine participants also viewed the 'rule of law' as an important dimension of democracy. Typical of this view were statements like: (a) '[The] law is applied and nobody can destroy this law'; (b) Democracy is to be free and do whatever they want but under laws and rules and the politics of the country'; (c) 'Democracy is when the people of this country are the authority but still under the law.' Only ten essays included the notion of vertical accountability in their definition. One female student highlighted this view when stating that in a democracy, '... citizens can

question their leaders about what they've done and why.' Slightly fewer participants (eight) included the idea of competition. One male student summed up this dimension when writing, '[It] is when a president and ... ministers are chosen from the people with fair elections.' Another wrote, 'Democracy means that people have their own right to choose a leader, with no "behind the scenes" stuff going on.' No participants included the notion of horizontal accountability in their answers.

Table 2: Procedural category: subcategory breakdown by number*

Procedural Category Subcategory/Dimension	Number
Rule of law	29
Participation	49
Competition	8
Vertical accountability	10
Horizontal accountability	0
Total	96

*Student essays may reflect one or more of the dimensions listed above.

Substantive category

Analysis of the substantive category was broken into two subcategories; freedom and equality (see Table 3). A large majority of the students (that is, 130 essays) articulated that freedom was an important dimension of democracy whereas only 43 essays identified equality as an important element of a democracy.

Table 3: Substantive category: subcategory breakdown by number*

Substantive Category Subcategory/Dimension	Number
Freedom	130
Equality	43
Total	173

* Student essays may reflect one or more of the dimensions listed above.

The subcategory of freedom was further analysed into three types of freedom (see Table 4). The majority of students (94) identified various civic

freedoms as the most important type of freedom. Sample statements of civic freedoms include: (a) 'Democracy is the ability to think aloud without any fear'; (b) '[It] is the right to think and worship freely without any pressure'; (c) '[It] means living in freedom ... being able to stand up for what you believe and to be able to live with pride and dignity'; (d) '... democracy is to have the chance to rebel against what we don't want'; (e) '... some parts of democracy are present in Lebanon [like] freedom of the press – even though some journalists have been assassinated.'

Fewer students (43) discussed elements of political freedoms. Most support for this element centred on the right to vote. Here are several students' accounts: (a) 'Democracy means that every citizen's words and votes matter ...'; (b) 'Within certain restrictions, people should have the right to vote and be elected Citizens also have the right to choose not to vote'; (c) '... they can vote for their government and parliament which, in turn, can be the representative of the public.'

Lastly, a small number of students (24) discussed socioeconomic rights. When this was addressed participants tended to speak of the right to have a job as opposed to the right to private ownership. For example: (a) 'My father is an employer. Democracy means that my father should feel safe at work and get all his needs and wants from his job'; (b) '[Democracy should allow me to have] ... a suitable job'; (c) '[It should give me] equal job opportunities.'

Table 4: Freedom subcategory: breakdown by number and percent*

Freedom Subcategory Type	Number	%
Political freedoms	43	26.7
Civil freedoms	94	58.4
Socioeconomic freedoms	24	14.9
Total	161	100

*Student essays may reflect one or more of the dimensions listed above.

In comparison to the concept of freedom significantly fewer students (43) identified equality as an important element of democracy. Some of the ways these adolescents expressed equality are outlined in the following statements: (a) 'Democracy ... is when every person ... [has] the same right[s] as others'; (b) 'Every person must be given an equal opportunity to lead his/her life the way s/he pleases ...'; (c) '[T]o have democracy ... we should have equality ... equal powers for people'; (d) '[It] means all individuals are treated in the same respectable way and given all their rights equally.'

Linking Category

Only six participants discussed responsiveness (see Table 5). Of the six students who did, three included elements from the other two categories and wrote relatively sophisticated definitions of democracy. Note how some of the students reflected this idea: (a) 'Democracy is when the voice of a person is heard and all his/her demands are fulfilled ...'; (b) '[It] ... is the right to complain about wrong things ... [and] get results out of this complaining.'

Table 5: Linking category: subcategory breakdown by number and category*

Linking category Subcategory/Dimension	Number
Responsiveness	6
Total	6

*Student essays may reflect one or more of the dimensions listed above.

In sum, data analysis suggests that most students had a basic understanding of the meaning of democracy. The two most recurrent themes were: (a) tolerance for opposing viewpoints; and (b) the ability to freely express viewpoints without recrimination.

Discussion

How are these findings to be understood vis-à-vis theory and past research? These findings support past research that suggests most adolescents could define democracy in simple terms (Flanagan et al., 2005; National Assessment of Educational Progress, 1990; Torney-Purta, 2001–2; Sigel and Hoskin, 1981). Participants providing definitions in two or more of the theoretical categories were considered complex. In this study, the findings of students identifying democracy correctly were slightly less than that recorded by Sigel and Hoskin (1981). That is, 42 percent as compared with 50 percent. It is difficult to evaluate the importance of this discrepancy as the criteria for judging complex definitions of democracy are unknown for the earlier study.

These Lebanese adolescents' conceptions of democracy, however, stressed civil rights over political or social rights. Past research suggests adolescents define democracy from a political rights perspective (National Assessment of Educational Progress, 1990; Torney-Purta, 2001–2). For example, they often identify voting and holding elections as a prime element of democracy.

Participants in this study, on the other hand, identified freedom, in general and specifically freedom of expression along with tolerance for divergent beliefs – specifically religious beliefs – as the most important element of a democracy. This finding supports the notion of Diamond and Morlino (2004) that, depending upon the society, one dimension of democracy may be valued more than another. It also implies that these Lebanese youth place a high value on freedom. Contrast this to the Arab Human Development Report (UNDP, 2003) that suggests that the lack of freedom is a major challenge to the growth of democracy in the Middle East. These youth appear to support democracy and decidedly value the component of freedom of expression that they associate with it. These participants did not discuss the freedoms of privacy or access to information. It appears that these elements were not on the minds of these young people. Perhaps this is because, relative to other Arab countries, Lebanon has a robust media and illegal search and seizure are uncommon. In addition, some participants framed these freedoms within the context of the rule of law. This is a good example of participants articulating the complexity of the concept. Diamond and Morlino (2004) describe this as the overlapping of dimensions. Although these dimensions are unique, they also are intertwined and may reinforce each other.

The notion that participants placed greater value on civil freedoms than political freedoms supports past research suggesting that there may not be universal consensus on the meaning of democracy and that it may be shaped by the social, political and economic realities of the citizens of a country (Diamond, Linz and Lipset, 1989; Esposito and Voll, 1996; Haste, 2004; Inglehart and Welzel, 2005). Perhaps these strong attitudes concerning freedom of expression and tolerance for diverse perspectives can be understood in light of Lebanon's religiously multicultural society, history of civil wars and unique political system based on confessionalism. Conceivably, these students realise that in order for their small country of approximately four million people to flourish they have to coexist respectfully with people who hold different religious beliefs than they do. Presently, none of the 18 recognised religious sects holds a majority and, in order for the government to function, cooperation and compromise between the various sects must occur.

In the past, civil war ripped Lebanon apart along sectarian lines and left the country in a shambles. The Ta'if Accord in 1989 addressed the issue of building national unity and stressed the binding together of the society under the banner of tolerance and respect for difference. To resolve this problem the Accord called for the development of new civic curriculum that stressed national unity. In 1997 a new civic curriculum was unveiled and educational objective four specifically stated that the curriculum was

designed to, 'prepare the learner in the skills of ... accepting the other and ... [encouraged] solving problems with ... peers through a spirit of peace, justice, equality and reconciliation'¹ (Ministry of Education, 1997, p.4). However, in discussing how democracy was witnessed in these five schools, principals and faculty members did not relate the import of the written curriculum, but rather spoke of leadership opportunities presented to the students whereby democratic principles were practised and reinforced. Nonetheless, the impact of the civic curriculum on students goes beyond the scope of this study.

These findings also reinforce past research that suggests Arabs generally support democracy (Tessler and Gao, 2005). Most students wrote of the benefits and 'glories' of living in a democracy. On the other hand, some pessimistic thoughts emerged in the data. This may be understood within the context of the political environment during which the data were collected. These students had experienced the assassination of former Prime Minister Rafic Hariri in 2005, a series of political assassinations that occurred from 2005–7 and the Israeli invasion in the summer of 2006. In addition, during the 2006–7 academic year there was a leadership crisis that was manifested with people 'camped out' in downtown Beirut in hopes of toppling the government of Prime Minister Sinora. Thus, it is understandable that participants would question the reality of democracy in Lebanon and the viability of it as a political system.

These findings also support Fattah's (2006) notion that by and large the Arab middle class is supportive of democracy. As previously stated, participants in this study were generally supportive of democracy and as all participants in this study attended private college-preparatory high schools, it may be inferred that they belonged to the middle or upper class of Lebanese society. I now turn to an analysis of the dimensions that many participants did not include in their definitions of democracy.

Participants generally did not include the dimensions of competition, vertical accountability, horizontal accountability, or responsiveness in their descriptions of democracy. Perhaps because they are young and have not taken on the full mantle of citizenship, they may not be aware of the importance of these dimensions. In the freedoms dimension, they did not discuss the right to campaign and stand for office. When discussing equality, many said that equality was important but fewer articulated the need that citizens in a democratic society are considered equal under the law. Perhaps these participants had never discussed these dimensions and various fundamentals *vis-à-vis* democracy. At any rate, further exploration into this matter may prove fruitful.

In fact, exploration of what influences shape Arab youth's conceptions of democracy (that is, gender, age, religious orientation, family and schooling)

may provide clearer understanding for the development of thoughtful programmes to expand the knowledge and practice of democracy in the Arab World. Today, a large sector of the Arab population is young. If economic liberalism and democratic ideals are linked, then it may be prudent for policy makers, educators and business people to understand the conceptions of democracy that are presently held not only by Lebanese youth, but Arab youth in general, for these are the leaders of the future.

Conclusion

The findings from this study are not open to generalisation and they do not tell us if Lebanese adolescents practice the democratic values they articulated in these essays in their daily lives. Nonetheless, the findings are valuable in that they provide a snapshot into how a select group of Arab youth conceptualises democracy. The revelation that most of these youth understand, at some level, what democracy is and value it as a constructive political system is encouraging. Most importantly, however, is that these youth associate freedom of expression and tolerance of divergent thinking with democracy. These findings hold hope for the future of democracy in the Arab World.

Note

- ¹ Quotations referenced from the Ministry of Education are transliterated from Arabic. *The Programmes of General Education and Its Aims* is published in Arabic.

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8

Economic Reform and Authoritarianism in Egypt: Politics, Power and Patronage

Thomas Demmelhuber

True, there are more signs of affluence, especially in Cairo where up-market housing compounds have sprung up on the desert outskirts of the city, big malls sell the latest western fashions and expensive SUVs ferry the children of the rich to exclusive international schools. But life for most of Egypt's 78m people remains a daily struggle [...]. Now the international crisis has come to cast an additional shadow, threatening the fragile gains of recent reforms.'

(Financial Times, 2008, p.1)

Introduction

Egypt's recent economic reform agenda has been particularly advanced by a newly composed regime that reflects a modified overlapping of politics and business. Politicians with a business background are certainly not a new phenomenon in Egypt's long history of authoritarian rule. This time we rather witness the prominent role of entrepreneurs with political and economic interests which they are seeking to implement by gaining a stronghold in the ruling élite and by taking over key posts in politics, business and society. Their role in politics differs from each other but they all have one thing in common: they are more or less close associates of Gamal Mubarak, second son of President Hosni Mubarak and strong advocates of Egypt's economic turnaround, what the opposition daily *al-Ghad* prompted to classify as the new 'board of directors that runs the country' (Fakri, 2006).¹ The Egyptian government has implemented a large number of reforms and has embarked on concrete plans to restructure the financial/banking sector, to adjust regulations, to enhance trade liberalisation and has recommitted itself to the privatisation programme originally launched in the early 1990s. After President Mubarak had undergone surgery for

a slipped disc in Germany in 2004, the cabinet reshuffle shortly after his return was seen as a move to regain the domestic initiative regarding the weak economic performance of previous governments. It was a peculiar attempt to gain legitimisation through reforms after having failed in the 1990s to fully implement the structural adjustment programmes previously worked out together with the International Monetary Fund (IMF), the World Bank and other international donors.

In the 1990s, there was a lack of political consensus within the ruling élite on how to make the necessary reform agenda operational. Similar to the 1980s the advocates of an orthodox economic reform package lacked the resources and the capabilities within the ruling élite to prevail over concurring loyalties. Strong supporters of substantial reform were not in the core of the ruling élite and thus dependent on it. The composition of the ruling élite in the 1990s was not conducive and the domestic setting (regarding the crackdown on Islamic fundamentalist groups) not appropriate yet. The political, economic and social implications were still seen as too far-reaching: They presented a hardly predictable danger for the status quo of power in Egypt. This is not to say that the ruling élite in general and President Mubarak in particular did not consider the need for reform. They recognised the desirability of reforms, but were concerned that these reforms might ultimately undermine their power, their privileges and their political logic of authoritarianism. Last but not least, the ongoing fight against Islamic terrorism in the country, which peaked in 1995 with an assassination attempt on Mubarak himself and two years later in 1997 with the attack by Islamists in Luxor on Western tourists (dozens of tourists from Europe and Japan were killed), represented a further obstacle to embark on a comprehensive reform agenda. National security and stability had priority. The regime, with the help of the military and all branches of the state security forces, successfully cracked down on the Islamists' insurgency; the net effects of national instability, however, leading to a sharp decline in tourism earnings, weighed hard. The awareness of economic reform was on the agenda, but was overshadowed by efforts to preserve national security first. After a rather short period of macroeconomic consolidation until 1997, soaring budget deficits, decreasing rates of direct foreign investment (DFI) and growth rates close to zero once again forced the regime to act. The pressure on the regime also increased politically, in particular after winning a two-thirds majority in the parliamentary elections in 2000 as a 'lucky loser'. The majority of the ruling party (National Democratic Party, NDP) in the *Majlis al-Sha'b* (lower house of parliament) could only be achieved by joining the so-called 'NDPenders'. Those candidates were upset by the official NDP committees' decision on which candidate should be fielded in the 222 constituencies across the country. Consequently many

ran as independent candidates ('NDPenders') and were able to defeat the official NDP candidate in numerous constituencies (Egypt's election laws establish a majority vote) and thereafter joined the ranks of the NDP in parliament again.

The vivid debate within the ruling élite on how to overcome rifts in the NDP in particular and the economic depression in general gradually sidelined the cautious stance of the 'old guard'.² Young, reform-minded circles around Gamal Mubarak, with the initial blessing of his father, soon managed to show enthusiasm concerning a comprehensive economic reform package. They realised the potential of reforms for the sake of their own power consolidation and successfully backed their standing by a gradual and still ongoing surge of a stronghold within the decision-making bodies of the ruling party and of the government (Maree, 2007, pp.32f.). The new cabinet under Prime Minister Ahmed Nazif and hereby in particular key ministries in terms of the economy such as External Trade and Industry (Rachid), Investment (Mohieddin), Finance (Bhoutros-Ghali) and Tourism (Garana), was composed of young politicians who have an economic background as entrepreneurs and close political and economic relations with the ruling élite in general and with Gamal Mubarak in particular. The overlapping of business and politics and vice versa is of essential interest for this analysis of Egypt's reform process: Mubarak's son is the political integration figure, who claims to be the guarantee for further modernisation and an ongoing integration of Egypt's economy into the world market in the post-Mubarak Sr era. He suggests being the natural cooperation partner for international allies, the guardian of a stable environment for foreign direct investment in a neighbourhood normally known for its turmoil and last but not least an important and recognised negotiator as was vividly seen during the Gaza War in 2008–9.

This shuffle on the actor side is only one side of the coin, since the benefits of the reform efforts have only been reaped by a limited segment of the population, 'whereas the majority of the population has paid the costs of reform' (Alissa, 2007, p.20). In fact the latter does not seem to be on top of the agenda, due to the specific understanding of reform as an instrument for liberalisation that serves its prime protagonists and preserves the principal logic of power and governance. Therefore, an essential question remains: Does economic reform only serve as a means to an end for power consolidation? If yes, is Egypt better off after five years of tough economic reform and statements of praise from the government and international actors (for example, the World Bank) alike? How about Egypt's capability to overcome the side-effects of the global financial crisis that severely hit the Egyptian economy in late 2008? Are structural changes in the ruling élite the consequence of an 'authoritarian upgrading' (Heydemann, 2007) or is

the 'reconfiguration of power' (Khoury, 2008) itself the result of shifts in the regime? Last but not least, is it sufficient to subsume those new protagonists of economic reform into one group, that is, one segment of the ruling élite? Who are they in detail and what about their capabilities to gain a stronghold in the ruling élite and prime access to the core élite around the president's family?

The pillars of Egypt's economic reform: 'It's the economy, stupid!'

By means of the cabinet reshuffle in July 2004 President Mubarak tried to convey a strong, decisive and unprecedented message of a new beginning: Since then the economic reform process, initially launched in the early 1990s, but implemented only selectively due to a lack of political consensus and persistent domestic turmoil, has regained momentum. Following government rhetoric the improvement in Egypt's macroeconomic performance, with real GDP growth rates from 4.1 percent in 2004, up to 6.8 percent in FY 2005–6 and 7.1 percent in FY 2006–7 (the best real GDP growth for four decades), is causally linked to the new reform impetus after 2004. However, at least until the global downturn following the financial crisis in 2008, the turnaround of Egypt's economy was primarily supported by strong growth rates of the world economy (up to five percent a year) that led to a sharp increase in revenues from transit fees at the Suez Canal. Other external factors fostered the growth of the economy, including soaring revenues from the tourism industry (analysts speak of a total sum of US\$16.4bn in FY 2004–5), one peculiar pillar of Egypt's external rents (Richter and Steiner, 2007, p.20). The strong macroeconomic performance of Egypt's economy was further bolstered by newly found gas reserves, rising energy prices and sky-rocketing flows of direct foreign investments (DFI) from Arab investors. Intraregional DFI arose from a general surge of Arab investors looking for alternative investment opportunities in the Arab region after 11 September 2001 and from large capital flows into the oil/gas-exporting countries due to rising energy prices in the years after 9/11 led to a repatriation of significant sums of portfolio investments from the US market, a trend further supported by the poor showing of Western markets around the year 2001. Looking at the concrete reform agenda since 2004, five categories of reform efforts covering the financial/banking sector, the trade sector, the privatisation of state-owned enterprises (SOE), Egypt as a prospective investment hub with competitive tax laws and the diversification of trading partners shape the government's agenda.

Consolidation of the financial/banking sector

The financial sector was successfully liberalised and consolidated leading to strong trading rates at the CASE (Cairo and Alexandria Stock Exchange)

and a sharp increase of companies listed on the stock exchange. Market capitalisation quadrupled from 2004 to 2006. Increasing investments of foreign stakeholders have shown a rising confidence in Egypt's capital market, partly the result of a recent stabilisation of the Egyptian pound (LE) after its initial floating in 2003. In 2005 alone, Egypt's stock market rose by 125 percent, outpacing even the oil revenue-fuelled stock exchanges in the Gulf. Efforts to enhance the transparency of the CASE were symbolically honoured by a membership of the CASE (as the first Arab stock exchange) in the World Federation of Exchange in 2005 (GAT, 2006, p.44).³ Besides the financial sector, the banking sector was also consolidated by several mergers of joint venture banks and privatisations that sharply reduced the number of banks by one half to 32 in 2007. The most notable sale was the selling of an 80 percent stake in Egypt's fourth largest bank (Bank of Alexandria, BoA) to the Italian investor Gruppo SanPaolo IMI for a landmark US\$1.6bn. Although market analysts claimed that the sum paid outreached by far the actual denomination of the bank and despite fierce opposition from different factions of politics and society (slogan: 'no to selling Egypt'), government efforts are still under way to prepare the selling of an 80 percent stake in Banque du Caire, thus reversing previous decisions, announced in September 2006, to merge Banque du Caire with the second largest bank in Egypt, Misr Bank (Howeidy, 2007). The striking obstacle in the banking sector remains the massive portfolio of non-performing loans (NPL) with vast sums lent unsecured to private entrepreneurs whose close relations to the ruling élite eased the access to loans, as vividly described in a recent book by the former CEO of Banque du Caire, Ahmad al-Baradei (*al-an atakallamu*).⁴ The restructuring of Egypt's financial/banking sector was accompanied by enhanced efforts to improve the transparency of fiscal policy. The year 2006 witnessed the first budget preparation carried out according to international standards.⁵ For the first time ever, the Ministry of Finance under former IMF economist Youssef Boutros-Ghali (nephew of retired UN Secretary General, Boutros Boutros-Ghali) published the forthcoming budget online. Last but not least 2006 experienced the establishment of a single treasury account with all government revenues being deposited into one account at the Central Bank of Egypt (CBE) in order to upgrade the transparency of government expenditures.

Easing tariff-related trade barriers

Tariff-related trade barriers were tackled with a massive reduction of the average tariff rates from 14.6 percent to 9.1 percent in 2004 and a further reduction to 6.9 percent in February 2007 in spite of various excluded sectors, such as the import business of automobiles and spare parts for the domestic automotive industry (phasing-in period until 2019).⁶ Tariff reductions went

along with various bilateral and multilateral trade agreements that have begun to show initial results: trade with the EU following the entry of the EU–Egyptian Association Agreement in 2004 led to sustainable double-digit growth rates of EU–Egyptian trade. Intraregional trade picked up following the ratification of the Agadir Agreement (a free trade agreement (FTA) among Jordan, Egypt, Tunisia and Morocco) in 2006 and with the implementation of the Greater Arab Free Trade Area (GAFTA) in 2005 both of which have the potential to boost intra-regional trade in the years to come. Relating to the latter aspect leading *Newsweek* analyst Stephen Glain argued in early 2006: ‘After a century-long estrangement, some Arab economies are rediscovering a lucrative asset: each other. [...] Indeed, commerce within the Middle East, the most sluggish among the world’s trading blocs, is showing signs of healthy revival’ (Glain, 2005, pp.44f.).

Privatisation of state assets

The take-over of key ministries by the ‘technocrats’ under Prime Minister Ahmed Nazif led to a revitalisation of the stalled privatisation process (based on Law 203/1991) that was initially launched in 1991 but only implemented selectively, that is, only in a few selected branches. Although the privatisation boom since 2004 has been formally driven by the activism of the youngest-ever member of cabinet (39 years old in 2004), Minister of Investment Mahmoud Mohieddin, the policy is now based on the consensus of the ruling élite, that is, the dominant sectors within economy and society. Unlike in the 1990s, when strategic industries and sectors were not for sale, Mohieddin has embarked on realising more than 50 privatisations in almost all branches of the economy, easing strains on Egypt’s state budget. Hereby the further strengthening of the private sector (starting with the ‘infithah period’ in the 1970s) made it the driving force of recent years’ growth rates: the Egyptian private sector contributed around 70 percent to the 6.8 percent growth rate in FY 2005–6 (*Business Intelligence Middle East*, 2007), with most of the growth having taken place in natural gas production (the growth rate quadrupled to 75 percent) and the construction sector with a doubled growth rate (18.2 percent) over the previous fiscal year (ibid.).

Attracting DFI and reforming tax laws

Through the establishment of streamlined structures for foreign investors such as the General Authority for Investment and Free Zones (GAFI) under the Special Economic Zones Law (Law 83/2002), the ease of doing business in Egypt should be improved and more DFI inflows attracted. With radically cutting entry costs for foreign investors and massively decreasing the duration of the registration procedure, DFI rates have been showing a massive increase since 2004: DFI rates in FY 2005–6 were

20 times higher (US\$6.1bn) than in FY 2003–04, and the year following saw a further increase to US\$11.1bn making Egypt the best performer in attracting DFI on the whole African continent (Rachid, 2007b). FY 2007–8 has brought DFI flows to Egypt to further record highs hitting the US\$13bn mark (*Financial Times*, 2008, p.2). At the same time, prospective investors were offered a temporary tax exemption, followed by a parallel modified income and corporate tax law. Radical tax cuts introduced a de facto ‘flat tax’ of 20 percent in 2005 with the aim of broadening the tax base in terms of personal income and corporate taxes. Eventually within one year (FY 2005–6) Egypt’s tax reform led to a 100 percent increase in tax return files and to a similar increase in tax revenues, far outreaching the government’s initial expectations (Nasr, 2006).

Diversifying trading partners

One of the most important objectives of Egypt’s economic reform agenda remains to pursue the long-term goal of diversifying its trading partners with a particular aim of boosting trade ties with China in particular, the fastest growing economy in the world for years and Southeast Asia in general (Mostafa, 2006). Looking at Egypt’s two largest trading partners, the European Union (EU) and the United States (US), diversification of trading partners implies a two-fold agenda on behalf of Egypt’s government: on the one hand it will act as a tool to increase the bargaining power *vis-à-vis* the EU regarding its efforts to implement political conditionality in the economic cooperation agenda with Egypt. Hereby, at least on paper, political reform is more strictly seen as a precondition for upgrading EU–Egyptian relations (Demmelhuber, 2007, pp.10ff.). The same is valid for Egypt’s second largest trading partner and Egypt’s unease regarding the stalled talks on a FTA with the US. On the other hand a basic objective of Egypt’s economic reform agenda remains to minimise its external vulnerability regarding possible setbacks arising from a liquidity crisis as experienced in the late 1980s and early 1990s. The surge in foreign currency reserves from US\$14bn in 2003 to more than US\$32.4bn in 2007 (*Financial Times*, 2008, p.5) and the parallel move to diversify the trading partners reflects a distinctive mood on behalf of Egypt’s regime in which economic and fiscal independence is eventually aimed at political independence. The latter is best described by the harsh words of Minister of External Trade and Industry and one of Egypt’s leading businessman, Mohamed Rachid: ‘all parties should bear in mind that the world moved on while we were negotiating. [...] This means that the carrots and sticks offered by the EU must also evolve to keep up pace with this reality’ (Rachid, 2007a, p.23).

Although keeping in mind that there remains a flip side of the coin that is far from being the rosy picture of economic growth, it took the undisputed

strong macroeconomic indicators only three years to be translated into an improved performance in internationally relevant business rankings, such as the World Bank's 'Ease of Doing Business Report'. In 2005 and 2006 Egypt performed badly on a global as well as regional level (164th, that is, 165th out of 175 countries). In 2007 Egypt has shown improvement in five out of ten indicators making it suddenly the 'top reformer' in the world. Whereas in previous years the credibility of the report was questioned on behalf of the Egyptian government, the World Bank's report is now praised as being a valid index showing the country's commitment to reform. Egypt still ranks 126th in the global 'Ease of Doing Business Report' with a rather bad and even worse performance in five out of ten indicators (such as in relevant categories such as 'dealing with licences' and 'enforcing contracts'), but suddenly Egypt's position in the ranking matters and serves as a welcome litmus test for Egypt's reform record (The World Bank Group, 2006, p.107; The World Bank Group, 2007, pp.2f.).

Preliminarily we may conclude that successive growth rates have led to a positive macroeconomic performance, multiplied the options for Egypt's ruling élite and substantially consolidated the power structure with its underlying mechanisms of governance, although poor implementation procedures thwarted any potential 'trickle-down effect'. Many questions remain: Why was it exactly 2004 that marked the new beginning? Was it a coincidence or the logical consequence of changing patterns within the country's ruling élite that had started long before the cabinet reshuffle?

Changing patterns of the ruling élite: 'Hong Kong or Teheran?'

The Egyptian reform process long suffered from a lack of consensus on the initial meaning, objectives and ramifications of it among the various segments of Egypt's heterogeneous ruling élite.⁷ The consequence was a theatre of reform rather than a sincere attempt to match words with deeds. The current Egyptian government, which is increasingly dominated by politicians with an economic background, has gradually overcome this former deadlock. The nexus between business and politics, formerly called 'crony capitalism' (Henry and Springborg, 2001, pp.134ff.) with businessmen ('cronies') located around the regime and dependent on it, has fundamentally changed. A new generation of businessmen has entered the very core of the ruling élite. The genesis of macroeconomic performance since the 1990s closely correlates with changing patterns inside the ruling élite. Thus embarking on a comprehensive economic reform agenda with a peculiar boost for the private sector implies not only power consolidation for the whole ruling élite but also power enhancement of a specific segment within the latter (see endnote 7). So-called 'business tycoons' merge with political élites; economic power merges with political power and vice

versa. Young and 'reform-minded' businessmen are entering the stage in parliament, the media, think tanks and business chambers. They become the decisive actors in drafting the policies and decision-making (Demmelhuber and Roll, 2007, pp.20–26). Most of them are close associates of Gamal Mubarak, who seems to be the political integration figure for the business élite. Despite denying plans for a father-son succession, Gamal is widely expected to continue the rule of the Mubarak family. The lasting role of the Mubarak family on top of Egypt's ruling élite promises to preserve premium business opportunities in a market economy with no real competition, as a free market would hamper the activities of the business élite. *Ipsa facto*, economic reform is primarily aimed at producing functional legitimacy for the political and economic establishment that is interested in maintaining the newly reformed status quo of state, power and politics. The latter creates a 'win-win situation' for the current principal stakeholders in the ruling élite. The political leadership of the Mubarak family as a core needs peculiar associates within the élite that is far from being a monolith and thus must avoid the genesis of parallel power centres for the sake of its own political survival (see also endnote 7). Whereas President Mubarak and his generation, often called the October War generation (in reference to the claimed victory of Egyptian troops over Israeli Defence Forces in 1973), still try to gain legitimacy through their military merits or ranks in the army, the generation of Gamal Mubarak, Western-educated and conspicuously pragmatic in its approach to Israel,⁸ does not have any military background and is not able to gain legitimacy through military achievements. Therefore they need new sources of legitimisation in order to justify their demand for power, probably leading them to misinterpret the well-known slogan of the US presidential campaign in 1991: 'It's the economy, stupid!'

Back in the 1970s and until the 1990s emerging business opportunities in the private sector, arising from a gradual transformation and structural adjustment of Egypt's economy, transformed well-connected politicians, families and businessmen into 'crony capitalists'. Some of them were able to emancipate themselves from this 'crony dependence'. They became the new 'business tycoons', who see the future of Cairo as a hub for investors in the Middle East, or in the words of Naguib Sawiris (CEO of Orascom Telecom), Cairo has the potential to become the new 'Hong Kong' on the Nile, by continuing on the path of economic reform.⁹ But who are they? Some examples may illustrate the nexus between business and decision-making. Ahmed Ezz would be a case in point. With its company el-Ezz Steel Rebars he controls at least two-thirds of the lucrative steel market in Egypt, is a leading parliamentarian and a high-profile NDP party figure and has a close relationship with Gamal Mubarak. Apart from Ezz, Shafik Gabr, Hussein Salem, Mohamed Rachid, Lotfy Mansour, Ahmed el-

Maghraby, Salah Diab, the three Sawiris siblings, just to name a few, are well-known names, usually associated with Egypt's business élite in the media and analysts' papers and with their respective group of companies the fundamental pillars of Egypt's GDP.

Nonetheless it is not as easy as it may seem: Egypt's ruling élite consists of various segments as does the new group of business tycoons in politics. They differ in their actual and direct engagement in politics, in their access to the core of the ruling élite (that is, the president's family), in their de facto wealth (divided into domestic savings and savings abroad), in their network of business ties and last but not least in their ability to attract loans from abroad. Al-Gouna, the upscale Red Sea resort, is a case in point: established by the tourism wing of the Orascom business empire (CEO Sameh Sawiris, the youngest of the three brothers), al-Gouna saw the construction of a further airport (despite the nearby international airport of Hurgada) in order to boost the total number of arrivals (with the help of a loan from the World Bank). The latter illustrates that the growing market power can also be translated into financial independence from the state. By means of the consolidation and liberalisation of the banking sector, leading Egyptian businesses now have their own private banks (at least they acquire shares in respective banks), through which they ensure access to loans and smooth transaction of their daily business. The Mansour and the Maghraby families for instance, leading actors in the automotive, merchandising and real estate sectors (both also established a joint stock company, Mansour Maghraby Investment and Development), bought an approximately one-fifth stake in the private bank Crédit Agricole Egypt, a subsidiary of the French Crédit Agricole (Roll, 2008, pp.5ff.).

Business tycoons have fundamentally eased the access to the core of the ruling élite. In this context many analysts critically put into question the role of the military, traditionally seen as the praetorian guard of the political scene, the kingmaker, or simply the 'agent of change' in Egyptian history. At least since the sacking of Field Marshal and Minister of Defence General al-Ghazala in 1989 by President Mubarak, a steady decline in terms of direct impact of the military on the political scene (Walker, 1989) with a parallel massive build-up of the security and intelligence apparatus as a counterweight (under the authority of the Ministry of Interior) has created doubts about the validity of the latter argument on the military's role. The increasing economic role of the officer corps, especially in the real estate market, seems to serve as an intended lucrative pay-off for a more limited role in policy-making and consequently more limited standing *vis-à-vis* the core of the ruling élite (Henry and Springborg, 2001, p.152). It remains the case that the military in Egypt is in itself a 'black box', making it rather difficult to come to clear conclusions (for example, the military budget is

fully excluded from the state budget to be approved by parliament). Bearing in mind that the prime role of the officer corps in the economy (in particular in the lucrative real estate market and land reclamation projects) and the ongoing flow of premium military equipment coming from the US is very much dependent on the Mubarak family, which does have the backing of the US administration (Knickmeyer, 2007), one may conclude that the economic reform agenda and the underlying shifts in the ruling élite have the backing of the core actors within the military (officer corps) as long as they can retain their privileged position (military equipment, social status and privileges).

Flaws of the reform agenda: 'The trap of neopatrimonial governance'

Economic reform since 2004 has placed the economy on a sounder footing, giving it a better opportunity to withstand the initial impact of slowing growth rates arising from a global recession. Egypt's economy heavily depends on external factors both in good and bad times. External revenues, that is, rents (remittances of Egyptian guest workers abroad, transit fees at the Suez Canal, state revenues in the oil/gas sector, revenues from the tourism industry and a continuing flow of external aid), have a particular impact in rent-supported economies such as Egypt. The improvement of macroeconomic indicators in recent years has to be appreciated. To a large extent, however, they were driven by external factors, as mentioned above. Looking at government efforts, primarily aimed at macroeconomic performance, serious doubts remain about a sustainable economic development that has to tackle the macro as well as the micro level: Efforts both in terms of financial benefits and bureaucratic streamlining of small and medium enterprises (SME) are lacking. Only large entrepreneurs benefit from the reform agenda. Export diversification is declining and labour intensive manufactures are decreasing. Egypt's performance in the World Bank's 'Ease of Doing Business Report' is improving but it is misleading due to the remaining heavy burden of bureaucratic inefficiency and the failure to develop effective enforcement processes to implement new laws and regulations in a transparent way (The World Bank Group, 2007). This is in particular true for the sector of SMEs that accounts for 75 percent of Egypt's employment but faces the most serious obstacles in access to loans or regarding bureaucratic inefficiency. The main burden of the state's budget remains the extent of energy subsidies that still follow the principal of a 'watering can'. Comprising almost half of Egypt's social spending on subsidies, grants and social benefits it falls short of addressing the principal targets of social spending, the lower strata of society. Social protection spending in Egypt is high and above the average for countries with similar macroeconomic figures, but it is poorly targeted and does not fulfil its core

function of alleviating poverty. Recent cuts in energy subsidies put pressure on the rising Consumer Price Index (CPI) that was further fostered by half-hearted decisions on behalf the Central Bank of Egypt (CBE) to increase interest rates, which remain de facto negative real interest rates (inflation rate higher than interest rate). This expansionary monetary policy, aimed at not obstructing strong growth rates, enhances fiscal imbalance.

Despite improving macroeconomic indicators the vast majority of society has not seen any fruit of reform. Moreover the social dimension seems to be completely missing in spite of regular claims by the government, with Minister of Investment Mohieddin being the frontrunner: 'I expect less questions about why economic growth is not manifesting itself in people's life. [...] The political atmosphere in general is good, despite what we see in parliament, on the streets and during workers' strikes' (Interview with Minister of Investment Mohieddin 2007). Revenues from privatising state companies are circumvented for public debt payment, the settling of non-performing loans (NPL) of Egypt's public banks, or bolstering the state's foreign currency reserves. A positive social dimension of the praised economic success is not in sight. According to numbers from the Organisation of Economic Cooperation and Development (OECD) the situation of the lower strata of society has even deteriorated since 2000. Forty-four percent of society has to make its living with less than US\$2 a day. The number of people below the national poverty line (income less than US\$260 a year, that is, less than US\$1 a day) has increased from 15 percent in FY 1999–2000 up to 20 percent in FY 2004–5 (OECD, 2006, p.256). Wages are stagnating, or in the light of double-digit inflation rates actually decreasing. The public mood was further soured in summer 2008 when inflation hit 25 percent, placing intolerable strains on already overstretched family budgets. Basic commodity prices are rising due to the cut in subsidies or higher demand. To earn one's living becomes a challenge for a growing segment of society (usually seen as the lower middle class) that has traditionally formed the class between the (very) poor segment and the upper middle class. Witness the somewhat cynical remark by John Kay in his comment published in the *Financial Times*: 'Reducing global poverty is not about a fairer distribution of finite resources. It is about the ability of every country to make effective use of its principal resource: its human talent' (Kay, 2007). Although the first part of his remark might be a hot issue for further debate, the second part leads us to a critical reflection on the Egyptian regime's performance in its efforts to reform the stalled public education sector. Egypt's education system remains a mess despite competitive spending rates compared to international standards (4.8 percent of GDP in FY 2005–6). In spite of increasing expenditures in the education sector and some success in enrolment rates at all stages, only a minimal part

of the education budget is spent on a systematic overhaul of the education sector with its underpaid teachers and outdated syllabuses. In the case of increasing expenditures (that did not keep up with inflation rates) for the public education sector, the obvious structural flaws of the public education sector were not tackled. The quality of education in the public sector is neglected at the expense of boosting mass education and leads to the main cleavage of the public education sector: at all levels of public education we witness deteriorating quality. Curricula and teaching styles in the country give priority to memorising without active learning techniques. Lack of sufficient funding only offers a rather limited opportunity to teach creative and critical thinking or a problem-solving attitude. On the one side public education teaching staff are underpaid, forcing them to take up alternative, more lucrative jobs. As Bradley wrote in his publication *Inside Egypt* (banned in Egypt shortly after publication), 'Egyptians [...] spend about \$2.4 billion annually on private tutoring, helping to keep alive a vicious cycle whereby the teachers themselves are often too tired to teach effectively in class because they work as tutors until the early hours of the morning in order to supplement their measly two dollars-a-day income' (Bradley, 2008, p.44). On the other side, the officially conveyed syllabuses limit the option of knowledge application-oriented teaching methods due to a lack of funding and crowded classes at all levels of the education sector. The consequence is a low-quality public education sector and a premium private education sector. Private education is thriving and perpetuates the reproduction of the élite for further generations (Abu al-Hadid, 2007), as vividly seen in Egypt's monthly business magazine that published the curriculum vitae of the country's top 40 young businessmen (*Business Today Egypt*, 2003, pp.50–75). Human talent is hereby destined to be a victim of a system that perpetuates obstacles to development, as tellingly shown for Egypt in the latest Global Competitiveness Index drafted by the World Economic Forum (World Economic Forum, 2007, p.34).

The example of education emphasises the selfish objective of an authoritarian regime that tries to adapt to new political, economic and social challenges. Comprehensive reform is wanted under two preconditions: first, it has to serve as a source of legitimatisation for those protagonists of reform and, second, it should act as tool for power consolidation. It is only if these two preconditions are met, that the door for a comprehensive 'trickle-down effect' for the populace may be open. As a matter of fact institutions change but their underlying mechanisms of ruling and decision-making (patronage, corruption and nepotism) remain untouched, because they are the fundamental elements in the political logic of authoritarianism, which the reform process inherently tries to save.

Conclusion: Egypt's authoritarian deadlock

Whereas for most international actors reform is directed towards liberalisation, paving the way for political and eventually democratic reform, the ruling élite in Egypt has embarked on a reform process but adheres to its own understanding of it: it is a certain kind of gradualism and a top-down approach, fully in line with consolidating the power structure of the ruling élite and neglecting any true spirit of political and economic liberalism (Demmelhuber, 2007, p.16). In spite of government rhetoric praising the achievements of the economic reform package, words match deeds only selectively, leading us to the main conclusions of this analysis.

The reform process is taken as a functional tool for power consolidation of the ruling élite and for bolstering the legitimacy of the latter. It is aimed at boosting the country's macroeconomic performance with only half-hearted efforts to ease Egypt's socioeconomic gaps. This new reform impetus was triggered by some far-reaching shifts within the ruling élite. The 'old guard' approaching their 70s are challenged and gradually sidelined by Western-educated and pragmatic 'young circles', whose legitimacy is based more on economic success as entrepreneurs than on military merit. The reform dynamic is in itself the policy outcome from this peculiar reshuffle of the ruling élite that started in the 1970s with Sadat's economic turnaround (*infitah*), gained momentum in the first two decades of Mubarak's reign and since then has initiated substantial changes in Egypt's political, economic and social agenda. These 'young circles' are now able to directly shape the country's policies as they have taken over key posts in politics, business and society and are not restrained by 'crony dependence' any more. Selected business élites have entered the very core of the ruling élite with the president's son Gamal Mubarak serving as an integrating figure and most likely successor to his father in the presidential palace.

Macroeconomic statistics support the notion of comprehensive reforms. The country's economy is indeed on a sounder footing than prior to 2004 but, until now, it only remains a success story for the upper echelons of society because it primarily aims at preserving the logic of authoritarianism and not alleviating poverty. Although pushing forward 'a highly marketed effort at modernisation, Egypt's ruling party is still centred on one man and draws much of its loyalty from its function as a 'patronage machine' (Zayan, 2007). While political institutions have been revamped in this so-called process of 'authoritarian upgrading' (Heydemann, 2007) the underlying mechanisms of decision-making favoured by a de facto 'one-party' and 'one-family' regime have prevailed. Eventually, power, politics and patronage are newly configured not to make Egypt safe for the interdependent challenges of the 21st century but rather to make Egypt's newly composed ruling élite safe for political longevity.

Notes

- ¹ After the depressing performance of the National Democratic Party (NDP) in the parliamentary elections in 2000 President Mubarak paved the way for an outstanding career of his second son, Gamal. The son of Hosni and Suzanne Mubarak, a graduate of the American University in Cairo (AUC), left Egypt in the late 1980s, worked in London at the Bank of America and finally returned to Egypt in 1996. He climbed the ranks of the party hierarchy, has been the leader of the highly influential Policy Secretariat since 2002 and is now widely seen as the informal party leader of the ruling NDP (since 2006: deputy general secretary). For a comprehensive work on his political and economic role, see Steiner (2006).
- ² It would be a mistake to speak of a monolithic ruling élite. Moreover the presidency of Mubarak has been shaped by a peculiar strategy that some analysts call 'divide and rule' (Latin: 'divide et impera'). It is aimed at balancing competing power centres within the elite and therefore avoiding any serious challenge for the core élite that can be located around the president's family and its closest associates (Demmelhuber, 2009b, pp.38ff.).
- ³ For further information on the efforts to streamline the transparency of the CASE, see: Embassy of the United States of America, Cairo, Egypt (2006), p.21.
- ⁴ Rumours around the selling of the BoA said that the sum of government money needed to settle BoA's massive portfolio of NPLs, in order to prepare the bank for privatisation, by far outnumbered the eventual privatisation revenues of US\$1.6bn.
- ⁵ According to the IMF Government Financial Statistics Manual 2001 Standard.
- ⁶ Despite customs clearance being reported to have fallen to one day from over 20 days (Rachid, 2007b), there remain multiple existing non-tariff trade barriers such as prevailing bureaucratic procedures or a lack of infrastructure.
- ⁷ In particular, the military's officer corps, business élites, party élites (NDP), Islamic scholars from al-Azhar, regime-loyal unionists and leading socio-political actors (such as the chief editors of the state media). The latter segments may be considered as parallel power centres with a vertical connection to the core élite, around the president's family and his closest advisors (including his chief advisor and chief of staff, Osama al-Baz and Zakaria Azmi).
- ⁸ Here again prospective business opportunities are the driving force. The latest Egyptian–Israeli gas deal (including the construction of a pipeline, circumventing the Gaza strip, from el-Arish in Egypt to Ashkelon in Israel) signed in 2005 has started full operational activity in 2008. For a comprehensive analysis of the deal and its involved actors, see Roll (2007).
- ⁹ Sawiris mentioned 'Teheran' as the other option if the economic reform process is stalled (Leclercq, 2007).

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9

Breaking the Wave – The War in Iraq, US–Egyptian Relations and the Bush Administration’s ‘Democratic Tsunami’

Lars Berger

Introduction

In the aftermath of the events of 11 September 2001, political commentators and representatives of the foreign policy decision-making process in Washington DC engaged in a serious debate about the extent to which governments such as the one in Egypt, long considered to be a reliable US ally, might have contributed to the emergence of the direct threat to US national security in the form of Osama Bin Laden’s Al-Qaeda organisation. While the regime in Cairo had been able to suppress the violent fringes of its domestic Islamist movement, Egypt’s ongoing political, economic and social crises continued to strengthen the support for domestic and transnational Islamist movements (Gerges, 2005, 2000). In light of these discussions the following paper seeks to analyse how the Bush administration’s decision to invade Iraq has impacted the ability of Hosni Mubarak’s regime to secure continued US foreign aid in the context of Washington’s erratic reform pressures.

The post 9/11 debate

Islamist terrorism and US grand strategy

The attacks on New York City and Washington DC turned the fight against organisations employing terrorist means into a strategic priority for US

foreign policy (Haass, 2002a). The Bush administration therefore had to develop a political response that satisfied the US public's expectations about securing the 'homeland' and tackled what came to be perceived as the underlying causes of the new threat posed by Al-Qaeda and its affiliates. In the ensuing policy debate commentators such as Ikenberry argued in favour of a strategy that combined a focus on immediate salient national interests with multilateral approaches generating legitimacy for US actions:

If the world perceives the war on terrorism between an arrogant and narrowly self-interested America and an aggrieved Islamic people, the war will be difficult to win. A war between the civilised, democratic world and murderous outlaws, on the other hand, can be won. (2001–2, p.29).

Similarly, Jablonsky pointed out that the costs of dealing with globalisation, failed states and the necessary push for greater human rights protection in oppressive states would make a unilateral war on terrorism impossible (Jablonsky, 2002–3, pp.6–7). Audrey Kurth Cronin therefore called for the departure from state-centred categories of power and demanded an emphasis on the delegitimisation of the deliberate use of violence against civilians:

The hallmarks of state power – bombers, nuclear mega-tonnage, tanks and troops, specifically, or populations, territory and wealth more generally – are not ideal weapons in this fight. They may even be undesirable vulnerabilities. Terrorism cannot be defeated solely in the military sense. [...] Potential Western targets will always be available, as long as terrorists can perpetuate even a twisted form of legitimacy. A war occurs between co-belligerents: this is not so much a 'war' as a hostage-taking situation – and the hostages are American and other Western civilians.

(Cronin, 2002, p.131)

In a similar vein Simon and Martini suggested a policy of 'norm-setting' that involved not only governments but also societal actors and specifically focused on the norms of state monopoly on the use of force as well as the non-use of violence against civilians (Simon and Martini, 2004–5, p.133). Such efforts could easily be undermined by the negative consequences of military action that breached commonly accepted notions of international law thus making counter-terrorism appear 'morally equivalent to its target' and polarizing Arab public opinion (Betts, 2002, p.33).

The Middle East Partnership Initiative

Since confronting terrorism without an appropriate assessment of its

roots constitutes a futile if not potentially disastrous exercise, post 9/11 discussions turned to those factors that were deemed to be responsible for the emergence of Al-Qaeda-style Islamist terrorism. Chief among them was the question about the contribution of 'friendly' Arab regimes to this situation.

US-Egyptian relations have long been characterised by an asymmetric interdependence in which Cairo's ability to recruit foreign aid at levels that allow it to curry favor with important domestic allies depends on its ability to portray itself as supportive of Washington's regional policies through granting access to its economic potential, assisting US diplomatic efforts in the Arab-Israeli conflict and facilitating, through joint exercises and the right to passage for US aircraft and warships, the regional US military presence. In return, Cairo could count on Washington's readiness to forgive some of its foreign debt in times of need and provide generous support for its military budget. It was therefore no wonder that US thinking on the post-Cold War world order would allocate to Egypt the rather prominent role of a 'pivotal state' whose positive influence would help stabilise a region still considered to be of central geostrategic importance (Chase et al., 1996; Lesser et al., 1998). On the other hand, however, this asymmetry produced rather problematic incentives for Egypt's authoritarian regime. In fact, it had and still has to hope for some form of Middle East crisis whether caused by continued US entanglement in region, like the confrontation with Saddam Hussein's Iraq, or a continuation, at a manageable level, of the Arab-Israeli conflict. Any US withdrawal based either on changing US interests or the sustainable stabilisation of the region would constitute a severe threat to Cairo's ability to recruit strategic rents.

Even more problematic than a sense of a declining contribution to US regional interests is the question of whether Egypt might have even developed into an obstacle. After 9/11, Martin Indyk, President Clinton's former Assistant Secretary of State for Near and Middle Eastern Affairs and Ambassador to Israel, urged the governments of Saudi Arabia and Egypt to reassess the dominance of anti-Israeli and anti-American voices in their respective countries and criticised what he perceived to be an

anti-American consensus [...] between Islamist fundamentalists on the right, who regarded Americans as infidels; Pan-Arab nationalists on the left, who viewed Americans as imperialists; and the regime itself, which found it convenient for the Egyptian intellectual class to criticize the United States and Israel rather than its own government's shortcomings.

(Indyk, 2002, p.82)

For Indyk the failure of the Camp David summit in 2000 and the terrorist

attacks on the US roughly one year later marked the end of the 1990s bargain that was based on the exchange of US silence on political reform in the Arab World for Arab support for the Oslo peace process. Washington would now have to encourage its Arab partners to ensure their long-term stability through political reform without strengthening fundamentalist alternatives (2002, pp. 86–88). This sentiment was shared by Richard Haass, the former director of the policy-planning staff at the US Department of State and current chairman of the US Council on Foreign Relations, who similarly offered an honest critique of past US efforts at democracy promotion in the Middle East:

Muslims cannot blame the United States for their lack of democracy. Still, the United States does play a large role on the world stage and our efforts to promote democracy throughout the Muslim world have sometimes been halting and incomplete. Indeed, in many parts of the Muslim world and particularly in the Arab World, successive US administrations, Republican and Democratic alike, have not made democratization a sufficient priority. At times, the United States has avoided scrutinizing the internal workings of countries in the interests of ensuring the steady flow of oil, containing Soviet, Iraqi and Iranian expansionism, addressing issues related to the Arab–Israeli conflict, resisting communism in East Asia, or securing basing rights for our military. Yet by failing to help foster gradual paths to democratization in many of our important relationships – by creating what might be called a ‘democratic exception’ – we missed an opportunity to help these countries become more stable, more prosperous, more peaceful and more adaptable to the stresses of a globalizing world. (Haass, 2002b)

The sentencing of the prominent Egyptian-American academic and human rights campaigner Saad Eddin Ibrahim constituted a first test of US seriousness in that matter. Creatively highlighting the symbolism of Ibrahim’s fate, Thomas Friedman used his influence as a *New York Times* columnist to suggest to the Bush administration that ‘[...] before we go trying to liberate a whole country – Iraq – we first liberate just one man, one good man, who is now sitting in an Egyptian jail for pursuing the very democratic ideals that we profess to stand for’ (Friedman, 2002). The Bush administration’s unprecedented decision to publicly link aid to Egypt with the case against Ibrahim was as warmly welcomed in the US media as it was criticised in Egypt.¹ It ultimately led to Ibrahim’s acquittal on 18 March 2003, exactly one day before the US-led invasion of Iraq.

The public involvement in the case of Saad Eddin Ibrahim was followed by Secretary of State Colin Powell’s announcement of the so-called Middle

East Partnership Initiative (MEPI) at the conservative Heritage Foundation in Washington DC. In his speech, Powell challenged the 'condescending notion' that 'freedom could not grow' in the Middle East (2002). In direct reference to the just-published *United Nations Arab Human Development Report* he made closing the 'employment gap', 'freedom gap' and 'knowledge gap' the central aims of the Middle East Partnership Initiative. In the eyes of its Washingtonian critics, the decision to put the management of the initiative in the hands of the Near East bureau of the Department of State led to spending priorities that were more in line with the strategic interests of the US diplomatic elite and its authoritarian Arab partners (Carothers, 2005; Wittes, 2004). The fact that 70 percent of all sums spent under MEPI went directly to Arab governments and only 17.5 percent to representatives of Arab civil society led Wittes (2004) to conclude that the programme would not constitute more than a short-term delay of the erosion of Arab governments' legitimacy. Instead she demanded a more direct investment in civil society-led 'velvet revolutions'.

The Iraq war and regional change

The Iraqi 'role model'

With the State Department-dominated, consensus-based, incremental policy adopted under MEPI slowly fading away, the topic of democratising the Middle East received a new boost through its linkage with the impending attack on Saddam Hussein's Baath regime. In the summer of 2002, Joshua Muravchik of the American Enterprise Institute introduced the idea of a 'regional tsunami' which could, employing Samuel P. Huntington's analysis of the preceding three global 'waves of democratisation', empower a 'fourth' (Muravchik, 2002).

One week before President Bush adopted his speechwriters' invention of an 'axis of evil', the two prominent neo-conservative commentators, Robert Kagan and William Kristol, described the fall of Saddam Hussein as the beginning of a groundswell of democratisation in the Arab World:

A devastating knockout blow against Saddam Hussein, followed by an American-sponsored effort to rebuild Iraq and put it on a path toward democratic governance, would have a seismic impact on the Arab World – for the better. The Arab World may take a long time coming to terms with the West, but that process will be hastened by the defeat of the leading anti-western Arab tyrant. Once Iraq and Turkey – two of the three most important Middle Eastern powers – are both in the prowestern camp, there is a reasonable chance that smaller powers might decide to jump on the bandwagon. (Kagan and Kristol, 2002)

These ideas fell in line with those voices within the Bush administration that, since the end of the Cold War, had been propagating a grand strategy based on 'dominance' (Mann, 2004). In their private conversations with Vice-President Dick Cheney, and prominent academics like Bernard Lewis and Fouad Ajami stressed the positive regional effects they expected to originate from Saddam Hussein's fall (Daalder and Lindsay, 2003, p.130). In one of his public statements on the issue, Ajami considered a possible negative fall-out of the Iraq war to be 'dwarfed' by the 'disastrous consequences' of another US failure to topple Saddam Hussein (2003 p.18). According to Bernard Lewis, the United States only had the difficult choice between the neo-isolationist complete retreat from the region and the raw hegemonic pursuit of national interests ('Get tough or get out') (2004, p.350). Former Director of Central Intelligence, James Woolsey (2003), made it clear that the regimes in Egypt and Saudi Arabia had to understand that

[w]e want you nervous. We want you to realise that now, for the fourth time in a hundred years, this country and its allies are on the march and that we are on the side of those whom you most fear. We are on the side of your own people.

Against such thundering rhetoric stood the combined 'Realist' scepticism of Washington's traditional foreign policy establishment. In a typical example of Beltway politics, an internal State Department document titled *Iraq, the Middle East and Change: No Dominos* was leaked to the press in the last week before the war. Its authors argued that a precipitous introduction of elections would lead to the establishment of Islamist regimes unless the region's social, political and economic problems were equally addressed (Miller, 2003). This warning resembled a Policy Brief issued by the Carnegie Endowment for International Peace in October 2002 which stressed the lack of necessary preconditions for a sustainable democratic change in the region. While its authors deemed such a change to be possible, they made it clear that they expected such an undertaking to be a decades-long commitment which could easily lack the required support of the US public (Ottaway et al., 2002). Critics of the aggressive neo-conservative rhetoric about the Iraqi 'role model' also remarked that other regional actors might feel compelled to sabotage the US-led reconstruction of post-Saddam Iraq in order to prevent Washington from pushing for further change (Alterman, 2003, p.159).

At a time when it became obvious that Saddam Hussein's Iraq had not posed an immediate threat to world peace and the post-Saddam violence in Iraq could still be largely portrayed as resulting from a coalition of

'former regime elements' and transnational Islamist terrorists such as Abu Mus'ab az-Zarqawi, President Bush's official statements began to put more emphasis on the Iraq war's regional implications. In his speech inaugurating the United Nations' national assembly in September 2003, President Bush declared that 'Iraq as a dictatorship had great power to destabilise the Middle East. Iraq as a democracy will have great power to inspire the Middle East. The advance of democratic institutions in Iraq is setting an example that others, including the Palestinian people, would be wise to follow' (Bush, 2003a). People in the region itself were more sceptical. Even though a Pew Global Attitudes Project survey published in June 2003 showed strong majorities in Morocco, Kuwait, Jordan, Lebanon and the Palestinian territories supporting the notion that democracy can take root in their homelands, only in Kuwait did a majority see the Iraq war as having a positive effect in that regard (Pew, 2003, pp.24–36).²

The long-term vision of a democratic redrawing of the mostly authoritarian Middle Eastern political landscape increasingly dominated President Bush's efforts to press a reluctant Congress into appropriating the funds the executive demanded for the pursuit of its policies toward post-Saddam Iraq. In his November 2003 speech at the National Endowment for Democracy, the institution which President Reagan had founded 20 years earlier to support the global spread of democracy, President Bush announced that '[s]ixty years of Western nations excusing and accommodating the lack of freedom in the Middle East did nothing to make us safe – because in the long run, stability cannot be purchased at the expense of liberty' (Bush, 2003b). While liberal Arab commentators like Shafeeq Ghabra, former president of the American University in Kuwait, picked up President Bush's Reaganesque rhetoric by announcing it to be about time to 'tear down the Arab wall of authoritarianism' (Ghabra, 2003), US commentators like Martin Indyk criticised the lack of new programmes or, in the case of the Council on Foreign Relations' Judith Kipper, the rhetoric itself. Kipper even went so far as to claim that the questioning of long-standing US positions on the Middle East inherent in the president's 'campaign speech' did 'not make us safer' (quoted in Hunt, 2003). The president himself stressed the link between a successful establishment of democratic processes in Iraq and the overall direction the region would take by signing a controversial emergency bill funding the ongoing operations in Afghanistan and Iraq (Sanger, 2003; Hunt, 2003).

The short life of the Greater Middle East Initiative

In order to demonstrate that his focus on democratisation was not all about (retrospectively) justifying the war in Iraq, President Bush followed

up on his historic November 2003 speech with what came to be known as the Greater Middle East Initiative. At its core was the exchange of the promise of Middle Eastern countries to engage in political and economic reforms for US support in their efforts to join the World Trade Organisation and establish closer security and military ties with the United States and Europe (Wright and Kessler, 2004). Hosni Mubarak quickly took the lead in attacking the proposal which had been prematurely leaked to the Pan-Arab newspaper *al-Hayat*. He accused the Bush administration of behaving as if the 'region, its countries, peoples and societies' did not exist and predicted 'chaos' in the event of total political freedom (MacFarquhar, 2004a; Weisman and MacFarquhar, 2004).

Saudi Foreign Minister Sa'ud al-Faisal declared in a speech before the European Policy Center that a democratisation drive based on the model of the Helsinki process of the 1970s and 1980s lacked attractiveness since this very process had led to the disintegration of a country and turned the Russians into the 'most unfortunate' peoples of the past two decades.³ At their meeting in February 2004 Hosni Mubarak and Crown Prince Abdullah declared that reforms could not be imposed 'from outside' and had to be in line with 'Arab identity' (quoted in Ghafour, 2004).

In the US, President Carter's former national security advisor, Zbigniew Brzezinski, heavily criticised the circumstances of the eventual official announcement of the initiative:

For starters, the democracy initiative was unveiled by the president in a patronizing way: before an enthusiastic audience at the American Enterprise Institute, a Washington policy institution enamored of the war in Iraq and not particularly sympathetic toward the Arab World. The notion that America, with Europe's support and Israel's endorsement, will teach the Arab World how to become modern and democratic elicits, at the very least, ambivalent reactions. (This, after all, is a region where memory of French and British control is still fresh.) Though the program is meant to be voluntary, some fear that compulsion is not far behind.

(Brzezinski, 2004)

In contrast to Brzezinski's assessment, the *Washington Post* editorialised against the critics of the initiative. It portrayed the demands for a solution of the Arab-Israeli conflict to precede any serious attempt at political reform in the Arab World as part of the 'decade old rhetoric' that was as empty as the 'nationalism and socialism which the regimes in Egypt and Syria are based on'.⁴ Even Bill Clinton himself advised the region's representatives assembled at the US-Islamic Forum in Doha, Qatar, not to let conflict divert attention from the need for political and economic reform (Clinton, 2004).

However, that is exactly what happened. In March 2004, the Tunisian hosts had to cancel a long-awaited summit of the member states of the Arab League after Egypt, Saudi Arabia and Bahrain announced they would not attend the event whose final communiqué was supposed to include references to 'democracy', 'parliaments' and 'civil society' (MacFarquhar, 2004b; Williams, 2004). When the summit eventually took place in May 2004, its final statement prominently featured sharp criticism of the torture scandal at Abu Ghraib and the killing of Sheikh Ahmed Yassin as well as an unspecific general commitment to 'continue the reform steps already undertaken'. This disappointing statement was made palatable to the US by successful Egyptian and Saudi efforts to preempt a Libyan-sponsored attempt to call for a timetable for US withdrawal from Iraq (MacFarquhar, 2004; Stack, 2004). This situation highlights how the strategic vulnerability the US imposed upon itself with the Iraq war undermined efforts of the Bush administration to promote democratic processes in the region. A year and a half later, Egypt thwarted a final communiqué of one of the initiative's follow-up meetings in Bahrain. Cairo objected in particular to any language that lacked a direct reference to governmental prerogatives in the regulation of civil society organisations (Wright, 2005).

The 'Baghdad spring' of 2005

The coincidence of President Bush's convincing (although in historical terms very narrow) re-election victory, the first free elections in Iraq in decades and the end of yet another of Hosni Mubarak's terms as leader of the Egyptian regime created something of a perfect storm for US attempts to push for political reform in the region. President Bush therefore declared the spread of freedom to be the central theme of his second term in office and called upon Egypt to take the lead in the Middle East (Bush, 2005). The fact that Cairo decided to move against secular opposition leader Ayman Nour in a similar manner as it had done against Saad Eddin Ibrahim only days after Bush's speech was widely regarded as a direct affront by Washington's press corps.⁵ It became obvious that the White House shared this assessment when Secretary of State Condoleezza Rice let speculations spread that she considered cancelling a joint summit of the G8 and Arab countries in protest of Nour's arrest (Kessler, 2005). Only days later, Hosni Mubarak announced constitutional changes to allow the holding of multiparty elections (Youssef, 2005), even though he had forecast negative consequences for the 'security and stability' of the country in such an event only weeks before.⁶ Shortly afterwards, Ayman Nour was released on bail and his trial strategically postponed until after Egyptians were scheduled to go to the polls (Williams, 2005; Fattah, 2005).

In order to demonstrate the seriousness of US efforts, Washington's

departing ambassador to Egypt, David Welch, announced in March 2005 that for the first time USAID would pay out funds directly to non-governmental organisations with clear political mandates such as Saad Eddin Ibrahim's Ibn Khaldun Center (El-Deeb, 2005). George Ishak, one of the leaders of Kifaya ('Enough'), the most secular movement challenging Mubarak's decision to stay in office, acknowledged the impact of outside pressure:

Let's be frank. No one can deny that foreign pressure has helped, as has domestic and regional pressure. The whole region is boiling. Beginning with the Palestinian and Iraqi occupations, the whole world is waking up. Also it helped that there were presidential and parliamentary elections coming and we couldn't just remain silent about that. [...] I wish the government would respond to purely internal demands, but it does not. [...] We have had a parliament since 1862 and demands for democracy are longstanding. Now there is a synergy between external and internal changes. If the outside were calling for democracy and there was no activity inside, what would be the result? Nothing. So outside and inside factors are working together. (Ishak, 2005)

In a stark reminder of the regime's determination to prevent a 'velvet revolution' from happening in Egypt, Hosni Mubarak allowed hired gangs under the supervision of the security services to employ sexual harassment and violence against peaceful demonstrators challenging those constitutional amendments that were adopted in a widely boycotted referendum to ensure the regime's survival even in the face of token political reform (Human Rights Watch, 2005a; Osnos, 2005). In her forceful speech at the American University in Cairo in June 2005, Condoleezza Rice seemed to echo the sentiment of Egypt's liberal opposition by repeating President Bush's dictum that 'sixty years of stability at the expense of democracy' had meant that neither had been achieved and demanded an end to state of emergency in Egypt (Rice, 2005a). Although her demand for independent local and international election observers was not met, one of her spokesmen would later portray the presidential elections as a 'historic step' which would 'enrich the political dialogue in Egypt for many years to come' (quoted in Williams and Wright, 2005). A more sceptical International Crisis Group report described the election as a 'false start for reform' since 'conditions for a genuinely contested presidential election simply did not exist' (2005, p.I.)

Even more important than Hosni Mubarak's crude attempts to engineer his 'election' was the question of how to deal with the participation of Muslim Brotherhood in the elections for national assembly only three

months later. Here, US officials tried to tread a careful line between encouraging greater political openness and regard for the concerns of the Egyptian regime. On the one hand, Rice and her deputy, Robert Zoellick, made it clear on their trips to Cairo that the US position on the inclusion of the Muslim Brotherhood would follow 'Egyptian laws' (Zoellick, 2005). On the other hand, Rice challenged the notion that free elections would necessarily bring radical Islamists to power:

It's very interesting. I don't know who would win a completely free and fair election. [...] it's not at all evident to me that the most extreme factions win. In fact, I think you could make the opposite argument, which is that if people have to go out and campaign, they have to go out and get people's votes and people can vote not just freely and fairly but secretly, it would be very interesting to see whether people would, in fact, vote for a platform that said our platform is to kill innocent people and take away your rights and send your children off to be suicide bombers or to fly airplanes into buildings. And the good thing about a campaign is that the media should and can ask questions that expose what the true platform and campaign would be. [...] Now, it's not a perfect safeguard and to a certain extent you have to trust the people, but we believe in the United States that what the absence of political openness and a press that has the opportunity to examine what political leaders are doing in an open way, that that has produced these dark shadows in which extremists can actually operate. (Rice, 2005b)

In his speech already quoted above, Richard Haass had laid down the marker for a potential cooperation between the United States government and Islamist organisations. According to his public statement on this matter, US relations with any 'fairly elected' government would only depend on the latter's treatment of its people and its position on international issues such as 'terrorism, trade, the non-proliferation of weapons of mass destruction and counter-narcotics' (Haass, 2002b).

In many respects, Egypt's elections for the national assembly would therefore prove to be disappointing for the United States. Not only did Mubarak's one-time liberal challenger Ayman Nour lose his seat against a former member of Egypt's security services (Allam, 2005); low voter participation of around 25 percent and widespread violence against voters at polling stations in districts where Islamists did well substantially undermined the election's credibility.⁷ The first public statements of the Muslim Brotherhood, with a jump from 17 to 88 seats in the 454-seat assembly the elections' main winner, raised concerns about the potential impact on US Middle East policy. Its leader, Mohammed Akef, declared on

the one hand that it would neither 'recognise, nor fight' Israel and would refrain from involvement in the political decisions of Hamas, its sister organisation in the Palestinian territories. On the other hand, however, he praised the 'noble resistance' in Iraq with its 'noble' methods, described Israel as a soon to disappear 'cancer' and the holocaust as a myth (quoted in MacFarquhar, 2005; Slackman, 2005).⁸

Back to the future: the retreat from democracy promotion

Turning back the wheel of political reform

While the surprisingly strong showing of the Muslim Brotherhood might have been a sufficient cause in itself for a reassessment of US policy, Egypt's authoritarian regime benefited from a series of strategic setbacks for the US ranging from increasing Iranian influence in Iraq and Lebanon to the escalation of violence in Iraq and Hamas' election victory in the Palestinian territories. After having seen its regional role becoming increasingly overshadowed by Saudi Arabia, Egypt could again offer its diplomatic services in exchange for US silence on Cairo's attempts to shut down the political openings Washington's public pressure had helped to create one year earlier.

Sensing the chance to pick things up where US pressure enforced a temporary engagement with symbolic reform measures, the Egyptian regime brought the politically motivated trial against Ayman Nour to a pre-arranged end (Human Rights Watch, 2005b). With leftist and liberal opposition parties reduced to 16 seats in the 454-seat assembly, Nour's long-term imprisonment, which only ended in February 2009, helped to further reduce any broadly recognisable opposition to the ruling regime not associated in one form or another with the Muslim Brotherhood. In one of their short meetings with Secretary Rice representatives of Egypt's civil society described the crackdown on Nour and other liberal dissenters as part of Cairo's strategy to leave Washington only with the choice between the current secular regime (including Mubarak's son Gamal) and the alternative of the Muslim Brotherhood (Kessler, 2006; Williams, 2006).

In the next step, the regime turned its attention to the independent media and judges. Since the mid-1990s, the latter have been at the forefront of challenging the widespread manipulation of elections in Egypt by forcing the judicial supervision of polling stations as a means of preventing the stuffing of ballot boxes. They also began to demand the extension of judicial supervision from observing polling to include the actual tallying of votes usually undertaken by government appointees. After two of the country's most senior judges pointed to what they regarded as manipulations in the 2005 election for the national assembly, the regime moved to strip them of

their immunity and bring them before a disciplinary hearing of the Egyptian Supreme Court (Khouri, 2006; Slackman, 2006). In a symbolic incident that highlighted the liberals' fears about the outcome of the government's crackdown on liberal dissent, Hosni Mubarak's son Gamal secretly met Vice President Cheney at the same time as public demonstrations supporting the liberal judges and criticising previous assaults of security forces against peaceful protesters were once again targeted by the regime (Baker, 2006).

Sensing the growing impact of new information technology on freedom of expression, the Egyptian regime also began to jail online bloggers like Kareem Amer for 'defaming the president of Egypt' and 'highlighting inappropriate aspects that harm the reputation of Egypt' (Ziada and Sage, 2006). In addition, Cairo pushed through a referendum that enshrined the powers police and security forces normally only enjoyed under the decade-old state of emergency, banned the formation of parties on religious grounds and limited the right to nominate presidential candidates to recognised parties sitting in the national assembly.⁹

By early 2007, the Egyptian regime was engaged in what Amr Shobaki of the Al Ahram Center for Political and Strategic Studies in Cairo called 'the most brutal campaign against the Brothers since Mubarak came to power' (quoted in Stack and el-Hennawy, 2007). In this, they regime benefited partially from a return of public concerns about the true intentions of the Muslim Brotherhood which were stocked by Brotherhood members' focus on the veiling of women and militant demonstrations of a Brotherhood student organisation at al-Azhar (Michael, 2006).

Washington's conflicting messages

The verdict against Nour and the widespread violence during the 2005 elections resulted in a strongly negative media echo in the US.¹⁰ In a direct reaction, Washington put off negotiations about a free trade agreement between the two countries with a State Department spokesman publicly linking 'democratic reforms, good governance [...] with the expansion of economic opportunities and the expansion of trade' (Brinkley, 2006). On the other hand, Secretary Rice began to lower the bar she had set with her forceful speech only months earlier by reminding her audience in a joint appearance with an Egyptian foreign counterpart that '[w]e have to realise that this is a parliament that is fundamentally different than the parliament before the elections, a president who has sought the consent of the governed. [...] We can't judge Egypt. We can't tell Egypt what its course can be or should be' (Shadid, 2007).

In the summer of 2007, one of Secretary Rice's many trips to the region to gather support from leaders of Sunni majority countries for Iraq's Shia'-

dominated government (Wright and White 2007) coincided with another orchestrated amendment of Egypt's constitution. The proposed changes were tailored to secure the continuing dominance of Mubarak's NDP by limiting the judicial control of elections and incorporated those aspects of Egypt's emergency law that effectively grant the security services unchecked powers to disrupt any form of peaceful political opposition (Murphy, 2007). Instead of challenging this attempt to limit the scope of political debate Rice lowered the bar by declaring that '[t]he process of reform [...] is going to have its ups and downs' and adopting Egyptian rhetoric on how the US would not 'try to dictate to Egypt how this will unfold' (quoted in *ibid.*).

These developments put President Bush into the awkward position of having to refer to himself as a victim of US bureaucratic politics. During a conversation with Egyptian activist Saad Eddin Ibrahim he had during a meeting at the International Conference on Democracy and Security in Prague, President Bush reportedly told the latter that 'I too am a dissident in Washington. Bureaucracy in the United States does not help change. It seems that Mubarak succeeded in brainwashing them' (quoted in Baker, 2007).

While the executive branch, whether or not supported by the president, seemed to have returned to a less forceful stance on democracy promotion within the Arab World, more and more members of Congress questioned the wisdom of unconditional aid to Egypt.

In mid-2005, Congressman David Obey, a ranking Democrat on the House Appropriations committee and a long-time supporter of US aid to Egypt, had already slipped an earmark into the final House appropriations that stipulated that \$50m of US assistance had to be spent on democracy and governance programs. Highlighting the difficulty of pushing reform in a country still deemed relevant for overall US strategic interest, Obey noted that he wanted to signal that Congress found Egypt's human rights record to be an 'embarrassment without thoroughly upsetting the administration's ability to continue to negotiate in that region to try to move what is left of the peace process forward' (quoted in Odessey, 2005).

Under the impression of the Ayman Nour trial and the violence against peaceful protests, leaders of both parties agreed on shifting \$40m every year from 2006 until 2008 from military to economic aid to Egypt which would theoretically free funds to support civil society organisations. In late December 2005, a non-binding Concurrent Resolution of both houses was adopted by 388 to 22 votes which recognised the 'promotion of freedom and democracy' as a national interest of the US and asked the Bush administration to base future inquiries to Congress concerning foreign aid to Egypt on the extent to which Cairo has addressed the necessity of lifting the state of emergency, the state monopoly over the press and publishing, the

respect for peaceful demonstrations and access for local and international observers to future elections.

With a similar measure having failed earlier, supporters of a stronger Congressional stance on political reform in Egypt were finally able to pass, as part of the omnibus spending bill for 2008, a provision which withheld \$100m in aid to Egypt until the Secretary of State certifies that the Egyptian government 'has taken concrete and measurable steps to adopt and implement judicial reforms that protect the independence of the judiciary; review criminal procedures and train police leadership in modern policing to curb police abuses; and detect and destroy the smuggling network and tunnels that lead from Egypt to Gaza.' In the end, this Congressional decision was relegated to the realm of symbolic politics when President Bush made use of a national security waiver and released all funds shortly afterwards.

When the aforementioned human rights campaigner Saad Eddin Ibrahim called in the *Washington Post* on the US government to subject a share of its annual military aid to political conditionality (Ibrahim, 2007), several members of Mubarak's National Democratic Party (NDP) launched legal complaints against him, which ultimately led to another prison sentence in absentia (Knickmeyer, 2008).

Conclusion

In contrast to the policy adopted with regard to Iraq, the cautious US approach to democratisation in the rest of the Arab World relied more on cooperative elements focusing on multilateral approaches of norm assertion and US soft power. This approach became enshrined in the so-called Middle East Partnership Initiative and the Broader Middle East and North Africa Initiative as well as bilateral calls for political reform. While neo-conservative commentators expected a 'democratic tsunami' to emerge from the Iraqi example, the reality of the Bush administration's US democracy promotion was marked by only modest and rather tenuous successes.

On the state level, Cairo successfully employed a strategy of tying progress in the Arab-Israeli arena with future promises of political reform. Even more important is the fact that the war in Iraq led to a situation of US strategic vulnerability, whereby any effort to pacify Iraq or withdraw is considered as being linked to the diplomatic support offered by Egypt. This has led to a softening of the asymmetry in the interdependent US-Egyptian relationship in favour of the Arab ally. When President Bush introduced the spread of freedom as the central theme of his second term, the United States had already squandered the political capital available in

the aftermath of the 9/11 terrorist attacks. In the end, the increased US push for political reform in the region met with decreased ability to prevail.

In terms of Western support for political reform, the association of each country's specific nationalist or patriotic sentiments with calls for political liberalisation (as represented by Egypt's Kifaya movement) seems to be the most promising way to proceed. Nationalist sentiments have so far proven successful in discrediting domestic terrorist campaigns by associating the latter with real or suggested 'foreign interests.' The integration of nationalist sentiments into the region's discourse on political reform can also withdraw support from the Islamist milieu which tends to use nationalist vocabulary as well. This means, however, that opportunities for direct Western influence are very limited. While not abandoning the direct support for nascent civil society organisation, the emphasis should be shifted to the harder to delegitimise support granted through international organisations and, more importantly, direct pressure on Arab regimes to open the political space for indigenous actors to fill.

Notes

- ¹ For the general tone of US coverage, see 'The Right Message to Egypt', *New York Times*, 20 August 2002; 'The US, Egypt and Rights', *Christian Science Monitor*, 20 August 2002; Peter Slevin, 'Bush, in Shift on Egypt, Links New Aid to Rights', *Washington Post*, 15 August 2002. Egypt's Islamist opposition paper *al-Ahali* played to anti-Semitic stereotypes by portraying Friedman's critique as part of a campaign by the 'Jewish Lobby'. See 'Hamla Amrikiya Sharisa Did Misr' ('Evil American Campaign against Egypt'), *Al-Ahaly*, 7 August 2002. The paper of the nearly dormant liberal opposition party *al-Wafd* even called for an outright general rejection of US aid: 'Raf' al-Ma'una al-Amrikiya Matlab Watani' ('The rejection of US Aid is a National Necessity'), *al-Wafd*, 22 August 2002.
- ² According to the survey 83 percent of Kuwaitis, 68 percent of both Jordanians and Lebanese, 64 percent of Moroccans and 53 percent of Palestinians deemed democracy possible. A positive effect of the Iraq war saw 69 percent of Kuwaitis, 71 percent of Lebanese, 43 percent of Moroccans, 41 percent of Jordanians and only 13 percent of Palestinians (Pew, 2003, pp.24–36).
- ³ Quoted in 'Kingdom Warns US Against Imposing Reforms', *Arab News*, 20 February 2004, <http://www.Arabnews.com/?artid=39792>.
- ⁴ See 'The Arab Backlash', *Washington Post*, 10 March 2004.
- ⁵ According to the editors of the *Washington Post* 'Mr. Mubarak is no longer testing Mr. Bush; he is spitting in his face.' See 'Egypt's Brutal Answer', *Washington Post*, 24 February 2005
- ⁶ See 'Mubarak to Nominate Himself for Elections, Rejects Constitutional Changes', *Arabic News*, 31 January 2005, <http://www.Arabicnews.com>.
- ⁷ For US editorials reflecting this disappointment, see 'Egypt's Ugly Election', *New York Times*, 10 December 2005; 'Unkept Promises in Egypt', *Washington Post*, 13 November 2005.
- ⁸ See Akef's interview in 'We Take Nobody's Permission', *Al-Ahram Weekly*, No.

773, 15–21 December 2005, <http://weekly.ahram.org.eg/2005/773/eg5.htm>; as well as his quotes in 'New Big Gains for Egypt's Brotherhood', *The Daily Star*, 28 November 2005.

- ⁹ See the editorial 'Constitutional Autocracy', *Washington Post*, 25 March 2007.
- ¹⁰ For the strong echo in leading newspapers see the editorials 'Stand Up to Mr. Mubarak', *Washington Post*, 29 December 2005; 'Hosni Mubarak's Democracy', *New York Times*, 29 December 2005; 'Unchanging Egypt', *Boston Globe*, 28 December 2005; 'Democracy on the Nile', *Los Angeles Times*, 28 December 2005.

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10

Will Globalisation Allow Democratisation?

Abdulaziz Sachedina

Introduction

'To date, globalisation remains a flawed game whose rules have been fixed by rich nations.' That condemnation of the emerging 'neo-liberal' new world order was written by the *New York Times* editorial board. It appeared on 10 September 2003 in a statement condemning the United States, Europe and Japan for taking advantage of a position of unequal bargaining power at the World Trade Organisation and for constructing a world system in which poor nations of the South are forced to reduce their trade barriers, while rich nations of the North protect and heavily subsidise the production of agricultural goods at home. As the *Times* editorial notes, the current global trade system 'has devastating effects on poorer nations, many of which could improve living standards if only given chance to export farm products at fair market prices'. The editorial does not hesitate to draw moral conclusions about how the global system has devolved and fallen short of its own moral ideals. The *Times* points a finger at the contradictions and hypocrisy of current American and European trade policies. There are calls for remedies, for truth in advertising (identifying the real effects of farm subsidies and how current trade policies cause poverty in the 'third' world) and for greater fairness, reciprocity and equality of voice in the process of negotiating the international rules of the 'free trade' game.

Although my concern in this chapter is not so much with economic globalisation but rather with one particular aspect of cultural globalisation, I am going to argue that emerging rules of the cultural correctness game have been fixed by the First World and deserve to be critiqued. If there are going

to be rules to the game of cultural globalisation through democratisation *à la Ovest* and its diffusion they will have to address the freedoms and constraints associated with the human search for meaning on an international scale and the conditions under which locally produced ideas, ideals and practices are created, perpetuated, exported or reproduced around the world. Ideally, in a neo-liberal world order these rules ought to permit members of different societies or groups a good deal of liberty (within certain moral limits) to live and reproduce their way of life according to their own historical consciousness and allow them to evolve and develop conceptions about what is good, what is true, what is beautiful and what is efficient by their own lights. Ideally, in such an international order the rules of the cultural globalisation game ought to be constructed in a negotiating environment in which accurate information is available about the consequences of leaving people free to evolve and carry forward a way of life guided by their own conception of the good. And in that negotiating environment there ought to be an equality of voice for those who are affected by the application of any agreed-upon rules defining the scope and limits on the free exercise of cultural practice.

Globalisation, the Arab World and Islam

The subject of globalisation has assumed a central position in international relations today. The topic has wide-ranging implications for North–South, East–West relationships in terms of the transfer of technology, control of the markets and determination of material as well as ideological culture. In the post-Soviet era, globalisation denotes the evolution of a supernational role that Western industrialised nations are going to play under the leadership of the United States in shaping the social, political and economic future of humankind. Whether imagined or real, this emerging supernational role of the US and its seminal influence in global politics is the source of fear in the rest of the world, including the European nations.

The critical question for the Arab World is how globalisation leads to the First World's domination over the Third World. The marketplace that produces wealth by consuming imported goods and technical know-how and that fills the coffers of the industrialised nations is not neutral in value. There is a price to be paid in terms of domination by technocrats, mainly trained in the West, who wield and exercise the surrogate authority invested in them by profit-making, multinational corporations. This domination is seen by a number of keen native observers as a new type of colonisation. Economic interests are not fully separate from political interests. Hence, globalisation needs to be studied in light of the political interests that drive it, particularly in the relation between political Islam with its agenda to

recover the losses of colonial periods, on the one hand and globalisation with its agenda of dominating the world market and all that is related to this market culture, on the other. A discussion of globalisation cannot avoid larger questions about the sovereignties, political prerogatives, constitutional democracies and diplomatic or other matters connected with the geopolitics of the regions and the autonomy of the communities in those regions.

Although Islam is a religion poorly understood in America, it is politically articulated for home consumption, both in the mass media and in academia. Many do not fathom the depth of politicisation connected with the term 'Islam' and its counter, value-loaded term 'the West'. They are intellectual constructs prevalent among social scientists, who speak about the way 'Islam' represents the opposite of what 'the West' stands for in terms of a culture and civilisation. More poignantly, to a Western observer used to defining the political and inferior 'other' by means of 'use-value' rather than 'real-value', Islam represents a global threat because of its ability to mobilise unruly mobs opposed to Western liberal values and determined to destroy Western democracies and free-market economies.

To add to this understanding about a religion and a people that do not belong to the orbit of what the West regards as civil and rational is the post-Enlightenment conceptualisation of religion itself. This tainted view of religion as something that needs to be confined to the private domain of human activity in order to control its divisiveness and its threat to civil society is not really helpful in understanding the unfolding of 'Political Islam' and the way it engenders not only exclusivist religiosity but also a universalist secularity. This last feature, that is, universalist secularity, which we normally attribute to the genius of modern, secularised men and women, confounds most analysts of the Islamic religion as a very unlikely feature of this Abrahamic tradition. How could Islam be so retrograde and yet convincingly modern?

Default secularity in Islamic tradition

I use the word 'secularity' in the sense of separate jurisdictions in managing the affairs of a nation. This secularity is derived from the very scriptural source, the Koran and the Tradition, that is the main ideological tool used by political Islam to come up with radical solutions to world domination through economic globalisation. I use 'secularity' and not 'secularism' because secularism suggests the well-being of humankind in the present life to the exclusion of all considerations drawn from belief in God or in a future state of salvation. Moreover, it requires all spheres of life, private and public, to be transformed by its practical agnosticism as if God did not exist. 'Secularity', on the other hand, means that in the absence of

religiously negotiated control over public discourse, as it would obtain in Islamic tradition because of the absence of the 'church' and in a limited democracy informed by both public and religious premises, there should be a condition of self-limitation observed by the state in matters of religion. In other words, secularity regulates matters pertaining to this world without negating or disregarding non-secular or spiritual affairs.

In the modern world, we use the word 'religion' in a very limited sense to mean a set of beliefs and practices that provide privatised, autonomous individuals spiritual connection to God. In contrast, Near Eastern cultures use religion in a very broad sense, referring not simply to an ideology founded upon a set of doctrines, but also to a blueprint for organising the social and political affairs of human society. Thus, religion in the Near East has a wider and more comprehensive reputation, covering human interests for this and the next world.

To clarify my position on this issue, let me interject here a well-entrenched thesis among Western academicians and policy-makers about Islamic tradition's intrinsic relation to violence and its political incompatibility in the context of modern international public order. This thesis, surmised on the basis of the conduct of some Muslim militant groups, who have disregarded a long and well-established Islamic tradition of just public order founded upon principles of coexistence and God-centered pluralism, perpetrates the notion that without reformation of the juridical tradition and thorough secularisation of public space through disestablishment of Islam it is impossible to see the development of constitutional democracy based on equality of all citizens in Muslim countries. In my view, the most misconstrued assumption in this thesis is the idea that since in Islam religion and politics are inseparable, the traditional paradigm of Islamic political society based upon a discriminatory principle that divides humanity into believers and non-believers is incompatible with the modern public order founded upon each person's religious and civil rights guaranteed in a constitutional democracy. In other words, traditionally conceived Islamic political society can never serve as a guarantor of individual liberty and religious pluralism, the two most prominent features of the contractarian theories of public order. Moreover, since just relationships with others are conditional on political association built on religious commitment and affiliation, Islamic public order is permanently at odds with the contractarian theory of social cooperation based on fair terms of justice as fairness. The principle of justice is founded upon a standard of just interaction that was based on a system of natural law and natural rights of all human beings regardless of their religious affiliation.

Political Islam in the context of secularity

In the following section, I want to argue that modern notions of liberty, pluralism and human rights have their antecedents in the authoritative theological and legal traditions of Islam. Without succumbing to the temptation of regarding the human analytical mind as the only arbiter of just public order and without denying revelation the power of correlating the human understanding of justice with revelatory guidance in the matter of just social order, it is not far-fetched to argue that there is consonance between the truths of the revelation and the demands of human intelligence in discovering a standard of just interaction that would be reasonably accepted by all in some suitably defined public order. Moreover, although Islamic public order accommodated the default separate jurisdictions for the religious and temporal through its notions of human-God (*ibadat*) and human-human (*mu'amalat*) relationships, it carved out a special role for the religious premises with political conclusions as an important source for guiding the moral and spiritual lives of the people living under its public system.¹

The socio-political realities that make the religious and political inseparable in Muslim societies with consequences for the exercise of basic freedoms of expression and religion call for serious rethinking regarding the precondition set by the theoreticians of liberal democracy for the establishment of democratic governance in the Muslim world. The precondition deals with setting aside religious reason based on Islamic comprehensive doctrines about just political order and promotion of the common good in the context of Muslim communitarian ethics. In order to develop a public political discourse that is inclusive of all citizens of a nation-state without any discrimination Muslim societies need to adopt public reason that guarantees human rights based on secularisation of public space through separation of the religious and political. The proposition to separate religion and politics is based on the assumption that by adopting secularism as an organising principle Muslim societies could establish a responsible and just government for a citizen body composed of all humankind through a public rather than a religious reason and a public rather than a religious consensus. The operative hypothesis in this secular assumption about democratisation through the separation of 'church' and 'state' is that as long as religion determines the nature of the just and the human good, it is impossible for an inclusive secular consensus to emerge as part of the Muslim political culture. Religion must be privatised and limited to the domain of individual lives and religious institutions to allow for an inclusive and equal citizenship built upon the inherent moral standing of persons without requiring uniformity in matters of personal faith in the public space.²

Of all the world religions, Islam, with its comprehensive doctrine about the moral duty to institute good and prevent evil, claims to govern comprehensive human life in all its manifestations in this and the next world. This ethical-political obligation connected with public order in Islam has been identified by Western social scientists as 'political Islam'. So interpreted, 'political Islam' is an active response seeking to counter internal decadence and political corruption in Muslim states. Further, 'political Islam' is open to manipulation as a militant strategy to press for political and social reforms in order to make them compatible with Islamic teachings about the Muslim public order, which also includes the implementation of the divinely ordained *Shari'a* in it.³

Undeniably, the political agenda of the ideological religiosity must question both the authoritative claims and the substantive content of its traditional sources that must now take into account new political realities that demand just solutions to the problem of accommodating modern concepts of democracy and human rights. Today, in the climate of autocratic governments in a majority of the Muslim countries, democracy cannot be simply taken to mean the ability to vote for or against potential political leaders. Such voting in and out of state leaders has led neither to consensual rule nor to accountability of these elected leaders to the people. In the context of our search for ethical resources of public order in Islam where religion is still a major source of social and political values, the working assumption is that a democratic system is one in which the consent of the governed, the rule of the people through their elected representatives and basic human rights and equality of all citizens within its religion-based ideology are promoted through constitutional guarantees. In as much as 'political Islam' treats the two spheres of religion and politics as integrated it is not unreasonable to assert that it is at least prepared to be democratically inclusive and tolerant of the religious diversity prevalent in most countries in the Muslim world.

Political Islam and democratisation

These assumptions about 'political Islam' and its incompatibility with liberal democratic values or secular human rights norms and the liberal political prerequisite about secularisation of religious space to allow the principles of the social contract to become a basis for social cooperation need to be examined in the light of the foundational religious texts of Islam, which, as I contend, reveal a complex and, at times, contradictory relationship between the religious and the political in Muslim history. Traditional understandings of Islam did not rule out a non-interventionist role for religion in public space; nor did the juridical endorsement of the separation of human-God and human-human relationships overlook a

pluralistic approach to religious diversity or intercommunal relations. Islamic civilisation, despite its favoured treatment of Muslims over non-Muslims, was very much committed to peaceful intercommunal relations. In fact, Islam's ability to live with other faiths and peoples was underscored by its universal narrative of creation of first man and woman on earth with its ethical implications for interpersonal justice.

This meaning of Islam as a universal religion, with its comprehensive and even total mandate to create an ideal society on earth, is a major source of tension in the modern world, which has set limits on religion's claims to represent a wide range of human interests in the public domain. The claim of religions like Islam to have almost discretionary control over the future of humanity gives rise to a tension that, since the 1990s, has arisen between globalisation, which claims to be universal through its programme of exchanges and the interdependence of economies that go beyond state boundaries, and Islam, which, although particularistic, claims to be universal in its ethical application and to offer comprehensive directives covering all aspects of human existence.

Human institutions, then, are geared toward enhancing interpersonal human relationships in such a way that the Islamic division of jurisdictions – what I have identified as divine and human spheres of jurisdictions – actually prepares the ground for secularity and, with it, modernity. As moderns we have come to maintain that modernity secularises religion in such a way that it stops interfering in the public sphere – the arena of power and politics – and remains confined to the private domain of human life. This kind of religiosity can perhaps succeed in providing what we call civil society, a society in which human beings with different faith and multicultural communities can coexist in peace and harmony, more so in the midst of competing claims to the truth. Although by its very nature Islam reserves the right to speak for both the private and the public domains of everyday life, it recognises the secularity embedded in its essential message, reminding the Prophet of Islam that his duty is to deliver and not to enforce religion: 'There is no compulsion in religion.'⁴ Hence, the matter of faith is an individual's prerogative to negotiate his/her spiritual destiny without any interference from the state. This is where Islam and modernity are in competition to create an ethically just society based on revelation and secularism respectively.

In some unique sense, Islam as a global religion, with an international membership and a blueprint for an ideal society, and economic globalisation, with its promise of opportunity and abundance for all regions of the world, are both messianic, offering promises of justice and equity that would replace injustice and oppression all over the world. In other words, what I'm suggesting here is that economic globalisation is in competition with

religious universalism through the promise they make for the betterment of humankind. The agenda of each universalism, however, has its concealed ambition. There is enough evidence to suggest that economic globalisation has the goal of increasing the availability of markets for well-developed industrial nations, by becoming the provider of goods that are almost universalised. Sony, Lee Jeans and Coca-Cola are everywhere. This is what the French call the 'Cocacolonisation' of the world. Religious globalisation, on the other hand, is trying to win the souls of humanity by providing an alternative to economic hegemony through globalisation by intensifying the divine promise of a better life in this and the next world. This will be done through international religious organisations that are preparing the way for the final victory of God's religion – the establishment of, to use the language of Christian messianic promise, the Kingdom of God. These religious organisations are in the big business of creating parallel institutions that provide welfare and charitable support to large numbers of peoples who are otherwise neglected by international agencies or by their corrupt governments – governments that are perceived as lackeys of Western-dominated economic globalisation.

When one keeps in mind what is being seen as the Western onslaught on the Islamic world, especially in Third World countries, it is clear that economic predominance is also seen as the cultural predominance of and the domination of values by Western powers. In the Muslim world, one is not watching the factual 'mondialisation' of CNN with total lack of concern for the oppressed and suppressed populations of the Muslim world. There are constant reminders to the people in the region that the powerful 'masters' of globalisation are devouring their resources, both human and natural, through the production of consumer goods, as well as weaponry that kills innocent civilians every day. Muslims, especially radical preachers and influential teachers of Islam, are not looking at news items passively. They are also aggressively reacting to the value systems that do not fit well into the common traditional cultures of their regions. Moreover, they identify these imported values as the perpetrators of the cultural and material gap between Muslims and non-Muslims. Thus, even when there is an attraction to all forms of technological advancement, there is also a resistance to their inevitable accompaniments. There is an attraction toward the system that allows for freedom and democracy, but there is also a concern for the lack of native legitimacy of those foreign constructs, whether they are political or social.

Religion's ascendancy in the post-1970s

It is important to keep in mind that religion's ascendancy in the world since

the 1970s has been marked by a significant change in people's outlook and evaluation of religion and religiosity. It is not religion as we used to conceive of it in the 1950s and 1960s. In its external form it is inclined towards less rigidity and more practicality than what the world confessional religions offer. In substance it seeks realisation of a universal global community with a common vision and destiny. Herein lies the apparent paradox between the goals of globalisation and those of a religion with global and yet regionalised communities like Islam. Both seem to be concerned about moral constraints and their application in situations of deadly conflict. In as much as religion is concerned with the creation of an international community, it is naturally concerned with peace. This sort of universal religiosity is visible in peace movements. For example, one can speak about the peace movement, Peace Now in Israel and the kinds of people it gathers and the kinds of ideas that it brings together in order to put pressure on the government to negotiate political solutions to the ongoing conflict in the region. In different parts of the world, one can find similar kinds of issues bringing people together and emerging at the global level as global humanism – deeply spiritual and moral.

Environmentalism has become another important issue that brings people together. In itself a new form of religiosity, it is not thoroughly secular; it is very much informed by a religious and ethical commitment to nature as an abode of special spiritual connection and thus worthy of preservation. This kind of new religiosity surrounds issues like the ethics of biotechnology, human cloning and all sorts of ideas that were at one point very much limited to the Western regions of the world; now they are becoming global issues affecting followers of major world religions. Open any newspaper in the Arab or Persian-speaking world, and you will find discussions of cloning, physician-assisted suicide and the environment. Thus, not only have information and technology become global but so too has the battle of values and interests. It is not a clash of civilisations, as some have hastily concluded. Instead, there is much empirical evidence to suggest that it is a clash of interests, or, more precisely, a clash generated by the critical question: 'Where are my long-term interests, both material and spiritual, going to be served better?'

Organised religions have less to offer in these new international and religiously or spiritually inspired movements. The language of correct theology has given way to correct attitude and religiosity. The need for a general, rather than generic, religion in modern society seems to be an inevitable consequence of the irrelevance of much institutionalised religiosity. Thus, Sufism and other forms of mysticism have their own attraction and a capacity for generating non-confessional and international groups of people coming together for a common purpose.

One important occasion, for instance, that brings together an international community committed to spiritual rejuvenation is 17 December in Konya, Turkey, the day that marks the birth of Rumi, one of the most widely known mystical poets of Islam. The international community comes together, united in a kind of mystical religiosity. It is non-confessional and yet it is attentive to the common vision of the community of believers in mystical tradition. It is relevant to point out that in Konya these international groups are not simply discussing their mystical search, ecstatic moments, or the ineffability of mysticism. They are also interested in political, educational and environmental issues that touch their deep-seated commitments to ecological and other related concerns. Thus, a politicisation of religion, even mystical forms of it, takes place in Turkey and other parts of the world that are currently considered to be 'secularised'. Are they correctly labelled as such? Are the observers engaged in what social scientists call a definition of 'exchange value' in which the true definition assumes an imposed meaning that serves the purpose of the observer rather than what is being observed?

Given the variety of religions and the growing awareness of the diverse nature of the supernatural, the emerging religiosity of modern society does not view the church and religion as identical. This new religiosity is visible in those aspects of Muslim patriotism in which religious symbols inspire intense movement and commitment. If one's country has tended to downplay the ever-present exclusionary religiosity, then cultural and linguistic unity has been afforded a larger role in the relevant citizenry. A growing majority in every religious community is in search of a tolerant creed to further human understanding beyond an exclusionary, intolerant and even militant institutional religiosity. Thus, the militant ascendancy of Islam in the public sphere from the 1970s to the present comes not from religiosity per se, but arises as a response to the domination of one's culture and marketplace through gradual globalisation.

Globalisation a form of colonisation?

Globalisation, as seen by activist members of this new religiosity, presents a very different relationship to religion and religiosity. It is clearly viewed as a new form of colonisation through the marketplace. The declining sovereignty of Muslim states (most of them autocratic) and their increasing inability to regulate economic and cultural exchange are the two main issues that bring Muslims together to challenge globalisation. This is important in understanding the rising militancy among Muslims.

Religions like Islam, as noted earlier, are modernist in their presuppositions. These modernist presuppositions regarding the pluralistic nature of human

response to the presence of the divine are in competition with supposedly value-free economic and cultural globalisation, which is viewed, in the Third World, more or less in terms of the ideological hegemony of the West. Economic and cultural globalisation is also considered to be the hegemony of the First World over the Third World. This is where the conflict is; this is where the tension is very severe.

In our analysis of the role of religion as a counterpoint to the threat of economic and cultural domination, we need to pay attention to the following questions: What is left of religious commitment and conscience if religion is debarred from dealing with issues relating to justice and peace? Where does it stand? Is this simply a private matter of connecting oneself to spiritual sources, or does one's spiritual commitment make one also politically sensitive? It is a fundamental issue in religiously inspired nationalism or socialism. How can one be spiritual and political at the same time? How can one be spiritually activist? Do they go hand in hand? The common understanding and expectation is that spirituality is peace-generating. Does this mean that peace is then the result of simple, disinterested religiosity, or is peace the result of overcoming injustices in society? This becomes a critical question in the new understanding of religion in the Islamic world.

Muslims are living in the shadow of the empire they once possessed, an empire that stretched between the rivers Nile and Oxus. This empire remains a very strong element in the imagination of Muslims and continues to inspire efforts to revive it, in large measure because it was a successful empire. To revive this empire means to rebuild it as the kind of supernational entity that Muslims believe they used to inhabit. This vision of a supernational empire is not so different from the world as Americans imagine it to be, only it would be Muslim, not American. The vision of a supernational entity of empire inspires the militancy in the Muslim world that we are now witnessing. It becomes more militant the more it is claimed in the name of a higher authority, that is, the authority of God. That is where the danger lies.

The globalisation of world markets and their strong impetus to implement what are regarded as the absolute and normative values of the postmodern world order is a source of deep concern. Of course, this is a Western world order under the leadership of the US and it seems to be telling the Muslim world: 'We will tell you how to be democratic. We will tell you how to be free.' This language smacks of militancy. This brand of militancy is in competition with the militancy founded upon the ideological glory of the fallen Muslim empire. The real danger is in what happens if the two competing forms of militancy become globalised. Globalisation of any form of militancy, whether religious or secular, is in need of ethical, universal criteria to prevent it from becoming a source of further destruction to the sanctity of human life and dignity.

Concluding remarks

Let me conclude that in the light of the inevitable linkage between the religious and the political in the Islamic psyche and the centrality of theological resources that provide the moral basis of legitimate political authority and individual rights in Muslim culture, it is important to emphasise that it is only through the retrieval, further interpretation and reappropriation of these religious ideas that one can expect constitutional democracy and supporting political institutions to take firm roots in the Muslim world. Right from its inception as a public religion, the Koran underscores the need to develop a universal discourse of moral awareness as its foundation for an inclusive human community that is guided by both an ethical necessity grounded in intuitive reason as well as supernatural revelation brought by God's prophets. The creation narrative in the Koran is not geared towards providing details of how the universe was created – the central subject of Biblical genesis. Quite to the contrary, the account of human creation as the main subject of the Koranic genesis story gives total attention to the development of moral sensibilities that speak to the future ethical order for a human body composed of diverse human communities sharing the same parentage. The human being is in constant need of guidance which comes both in its universal form in innate moral sensibility and in its particularistic form in the revelation that correlates with the evidential confirmation of this sensibility.

The theological–ethical implications of the creation narrative assume great significance as a counterpoint to the secular project of marginalising the particularistic traditional linkage of morality to religion. The secular theory of moral development favours an exclusively reason-based morality founded upon human experience in the context of everyday life situations. In contrast, moral development, as it emerges in the creation narrative, takes revealed guidance as well as naturally endowed intuitive reason as two interrelated sources of moral knowledge that humanity needs in order to avoid moral perdition.

Nevertheless, the Koran honours all of humanity without drawing the line between believers and non-believers. The source of human dignity (*karam*) is provided in the creation narrative, where it points to the human ability to know the right from wrong. If a paradigm for universal morality has to emerge both as a source of human dignity and as a principle of human interaction in society it has to acknowledge communitarian boundaries of application within the variable cultural and historical experience of the communities. In other words, there will always remain a tension between a particular revelation with its specific appeal to the historical community of the faithful and a universal morality that will require the community to

relate itself beyond its communal affiliation to the larger world community.

This tension is inevitable, because in Islam the first human is not only God's deputy; he is also God's prophet sent with specific guidance at a certain point in history. This historical relativity of God's guidance to human beings at a particular time leads to the problem of raising a particularistic moral language in the Koran to the level of universal application when it comes to Muslim public order. For the particularistic, and in some religious sense exclusive, language of Islamic revelation that came at a certain time in history to guide a specific ethnic group, to serve both as a source of communitarian as well as an inclusive normative source for organising a just and equitable public order, it needs to comprise a universal dimension that can be appropriated across human communities as part of their social-political consciousness. Religious reasons based on revelation that seek to influence political conclusions are necessarily ethical norms that derive their inclusive validity by appealing to the followers of various cultural and religious traditions who share, at least minimally, common views of the just and the good. Hence, in advancing democratic governance and human rights discourse among different cultures and traditions it is imperative to develop an inclusive discourse founded upon universal morality that does not deny religious premises their due role in generating political conclusions that speak to all humanity. In searching for such premises that can engage public reason on its own turf one can evoke notions such as inherent human dignity, which is deeply rooted in religious notions and which serves as an important backdrop for approaching the question of relevance of such norms to developing citizenry in the pluralistic setting of the majority of Muslim countries today. No traditionalist Muslim authority can afford to ignore the fundamental connotation of the Koranic narrative of creation in the realm of the ethical necessity connected with the inherent dignity of all human beings as the 'Children of Adam'. It is only when this egalitarian narrative becomes institutionalised that the Muslim world would become part of the global democratisation movement. Until then, both secular and religious globalisation are geared towards politics of domination rather than consensual power-sharing.

Notes

- ¹ Various articles in the volume *Religion in the Liberal Polity* (University of Notre Dame Press, 2004), edited by Terence Cuneo, discuss some of the issues raised in this section. See, in particular, 'Introduction' by T. Cuneo.
- ² Such a view of religion and its problematic for the establishment of democracy has had a long history in the West. Some two centuries ago Alexis de Tocqueville in his assessment of the American republic in *Democracy in America* (New York:

Harper Collins, 1988) points out the 'great problem of our time is the organisation and the establishment of democracy in Christian lands' (p. 311). In the 19th century it was Christianity that was seen as incompatible with democracy; and today it is Islam which is regarded as the 'greatest problem of our time'. This extension of the observation in the 19th century about Christianity to Islam in the 21st century is not merely a coincidence. In the wake of 11 September 2001 Western views about religion's relationship to democracy have hardened to the extent that a widely held opinion among a number of prominent American social scientists, epitomised by Francis Fukuyama, states explicitly that 'There seems to be something about Islam or at least fundamentalist versions of Islam that have been dominant in recent years, that makes Muslim societies particularly resistant to modernity' ('History is Still Going Our Way', *Wall Street Journal*, 5 October 2001). For a detailed critical evaluation of religion and public reason, see Stout (2004), Chapter 2.

³ See Sachedina (2001).

⁴ *The Koran*, chapter 2, verse 256.

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Part III:
Radicalisation and Extremism in the
Arab World

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11

Radicalisation and Extremism that Lead to Terrorism

Hamed El-Said and Richard Barrett

Introduction

The stunningly visual attacks on the World Trade Centre in New York on 11 September 2001 not only resuscitated interest in the political power of terrorism and in particular of suicide attacks as one of its key forms, but also gave rise to a massive state response. Almost ten years after the attacks, the threat from violent extremism remains, although it has declined in terms of threat ratings, incidents and fatalities (Human Security Brief, 2007). According to the European Union Commission, 'The fight against terrorism is one of the greatest challenges the Union is facing today' (European Commission, 2008a). In the United States, the Director of National Intelligence has said that 'Despite ... successes, Al-Qaeda and its affiliates and allies remain dangerous and adaptive enemies'.¹ The United Kingdom's counter-terrorism strategy, CONTEST (published in March 2009), concludes that 'the most significant security threat to the people of the United Kingdom today comes from international terrorism' (HM Government, 2009), with the British Home Secretary warning: 'We face a terrorist threat that is at the "severe end of severe"'.²

Although political violence has a long history and predates the 9/11 attacks by far, 'more research on terrorism has been published... [since 9/11] than in all previous years combined' (Plous and Zimbardo, 2004, p.B9). The phenomenon has generated a 'cottage industry of theories... none [that] fully explains ... the question of what drives someone to

terrorism' (Elliott, 2007). Rather than focusing narrowly on the motivation behind violent extremism, as many studies on the subject have done, this chapter looks at an area that has hitherto been neglected by the academic community, namely, 'the interaction between the global and the local and the action-reaction dynamics of radicalization', or how the reaction to violent extremism by the state affects the phenomenon of violent extremism (Coolsaet and de Swielande, 2008, p.171).

Although violent extremism is an old phenomenon, one that has been practised by groups and individuals belonging to all faiths and cultures (*Arab Studies Quarterly*, 1987), it remains a fact that 'today's Islamist radicalisation is the most prominent form of radicalisation', with a small minority of 'Islamist radicals' seeking extreme, violent solutions to real or perceived problems (Coolsaet and de Swielande, 2008, p.58). This chapter, consistent with the work of others in this volume, focuses on violent extremism in the Middle East and North Africa (MENA), though without totally neglecting analytical benefits that can be drawn from Muslim-majority states in other regions.

MENA provides an opportunity to bridge a gap in existing literature on the link between the global and the local and on the action-reaction dynamic of radicalisation. The region has produced some of the world's most notorious radical extremists, including all the perpetrators of the 9/11 attacks and the notoriously brutal terrorist leader in Iraq, Abu Musab al Zarqawi. It has also produced some of the most radical ideologues, including Uthman Omar Mahmoud (also known as Abu Qatada al Filistini), Isam Mohammad Tahir al-Barqawi (also known as Abu Muhammad al-Maqdisi) and Sayyid Imam al-Sharif (also known as Dr Fadl). Why MENA societies with Islamic majorities have produced most of the radical extremists and ideologues who today threaten the security of both their own countries and that of other states is a question that bears examination. What is it in MENA countries and communities in particular that radicalises individuals to the point of seeking extreme solutions to their problems and what is there in the global environment that encourages this? These are the main questions which this chapter seeks to answer.

We argue in this chapter that nobody is born a terrorist. Terrorism is a process, not an ideology. It is nurtured by a complex chain of global, national and local, even individual, experiences and ordeals. The first three sections briefly scan the literature on terrorism and shed some light on a growing consensus on the root causes of violent extremism, as well as set out a theoretical framework. Section four discusses certain aspects of the current global environment, which has itself become more radicalised. Section five focuses on the specificity of Islamist fundamentalism, while the final section makes some concluding remarks.

Evolution of terrorism studies: what we know about terrorism

As mentioned above, violent extremism is not a new phenomenon. Groups and individuals adhering to almost every faith and ideology in the world have resorted, at some point or another, to violent extremism to achieve political objectives (*Arab Studies Quarterly*, 1987). With regard to suicide attacks in particular, Muslims are considered latecomers to a method that is recorded as early as the 11th century. Most scholars trace suicide attacks perpetrated by individuals or groups adhering to the Islamic faith to the early 1980s, first in Iran's war against Iraq and later in Lebanon, where suicide operations succeeded in driving French and American troops out of the country. Indeed, Robert Pape (2005) has pointed out in his seminal work *Dying to Win* that in almost all cases suicide attackers have focused on secular rather than religious goals. Alan Krueger and Jitka Maleckova (2003) note 'that suicide attacks are a relatively new, alien element in the history of mainstream Islam. The Koran rejects suicide and classical Islamic legal texts consider it a serious sin'.

The systematic study of terrorism that began in the 1970s looked at the rise of extreme left-wing groups mainly in Europe and Latin America, such as the Shining Path in Peru, the Red Brigades in Italy and the Red Army Faction in Germany, as well as at ethnic-nationalist terrorism such as in Northern Ireland and the Basque region of Spain. At that time the loosely described Islamist terrorism that features so prominently today only existed sporadically in some Middle Eastern countries (see Laqueur, 2007).

The action–reaction dynamics of radicalisation imply that not only does the way that authorities and societies respond to radicalisation influence its development, but the way we perceive and understand terrorism also has important implications for the success or failure of the counter-measures we choose to implement. For example, perceiving terrorism in religious terms might lead to the application of a theology-based strategy devoid of political, economic or social content to solve a problem that may have no religious origin. Similarly, viewing terrorism solely in terms of socio-economics might ignore an important political aspect of the problem. This is why Coolsaet and de Swielande (2008, p.156) argue that the way we perceive reality is more important than the reality itself, since men in most cases base their actions upon perceptions and opinions – often erroneous – of what constitutes reality. The same can be said with regard to violent extremism.

The literature on terrorism is vast and it is not possible to review it comprehensively here. However, it generally revolves around three main variables: psychological; religious/ideological and socio-economic, all of which have been debunked in one way or another as the sole cause

of terrorism. It is worth revisiting these variables briefly since they retain important and widespread influence on today's discussion of violent extremism (Sayre, 2009; Argo, 2004, 2006).

Psychological variables

The initial explanations for terrorism focused on the personality of terrorists. Terrorists were perceived, including by some Western heads of state, as a bunch of lunatics, mentally disturbed or 'irrational if not crazy' individuals giving up on life because they 'exhibit signs of sociopathy or depression' (Argo, 2006). The assumption was that 'the ranks of terrorists are filled with seriously psychologically disturbed individuals. Who, after all, but a crazed fanatic would kill innocent victims in the name of a cause, would willingly become a human bomb?' (Post, 2007, p.12). The view of terrorists as a bunch of crazed dead-enders has an important security implication. It leads to the belief that only 'hard power', that is, military force, will solve the problem because 'terrorists can never be beaten' or tamed through other means (Reid, 2005, pp.7, 9).

The available theoretical and empirical evidence neither supports the lunatic-psychologically disturbed explanation of terrorism nor endorses the solutions it suggests. Today, there is a consensus among the Member States of the United Nations not only that hard power does not work but that it makes things worse (Fandl, 2006, p.306). Bloom (2005) and others (Argo 2004, 2006) find a positive relationship between military action and violent extremism: more and more brutal military action has triggered more and equally brutal retaliatory attacks, including in the form of suicide missions. Pakistan, where the response to radical extremism has been overwhelmingly military, is a prime example. There, the lack of soft policies to rehabilitate insurgents and discourage militancy has led to a rapid surge in suicide attacks and is now widely acknowledged as a 'major weakness in Pakistan's strategy against terrorism' (*New York Times*, 2009). Iraq is an opposite case in point. There, violent extremism, including suicide missions, decreased tremendously after 2006 but only when the US military authorities changed their strategy from a purely military approach to one based on integrating former Sunni insurgents into both the political process and into law enforcement bodies (Human Security Brief, 2007).

Moreover, volumes of psycho-pathological research have shown that, 'compared with the general public, terrorists do not exhibit unusually high rates of clinical psychopathology, irrationality, or personality disorders' (Plous and Zimbardo, 2004, p.B9). Psychologist John Horgan (2005, 2009; Bjorgo and Horgan, 2009) has frequently argued that those who engage in terrorist activities are unremarkable in psychological terms and as normal

as anyone else. Coolsaet and de Swielande (2008 p.157), are in accord: 'terrorists are most certainly not a group of mentally disturbed lunatics ... [and] are essentially as normal as anyone else.' Another seminal and widely quoted work is by a former CIA forensic psychiatrist, Marc Sageman (2008a, pp.17, 64), who, after researching more than 500 global Islamist violent extremists, deduced that terrorists are not only normal people, but that they 'may be in better mental health than the rest of the population'.

It is also worth citing 'the consensus view' of the members of the Committee on the Psychological Roots of Terrorism, which was expressed during a 2005 summit on Democracy, Terrorism and Security:

The search for individual psychopathology in understanding why people become involved in terrorism was doomed to failure ... explanations at the level of individual psychology were insufficient. Indeed, we concluded, it is not going too far to assert that terrorists are psychologically 'normal' in the sense of not being clinically psychotic. They are neither depressed nor severely emotionally disturbed, nor are they crazed fanatics. In fact, terrorist groups and organizations screen out emotionally unstable individuals – who represent, after all, a security risk. (quoted in Post, 2007, p.12)

Religious/ideological variables

President Bush expressed the commonly held belief which underlies the religious/ideological explanation of terrorism when he stated that 'like the Cold War, we are fighting the followers of a murderous ideology that despises freedom, crushes all dissent, has territorial ambitions and pursues totalitarian aims' (Combating Terrorism Center, 2006, p.4). The religious/ideological view treats violent extremists as 'misguided zealots', driven by a violent or murderous ideology, which promises immediate afterlife rewards in return for terrorising those who oppose their interpretation of religion and pursue democratic systems of government (Schirato and Webb, 2003, p.41). Since radical Islam is the most prominent form of violent extremism today, this explanation attributes the root cause of the problem to the Islamic faith, in particular to its rejection of premarital sex which leads to sexual frustration among a group of young Muslims who are motivated to kill and be killed in order to receive divine afterlife rewards, including seventy virgins waiting in paradise to meet their sexual desires (Bloom, 2005; Sageman, 2008a).

Leaving aside that a significant number of terrorists were married at the time of their death, the clarity and assertiveness with which Islamic extremists claim religious justification for their acts lends support to the

religious/ideological thesis. However, this has serious implications for the Muslim faith and leads to the conclusion that if Islam is the problem, then the only solution is either to change Islam or convert Muslims to Christianity, Judaism or another less violent religion (Argo, 2006 p.3). Clearly the fact that some few hundred Muslims happen to have become terrorists, for whatever reason, cannot lead logically to a call for their 1.6 billion co-religionists to change their beliefs.

In any case, as the International Crisis Group (2005) has pointed out, Christianity and Judaism are no less violent or more peaceful than Islam. One problem with any tendency to assume a natural link between Islam and violent extremism is that it fails to take into account historical acts of violent extremism and the fact that 'terrorism antedates militant Islamism by a very long time and, for all one knows, will continue to exist well after the present protagonists of Jihadism have disappeared' (Laqueur, 2007, p.21). Argo (2006, p.2) and others (see US Department of State, 2007; Bloom, 2005; *Arab Studies Quarterly*, 1987) have pointed out that suicide attacks in particular made their 20th century debut in World War II through the Japanese *kamikazes* and were also deployed in Vietnam in the 1960s by the Viet Cong whose fighters would blow themselves up in the midst of US troops. Pape (2005), who has amassed the most extensive data-set yet on suicide attacks between 1980 and 2003, has shown that the overwhelming majority of attacks before 2001 were carried out by secular, not religious organisations. Bloom (2005, p.18) has argued that 'no a priori link between religion and terror has thus far been established', and 'historically, many terrorist groups – such as the Red Brigades in Italy, the Red Army Faction in Germany and the Shining Path in Peru – were radical-socialists with no religious connection whatsoever.' Jewish terrorist organisations, such as the Gush Emunim and the Haganah, were among the first to introduce terrorism into the Middle East when they routinely attacked and murdered Palestinians (and British soldiers) on the road to establishing Israel's right to exist in the late 1940s and beyond (Pilger, 2009). The point here is that no religion advocates violence, though all religions contain elements that can be and have been misused and abused for violent purposes.

Socio-economic variables

The view that poverty and low levels of education in particular create terrorism remains widespread and continues to dominate much of the debate. People as varied as the Dalai Lama, Presidents G. W. Bush and Clinton, former Vice President Al Gore, former World Bank President James Wolfenson and intellectuals like Elie Wiesel and the Noble laureate Kim Dae Jung have all made claims to the effect that poverty is responsible

for terrorism (see Sayer, 2009; Krueger and Maleckova, 2003). Some officials in the current US administration appear to believe that violent extremism in Pakistan and Afghanistan can be bought off with financial rewards (Chatterjee, 2009).

Economists are relative latecomers to the subject of religious extremism, despite its obvious political, social and economic significance. The element of personal sacrifice which lies at the heart of most religious practices was deemed 'subjective ... and outright irrational' (Lannaccone, 1992, p.272). As the tools of classical economic theory are designed to deal only with rational choices, the subject of religiously inspired action was for a long time left for other disciplines less concerned with rational choice, particularly psychology and psychiatry; it is only recently that economists have brought their analytical tools to bear on the subject.

Nevertheless, economists are credited with developing and extending the economic theory of opportunity cost to the subject of violent extremism. That is, when the opportunity costs of carrying out a violent act decrease as a result of impoverishment or lack of a job, then the participation of individuals and groups in such activity will increase, an assumption whose genesis can be found in the economic theory of crime (Berman and Laitin, 2008; Sayer, 2009; Lannaccone, 1992).

A growing body of evidence shows clearly that violent extremists are neither poor nor uneducated. The most widely quoted study on the subject (by Krueger and Maleckova, 2003) concluded that our 'findings provide no support for the view that those who live in poverty or have a low level of education are disproportionately drawn to participate in terrorist activities'. On the contrary, the available empirical evidence points in the other direction: most violent extremists are better educated and wealthier than their peers. This is the case with most Palestinian and Israeli violent extremists, as it is with Lebanon's Hezbollah fighters, Chechens or Jihadists. Sageman's (2008a) 500 global Islamist terrorists, whether Asian terrorists linked to Al-Qaeda or those in other parts of the world, show the same trend³ (*Morning Edition*, 2008. Also see Argo, 2004, 2006; Bloom, 2005; Atran, 2004; Pape, 2005). Certainly, the wave of terrorism in Western Europe during the 1970s was sustained by individuals from the middle class; the poor could not afford to join their ranks. Less than a third of the violent extremists of the Peruvian Shining Path came from poor and uneducated backgrounds. More importantly, Peru's insurgency boomed in almost perfect tandem with a massive expansion of its education system, including a 25 percent expansion of university places between 1980 and 1993 (Reid, 2005, p.9). A similar trend can be observed in MENA, as will be discussed later.

The thesis that economic calculation can lead a person to become

radicalised and hence engage in terrorism is replete with irrationality. Abadie (2009) provided an eloquent critique of this theory when he argued that its proponents

require us to believe that engaging in terrorism gives some kind of utility itself, that is, terrorism can be consumed like another good and thus it is a possible substitute for other forms of consumption. In other words, we need to believe that if economic circumstances are limited in a country, then the population will engage in terrorism for purely utilitarian purposes, thus bumping up their summed utility. At first, this seems to me to be a difficult argument to swallow. First, how does one explain (economically) a suicide-bomber's decision? Certainly the present value of all of their future sources of utility will be severally cut short with detonation of their device. Thus we must put a value on an assumed infinite (eternal) stream of positive utility that will be enjoyed in the afterlife. Whilst I'm not adverse to this kind of thinking, it is quite a contentious argument to put.

With regard to violent extremism in particular, inequities and injustices are far more radicalising and polarising factors than poverty per se. As the 2009 UN *Arab Human Development Report* noted (pp.12–13):

Despite moderate levels of income inequality, in most Arab countries social exclusion has increased over the past two decades. In addition, there is evidence to suggest that the inequality in wealth has worsened significantly more than the deterioration in income. In many Arab countries, for example, land and asset concentration is conspicuous and provokes a sense of exclusion among other groups, even if absolute poverty has not increased

In short, there is no specific personality or profile behind a violent extremist. Extremists are neither crazed, irrational fanatics, nor are they poorer or less educated than the average of their fellows. In fact, they are unremarkable in psychological terms and are most likely to come from the ranks of educated and higher-status groups. As Nasr Hassan, who spent years studying Islamist violent extremists, put it: 'What is frightening is not the abnormality of those who carry out the suicide attacks, but their sheer normality' (quoted in Plous and Zimbardo, 2006, p.B9). Moreover, a disproportionately large number of violent extremists are married, have children, decent qualifications and professional jobs. They have a rich and well-invested life. The thesis that they become terrorists for an assumed benefit in the afterlife does not reflect their circumstances in this one. One may conclude therefore that while improving education and eliminating poverty are noble objectives and should be pursued in their own right,

they are unlikely alone to reduce violent extremism. A more effective and economically relevant policy is for state efforts to focus on reducing inequities and other injustices in Arab societies.

A growing consensus on the root causes of violent extremism

The failure of hard approaches to reduce violent extremism, in addition to unsatisfactory answers to the question of what drives someone to commit an act of violence has led to calls for a new approach to global security, one that is based on a more 'sustainable security paradigm' than the short-term and largely self-defeating military strategy (Abbott et al., 2006, p.4). Sageman (2008a, p.23) has argued the need to 'bridge the considerable gap in the literature and examine how the terrorists really act on the ground rather than how they are perceived to be acting'.

Following the terrorist attacks in Madrid and London in March 2004 and July 2005 respectively, a new thinking began to emerge in Europe, overtly challenging the US's approach to violent extremism as a 'global war on terror' and focusing instead on the need to 'prevent' violent extremism from occurring in the first place. This was to be achieved by focusing on the 'root cause', or 'environment conducive' to violent extremism. The change in European thinking was largely triggered by the realisation that some of the perpetrators of the attacks were born and raised in Europe, and were what is often referred to as 'home-grown-terrorists'. David Miliband (2009), the United Kingdom's then Foreign Secretary, captured the change in European thinking when he publicly stated that: 'Seven years since 9/11 what is needed is a fundamental evaluation of our efforts to prevent extremism and its terrible offspring, terrorist violence.'⁴ He also added that European officials, including British officials, quietly stopped using the phrase 'war on terror' in 2006 ... [because] the use of the War on Terror as a western rallying cry since 9/11 has been mistaken and may have caused more harm than good (also see Borger, 2009). Since then, Europeans have adopted a more comprehensive approach, leading in 2005 to the introduction of the EU Counter-Terrorism Strategy (CTS). The Strategy covers four key pillars under its commitment to combat terrorism.⁵ The fact that the first pillar of the new strategy is to 'Prevent individuals from turning to terrorism' in the first place reflects the transatlantic gap in the approach to violent extremism that existed under the administration of George W. Bush.

First, it suggests that although terrorism can be tamed, it cannot be defeated solely by hard, military strategies. Soft policies must accompany, if not precede, any hard approach to terrorism. This is evident in David Miliband's statement cited above that 'the use of the War on Terror ... has been mistaken and may have caused more harm than good'.

Second, one of the key insights of the EU CTS, also plain in Mr Miliband's statement, is its explicit view of terrorism as a 'process' nurtured in a radicalising environment that turns 'Terrorism [into] a deadly tactic ... Terrorism [therefore] is not an institution or an ideology', it is a process (Borger, 2009; Miliband, 2009). In other words, 'No one is born a terrorist: people become terrorists' as a result of a 'process of radicalisation' (Sageman 2008a, pp.18, 37, 71). This shifts the focus in combating terrorism to the radicalisation process itself, to the 'root causes' or 'enabling environment' which gives rise to an acute type of radicalisation and extremism which develops into the 'terrible offspring, terrorist violence'.

European officials have also played an important role in influencing and bringing about a similar change in thinking about violent extremism at the United Nations. It was no coincidence that in 2006, only one year after the adoption of the EU strategy, the United Nations General Assembly adopted unanimously a Global Counter-Terrorism Strategy which, like the EU CTS, also called for a 'holistic, inclusive approach to counterterrorism'. The United Nations was more careful with its wording than EU officials who initially adopted the term 'root causes of terrorism' in their reference to the radicalisation process. This phrase raised eyebrows as possibly implying the condoning of terrorism as a legitimate tool to address grievances. Therefore, 'conditions conducive to the spread of terrorism' has become the preferred wording at the EU (Colsaet and de Swielande, 2009, p.159). 'Addressing Radicalisation and Extremism that Lead to Terrorism' was from the beginning the preferred wording inside UN official circles.

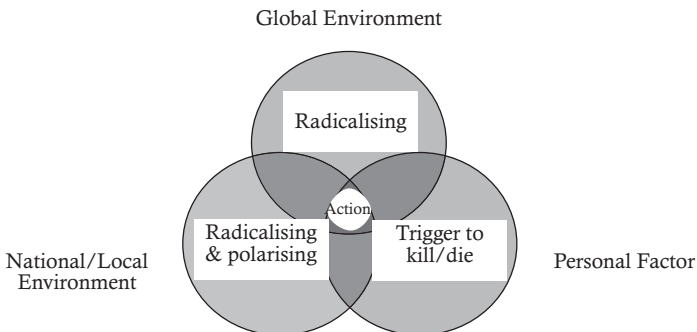
The US administration under George W. Bush, on the other hand, continued to pursue its 'global war on terror', which 'doesn't discriminate between' violent extremists, radicals, moderates, nationalists, Baathist, or even 'Muslims in general' (Wright, 2006). The Obama administration from the very start was determined to abandon the phraseology, but its decision to send 21,000 extra troops to Afghanistan early in its tenure and to pressure Pakistan to act militarily against radicals based in its tribal areas suggest that it will not abandon completely the exercise of hard power as a counter-terrorist tool,⁶ despite the Pakistani President, Asif Ali Zardari, warning that this 'could fuel the fires of discontent that lead to extremism and terrorism' (Zardari, 2009).

What then are the main characteristics of the environment conducive to radicalisation and extremism that produces their 'terrible, offspring, terrorism'? Argo (2006, p.1) argues that violent extremism is a 'product of structural, social and individual interactions'. Analysing violent extremism in the Caucasus, the Occupied Territories and Sri Lanka, Moghadam (2005), says that violent extremism, particularly suicide campaigns, are best understood when analysed at three levels: the individual level; the

organisational level; and the environmental level. The issue of whether violent extremism today is 'leaderless' or 'organisational' is under debate, with Sageman arguing that terrorism is largely focused on social and informal institutions like kinship, family and friendship, while Hoffman insists that organisations like Al-Qaeda are 'still calling the shots' in terms of training, financing and guiding its supporters (Sageman, 2008b; Hoffman, 2006). For reasons discussed in later sections, we adopt Sageman's view that terrorism is influenced more by social milieu than by organisations like Al-Qaeda. Finally, for Coolsaet and de Swielande (2008, p.157) violent extremism is a function of an enabling environment characterised by a widely shared sense of deprivation combined with a sense of inequity. They continue their argument by stating: 'A second common characteristic of all forms of radicalisation is that it takes place at the intersection of a personal history and that enabling environment.'

The small number of terrorists compared to the far larger communities from which they come, filled with people who experience near identical conditions, might suggest that terrorism is essentially a rare, personal choice; however terrorism is also a social activity. While there are rare instances of terrorists seemingly acting alone, in the vast majority of cases terrorism is a group activity. What leads an individual to terrorism seems to be the conjunction of a personal trajectory with the opportunity for action offered by others. The former, characterised by a sense of relative deprivation and inequity, leads to a susceptibility to the influence of the latter, which channels feelings of disaffection and injustice into expressions of violence. Accordingly, any framework created to understand and study terrorism should take into account the environment or conditions conducive to the polarisation of thought, as well as the group dynamics that translate radicalism into violent acts.

Figure 1: Framework of violent extremism

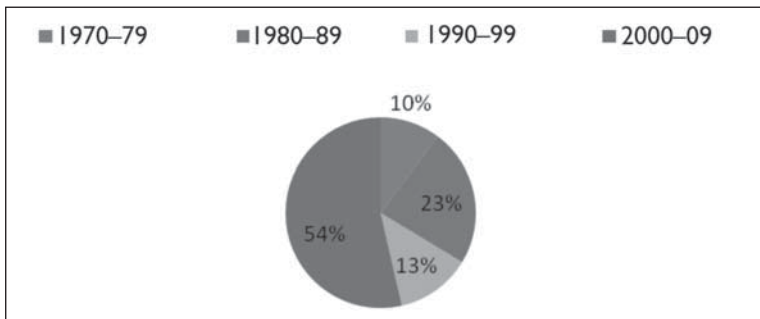


The framework is based therefore on two key components: an enabling environment - social, economic and political – simultaneously interacting and intersecting with an individual/personal history. The enabling environment has two main, inter-connected levels: global and national/local. These interactions and connections are depicted in Figure 1. Violent extremism takes place inside the circle where the global, national/local and personal factors intersect with one another.

The link between the global and local: the worldwide spread of violence

That the global environment is in itself radicalising and not just for Muslims, is evident in the large number of demonstrations and riots that have swept through every corner of the globe over the past three decades. The first ten years of the century have seen larger and more frequent riots and demonstrations than any other decade since the 1970s. For example, between 1970 and June 2009, a total of 321 riots and demonstrations took place around the globe, over 50 percent (or 172) of which occurred during the final nine years (see Figure 2). Those demonstrations and riots, moreover, took different forms and shapes. Some were peaceful, others were violent. They occurred in both developed and emerging economies alike. In fact, developed economies seem more prone to riots and demonstrations than emerging economies. States with a Muslim majority accounted for a relatively small proportion of demonstrations and riots in the 1970s and 1980s (3 percent and 7 percent, respectively), but had a noticeably larger share in the 1990s (12 percent) and maintained a higher average during

Figure 2: Total global riots and demonstrations: 1970–2009



Source: derived by the authors from Wikipedia, the free encyclopaedia. Available on website: http://en.wikipedia.org/wiki/List_of_riots#1970s. (Last seen on 22 July 2009).

the first decade of the 21st century (10 percent) than in the 1970s and 1980s. Nevertheless, most riots and demonstrations occurred in the richer countries, although China and India have also seen their share rise during the last decade (see Table 1).

The source of anger behind the demonstrations and riots varied from the mundane to the complex, from the personal to the public and from the internal to the external. They included reaction to corruption; immigration; globalisation; discrimination and racism; American policies; Israeli policies; Kosovo; the Iraq war; food prices; workers' rights and unemployment; the environment; HIV/Aids; poverty and hunger in Africa; farm subsidies; healthcare and football. Demonstrations and riots have become important expressions of people's anger and dissatisfaction, not only with their surroundings but also with their governments' handling of various aspects of their economic, political and social lives. Polls and surveys, which reveal useful insights into the attitudes and moods of the global citizenry, provide interesting reading on the extent and impact of radicalising and polarising factors in both the global and national/local environment.

A survey carried out by the Pew Research Centre in 2007 aimed to measure global attitudes towards various issues, including measures of personal, economic and political satisfaction in 47 nations of the world. The survey found that only 25 percent of Americans, 26 percent of Western Europeans, 20 percent of Eastern Europeans, 34 percent of Latin Americans, 39 percent of Asians and 29 percent of Africans were satisfied with the state of their nation. Coolsaet and de Swielande (2008, p.161) have analysed several global polls and surveys published since 2001 by various prominent global organisations, including Pew and Gallup, in order to gauge the mood of the world's citizenry. They report similar results:

What are the main strands in the mood of today's world citizenry? Two features seem to make up the essence of today's global *Zeitgeist*. One, the world citizenry feels at a loss and ill at ease in the complex world surrounding him. Second, he [sic] resents the state of the world as fundamentally lopsided. The former facilitates polarisation. The latter stimulates radicalisation.

It is not unusual for people to feel a sense of unease and loss in the face of accelerated globalisation. Historically, every wave of globalisation has produced this reaction.⁸ The rapid and giant technological advancements that characterise globalisation inevitably cause fundamental social, political and economic changes that create large and swift transformations far beyond the ability of most ordinary citizens to cope. These rapid changes are usually exacerbated by widespread deprivations and inequities (Held and McGrew,

2000, 2003; Dicken, 2003). The current, third wave of globalisation, which according to most observers started in 1980, is no exception.

Table 1: Total number of riots in the world between 1970 and 1 July 2009

Country	No	% of Total	Country	No	% of Total
US	16	49%	US	16	21%
Canada	1	3%	England	10	13%
Japan	2	6%	South Africa	8	11%
England	3	9%	S. Korea	2	3%
N. Ireland	2	6%	Muslim States	5	7%
Italy	2	6%	Rest of world	34	45%
Egypt	1	3%			
Rest of world	6	18%			
Total:			Total:		
1970–79	33	100%	1980–89	75	100%
Country	No	% of Total	Country	No	% of Total
US	16	39%	US	15	9%
England	10	24%	UK	13	8%
South Africa	8	20%	Canada	4	2%
S. Korea	2	5%	China	18	10%
Muslim States	5	12%	Germany	3	2%
Total:			Denmark	9	5%
1990–99	41	100%	France	5	3%
			India	5	3%
			Israel	3	2%
			N. Ireland	6	3%
			Muslim States	17	10%
			Rest of world	72	45%
			Total:		
			2000–09	172	100%

Source: Derived by the authors from Wikipedia, the free encyclopaedia. Available on website: http://en.wikipedia.org/wiki/List_of_riots#1970s. (Last seen 22 July 2009).

The Pew Global Opinion trends survey of 2007 (pp.3, 28) found that 'deprivation is all too common' in different regions and countries of the world, particularly in Africa, Latin America and Central and Eastern Europe, as well as in many predominantly Muslim states, like Bangladesh, Egypt, Indonesia, Morocco, Pakistan, the Palestinian Territories and Turkey. For example, 32 percent, 38 percent and 41 percent of Eastern Europeans stated that they were unable to afford basic foodstuffs, health care and clothing, respectively, in 2006. The ratios for Latin America were 41 percent, 42 percent and 44 percent. They reached higher levels in Africa, with 43 percent, 48 percent and 46 percent of Africans stating that they lacked money for food, health care and clothing (See Table 2). In Turkey 48 percent said there had been times in 2006 when they lacked money for food and comparable numbers reported being unable to afford health care (47 percent) and clothing (50 percent). Similar ratios were reported in the Palestinian territories and only slightly lower ratios were reported in Bangladesh, Egypt, Indonesia, Morocco and Pakistan.

Proponents of the thesis that poverty creates violent extremism will find disturbing trends and a cause for concern in the early consequences of the global financial crisis of 2008–9. According to a World Bank report, not only are global private capital inflows expected to fall by nearly 90 percent and international official aid by \$20 billion as donors retrench, but 53 million people living in emerging economies will fall back into absolute poverty in 2009 alone and up to 400,000 more children will die each year to 2015 on account of the economic crisis (Altman, 2009, p.7). These figures suggest that the global environment will further polarise and so radicalise more of the world's population.

Table 2: Global regional disparities and deprivations: unable to afford needed food, health care and clothing (2006)

	Food	Health care	Clothing	All three
US	16	23	16	10
Western Europe*	7	6	11	3
Eastern Europe*	32	38	41	25
Latin America*	41	42	44	30
Africa*	43	48	46	32

*Regional medians shown.

Source: Pew (2007).

While poverty and deteriorating economic conditions have always undermined political stability, most violent extremists are of high status (more educated and wealthier than the average). This is not to argue that socio-economic factors should be ignored. The literature on the economics of conflicts is strongly supportive of the thesis that poor economic conditions not only increase the probability of political instability, but also of political coups and even civil conflicts (Sayer, 2009). But these events should not be confused with violent extremism. That poverty is not *directly* the cause of terrorism in MENA is reinforced by the fact that ‘the Middle East and North Africa have the most equal income distribution and lowest level of absolute poverty in the world’, despite high levels of poverty in individual countries like Egypt, Morocco and Sudan (LeVine, 2002. Also see UN, 2002). In fact, per capita income in MENA, despite a disappointing growth rate as the next section demonstrates, is still higher than in most other developing regions, except East Asia (excluding China) and Latin America and the Caribbean (UN, 2002).

Moreover, Muslim violent extremism, not unlike Peru’s insurgency, burgeoned in almost perfect tandem with a ‘boom of private universities and ... state-owned universities.’ (Al-Hamarneh, 2006, p.46). Even the United Nations Global Human Development Index, which measures the well-being of the inhabitants of a country in terms of health, education and income, shows that MENA is far from being the world’s worst performing region and is outperformed only by East Asia and Latin America and the Caribbean (UN, 2008).

Krueger and Maleckova (2003, p.1) were right to argue that any correlation between poverty, education and terrorism is ‘complicated’ and at best is ‘indirect’. In 1954, Henry and Short argued that frustrated high-status individuals are more likely to commit suicide, while frustrated lower-status individuals are more likely to commit homicide. This argument was later developed by Hamermesh and Soss in 1974, who argued that an individual’s reaction and hence susceptibility to suicide is a function of an idiosyncratic threshold. In other words, when an individual’s environment deteriorates and worsens below a personal threshold and level of expectation, he is more likely to commit suicide. Since personal expectations and thresholds are by definition higher for high-status individuals, these people are therefore more likely to commit suicide (Sayre, 2009, p.9).

To sum up the main point in this section, millions of people around the world live and have lived in the past, in harsh and deprived socio-economic conditions; but that alone has not turned them into violent extremists. Today’s violent extremism takes a ‘particular form – Islamic fundamentalism – [and is] specific to the region ...[MENA]...’ (Zakaria, 2009). The root causes of Muslim violent extremism do not resemble the root

causes of the left-wing terrorist movements that emerged, for example, in Europe in the 1970s and 1980s, or of the Peruvian Shining Path movement, the Japanese cult of Aum Shinriyko, the Jewish Haganah terrorist army, or the anti-globalisation anarchists that first appeared during the second globalisation wave between 1880 and 1914 and re-emerged in the late 1990s following the intensification of the third and current wave. '[T]here are ... great divergences' that should be properly understood if we are to eliminate violent extremism and develop effective counter-terrorism strategies (Reid, 2005, p.7). The next section pays special attention to the particular form of Islamic fundamentalism and its specific radicalising factors.

The specificity of Islamic violent extremism

Violent extremism among Muslims can be studied and understood within a context of global, national/local and personal factors. For some Muslims, the global factor might be more dominant, while for others it might be national or local factors that predominate; but whatever the case, neither can exist in isolation from the other, or without the involvement of personal factors as well. Islamic violent extremism, therefore, is the outcome of the interactive presence of all three factors simultaneously. Each of these three factors is significant enough to warrant a study of its own. Here, we can only examine them in brief.

Global Islamic melancholy

Polls in countries with a Muslim majority have shown a decline in support for Islamists and their methods, but no corresponding drop in hostility towards the West, particularly the United States. For example, a July 2009 poll showed that although most countries in the world had a better opinion of the US following the election of President Obama, the improvement was least marked in Muslim countries where the majority opinion remained determinedly unfavourable (Pew Report, 2009).⁹ A 2006 poll by the Gallup Organisation of 10,000 Muslims in 10 predominantly Muslim countries¹⁰ around the world revealed general 'anger toward the US' and 'unfavourable opinion of both the United States and Britain'. (Gallup, 2006). According to a detailed opinion poll carried out by ABC News, the BBC and NTV of Japan in 2007, 57 percent of all Iraqis believe that attacks on US forces are acceptable. This in a country that the former US administration argued it invaded to bring democracy and to free Iraqis from the tyranny of Saddam Hussein. 'Only one thing unites Iraq,' commented Patrick Cockburn (2007) on the results of the polls: 'hatred of the US.' However, this has not led to a widespread rejection of Western systems of government.

Mark Tessler of the University of Michigan has been monitoring attitudes

towards democracy and freedom in the Arab World since the early 21st century. His work in Arab countries with 'conservative' regimes allied with the West like Algeria, Egypt, Jordan and Morocco suggests that there is simultaneous widespread support in MENA societies both for democracy and for religious leaders; support for Islamists or political Islam does not mean an unfavourable attitude towards democracy and the reasons for a lack of democracy in the Arab World are viewed as lying 'elsewhere ... perhaps in relations with the international political and economic order'. These results fly in the face of the 'they hate our freedom' or 'they envy us' explanations often heard from influential Western leaders and officials after 9/11.

While analysing the roots of anti-Americanism in the Arab World, Fareed Zakaria (2009) of CNN noted that 'Arab rage at America is a relatively recent' phenomenon and that 'the roots of anti-American rage in the Middle East ... [lie in] the past 30, not 300 years'. In fact, most Muslims and Arabs had a very favourable view of the US in the 1950s and 1960s. Mohamed Heikal, President Nasser's former Minister of Information and one of the Arab World's most eminent journalists, described the mood in the 1950s and '60s in the following words:

The whole picture of the US was a glamorous one. Britain and France were fading, hated empires. The Soviet Union ... and the ideology of communism was anathema to the Muslim religion. But America had emerged from World War II richer, more powerful and more appealing than ever. (Quoted in Zakaria, 2009)

Throughout the Arab World, large parts of which had been subject to decades of European colonialism and imperial exploitation, America's 'Wilsonianism [and] Legacy' of defending freedom, human rights and using its foreign policy as a powerful instrument to impose democracy (Gonfried, 1990, p.117) was admired not only by ordinary Arab citizens, but also by heads of state as varied as Nasser of Egypt and Hussein of Jordan. Gainsayers like Sayed Qotub, who wrote a highly critical commentary of Western mores in his book *Social Justice in Islam* during a two-year stay in the US (1948–50), were a distinct minority.

In many ways, what happened later is akin to the events of the late 1800s and early 21st century. Then, a Muslim modernist movement emerged out of the original, conservative Salafi tradition and identified public inertia, intellectual rigidity and literalism, conservatism and the lack of democratic systems as lying behind the crumbling Islamic empire.¹¹ It called for the renewal of Islamic civilisation and the modernisation of Islamic law and government through the selective adoption of Western science

and European political ideas, including constitutional government and democracy. However, the turbulent circumstances following World War I² led to a '180 degree turn', causing the movement to take a 'conservative and anti-Western direction and ... align itself with the resurgent Wahhabism of the new Saudi Arabia' (International Crisis Group, 2004, p.7).

Arab disappointment with America started with the creation of Israel. For most Arabs, the establishment of the Israeli state in 1948 represented immense injustice, inequality and discrimination. The impact that the Palestinian issue had and continues to have on radicalising not only Palestinian youth but also many other Muslims around the world has been extensively discussed elsewhere. Suffice it to say here that violent extremists such as Osama Bin Laden, his lieutenant Aymen al-Zawahiri, the leaders of Al-Qaeda in Iraq, Al-Qaeda in the Islamic Maghreb, the 11 September attackers, the 2002 Bali terrorists, the 2004 Madrid murderers and the 2005 London bombers all cite the Palestinian issue as a key factor behind their atrocities. Even President Bush and UK Prime Minister Tony Blair publicly acknowledged that the Palestinian question had turned the Middle East into 'an incubator for terrorism'.

While the relationship with Israel remains the centrepiece of America's Middle East policy and consequently a determining factor in her image in the Arab World, it is not the only area that attracts criticism and encourages a sense that the US discriminates against Muslims. The late intervention in the former Yugoslavia where more than 200,000 Muslims died and the way America has been dealing with Iraq since the early 1990s have done little to improve her image in the Arab World. In fact, it could be argued that the Gulf War of 1991 represented a turning point between the US and not only radicals and violent extremists, but also Muslims at large. Indeed, one could also argue that until the 1980s Al-Qaeda itself had a favourable opinion of the US, as evidenced by strong collaboration between the organisation and US authorities following the Soviet invasion of Afghanistan in 1979.

Four key factors contributed to making the first Gulf War a turning point in the relations between the US and radical extremists. First, the war practically confirmed what a group of neo-conservative US officials had been saying since the mid-1980s, that Islam had replaced Communism as the number one security threat facing the US. Second was the role played by America's Arab conservative allies in the 1991 Gulf War itself, including in particular the sending of Arab armies to fight another Muslim country (Iraq) at a time when Israel was daily coveting new Arab land, expanding settlements in Jerusalem and other parts of the Occupied Territories, humiliating Palestinians on daily basis and depriving them of basic political and human rights. Third, the use by the US of the 1991 Gulf War to deepen relations with other Arab conservative Gulf states, which permitted

the US to establish semi-permanent military facilities on their territories (Kuwait, Qatar, UAE and Oman) in order to help impose UN sanctions on Muslim Iraq, contain any threat from Muslim Iran and to facilitate military action against and surveillance of Muslim Afghanistan under the Taliban regime (Henderson, 2003). Finally, there was the pressure which the US administration exerted on its so called conservative Arab allies to seek, round up and arrest (with ensuing torture) the so-called 'Arab Afghanis', those who fought against the Soviets in Afghanistan with US and Saudi support and then returned to their native countries after the Afghan war ended. The increased number of arrests, which was intensified immediately after the 9/11 attacks, gave impression that Arab conservative regimes were 'simply doing the bidding of the US in the war on terrorism ...' (Pargeter, 2008, p.20). These three factors combined with a fourth factor, which took place immediately, not only triggered a self-revision among radicals and violent extremist individuals and organisations (including Al-Qaeda), but also led to an identity crisis; Who are we? Who are our true friends and enemies? Who are Arab regimes serving exactly? Is the US a true friend or a deceptive enemy? (Abu Rumman and Abu Hanieh, 2009).

Since the early 1990s, it has been comparatively easy for those who promote terrorism to foster perceptions that the West in general and the US in particular place a lower value on the lives and well-being of Muslims than on their own and that they support policies that have no concern for the religion and culture of Muslim-majority states. The continuing campaigns in Iraq and Afghanistan have long since ceased to appeal to Muslims as efforts to end tyranny or encourage stability; they are widely identified as a means to project American power and influence, regardless of the cost to the countries concerned.

Although the United States delivers considerable aid and assistance to the Muslim-majority countries of MENA, this is rarely linked to the economic needs of the countries concerned and has led to a paradoxical situation where countries with a higher per-capita income, with the exception of Egypt, but with pro-Western policies (including Egypt), receive more aid than countries with a much lower per capita income and higher levels of poverty but which are less receptive to US policies. This trend has encouraged a perception that the United States divides the Arab World into those that are 'with us' and those that are 'against us', or those with whom the United States can do business regardless of their human rights record and commitment to democratisation and those with whom it cannot or will not do business. The unintended consequence has been that rather than enhance the legitimacy of conservative, pro-Western Arab regimes, US foreign policies have undermined their credibility and legitimacy, thus creating in the vocabulary of the terrorists not only a 'far enemy', but also a 'near enemy' too.

Despite the importance that the United States places on democracy and human rights and freedoms, it has largely failed to promote these values in the Arab World. In fact, its policies have often obstructed them, despite repeated statements by top US officials that 'promoting democratic development ... remain[s] a top priority' for the US (Rice, 2008, p.8). Whether with regard to the cancelled elections in Algeria in 1992 or the refusal to recognise the success of Hamas in Gaza in 2006 or of Hezbollah in Lebanon, Western powers appear to put conditions on the exercise of democracy in the MENA region. The long-term effect of these policies on the nascent Arab democracies is yet to be measured, but the short-term message is clear: we only support democracy in the region as long as it brings to power those we can rely on to serve our interests.

Other aspects of the global environment have also contributed to the radicalising 'them and us' narrative. For example, predominantly Muslim Turkey has not been admitted into the European Union while many Eastern European countries, which happen to be predominantly Christian but less economically advanced, have been (Sageman, 2008a, p.95). However, no other factor has radicalised the global Muslim community in the 21st century as much as the invasion of Iraq in 2003. Alastair Crooke (2007) described this as 'one of the greatest policy mistakes' that the West has made as it led to a widespread perception among Muslims that the West, especially the US, had declared war on Islam and that America was seeking to divide and weaken the Muslim world. A study by the Program on International Policy Attitudes (PIPA) at the University of Maryland succinctly summarised the role of the global environment in radicalising Muslims over the past 60 years:

For decades, polls in the Muslim world and the statements of Muslim leaders have shown a variety of resentments about US policies. Muslims share the worldwide view that the US does not live up to its own ideals of international law and democracy. There have also been specific complaints that the US favors Israel over the Palestinians and the Arab World as a whole, that the US exploits the Middle East for its oil and that it hypocritically supports non-democratic governments that accommodate its interests. These attitudes persist. But now there is also a new feeling about the US that has emerged in the wake of 9-11. This is not so much an intensification of negative feelings toward the US as much as a new perception of American intentions. There now seems to be a perception that the US has entered into a war against Islam itself. I think perhaps the most significant finding of our study is that ... 8 in 10 [Muslims] believe that the US seeks to weaken and divide the Islamic world. (Kull, 2009)

Many Muslims around the world therefore feel moral outrage caused by their perception that their religion and lands are under attack by the Christian West. These perceptions were reinforced by the characterisation of events by key Western leaders in the immediate aftermath of the attacks of 9/11, as when President Bush, for example, invited America's allies to join him in a 'crusade', or when the Italian Prime Minister, Silvio Berlusconi, told reporters that the situation was all about the 'superiority of our (Western) civilisation and the inferiority of Islam' (Schirato and Webb, 2003, pp.4, 14).

To sum up, much transnational terrorism arises from what most violent Muslim extremists believe to be a hypocritical, discriminatory and unjust global environment created and enforced by the policies of Western nations. The anger felt against the West, however, is not so much directed against Western interference or intervention in the MENA area so much as at the disappointing consequences of such intervention. Over a generation during which the US and others have become increasingly interventionist, the people of MENA countries have noticed no significant improvement in their economic, social or political conditions. This has created a sense of melancholic hopelessness and has stoked their feelings of resentment and their tendency to see the West as the reason for the lack of improvement in their living conditions as much as the domestic policies of their own governments which the US has failed to change.

Local Islamic melancholy

Unlike in America, faith-based organisations attracted little admiration in the Arab World in the 1950s and 1960s. At that time the occasional, highly state-controlled attempts at broadening political participation saw faith-based organisations perform rather poorly and attract few followers. Secular, nationalist and Pan-Arab movements and regimes dominated the political scene (Harrigan and El-Said, 2009a). Today, the picture is reversed. Most polls show strong support for faith-based organisations and hostility towards the US and local regimes. This suggests that, in addition to the global environment, specific local circumstances also contribute to Islamist radicalisation today.

Arab states exhibit large divergences in size, resources, per-capita income, extent of reforms carried out and political systems. As a result, there are always risks in making sweeping generalisations. However, the structures and institutions of Arab states, as well as the challenges and opportunities they face, exhibit common features strong enough for the purpose of this chapter to treat the region as a whole.

Political independence in the immediate post-World War II era raised expectations that Arabs would be able to rebuild their lives free of colonial

exploitation and intervention, achieve economic prosperity and even regain some form of unification. In the first two decades of the post-war era, both the economic and political performance of the Arab World differed little from the performance of other developing regions. IMF officials (Abed and Davoodi, 2003, p.1) concur: '... it is only the past 30 years', particularly since the 1973-4 oil price revolution, that the 'region's economic performance ... has been below its potential' and below those experienced by other regions of the world. Statistics are supportive. Between 1974 and 2003 the region achieved a near-zero percent growth rate, while all other developing countries as a group grew at 2.5 percent per annum. The 2009 UN *Arab Human Development Report* also noted that between 1980 and 2004 the real GDP per capita in the Arab countries grew by less than 0.5 percent annually. In terms of global economic integration, MENA underperforms in almost every common measure of globalisation, as shown in Chapter 2 of this book. For instance and outside Sub-Saharan Africa, the region is the lowest recipient of foreign direct investment in the world, receiving on average less than one percent of the world's net FDI inflows between 1975 and 2005; with only 0.6 percent of total population using the Internet, the region's information and technology links are among the weakest in the world; and the region's share of world exports fell by more than half between 1980 and 2000 at a time when the share of other developing countries increased (Abed and Davoodi, 2003; Noland and Pack, 2007). As the 2002 UN *Arab Human Development Report* put it: the Arab World 'is richer than it is developed.'

A major consequence of this poor record is the shrinking of economic opportunities and persistent high unemployment rates, particularly among the educated, including university graduates, in one of the world's fastest growing populations and labour forces. By 2020 the region's population is expected to increase by 50 to 60 percent, or by 150 million, a figure equivalent to almost two more Egypts. Although the Arab World posts lower levels of absolute poverty than other regions of the world, Arab unemployment, which currently stands at over 15 percent, is the highest in any developing region. In some war-torn Muslim states like Iraq, the West Bank and Gaza, unemployment rates are much higher than the regional average. To absorb all this surplus labour, the economies of the region will have to maintain an income growth of around 6-7 percent a year over the coming decade. Judging from the region's recent history, this is unlikely (Noland and Pack, 2004; UN, 2002).

As many observers have noted, the Arab World has thus far missed out on opportunities provided by globalisation and has not been able to reap the full benefits of world economic integration. There is more to its economic underperformance than simply a failure to join the global

economy. Corruption, repression, authoritarianism, as well as economic mismanagement, including a failure to adjust to a deteriorating external environment, have all been responsible. The roots of this malaise can be traced back to the 1973–4 oil price revolution, which assumed central responsibility for transforming not only the role of the state in the economy, but also in shaping state–society relations in general.

The 1973–4 price hikes brought unprecedented wealth in a very short period of time. Being the principal recipient of this windfall, the state assumed an allocative role and has become more concerned with distributing the new wealth to consolidate its survival than investing in the future. At a time when other regions of the world, particularly East Asia, were shifting their strategy towards the global sector and restructuring their economies and societies towards market-augmenting, state-guided and export-oriented policies in order to adjust to increased global competition and to the internationalisation of production and finance, the Arab World was moving in the opposite direction. Large-scale state-led development not only promised the ruling élite ‘control over the national economy, but also personal wealth through kickbacks, bribes and other rents to be used for coalition maintenance’ (Lubeck, 1996, pp.296, 297).

The state in MENA became the ultimate employer. From the Nile to the Euphrates, every university graduate was promised government employment. Lacking the institutional capacity to monitor and control abuses of power and provide checks and balances, public sector bureaucracies became dumping grounds for patronage by incumbent governments and regimes. This fitted well with a long tribal tradition in most Arab states of buying loyalty and allegiance through doling out benefits to favoured tribes, groups and individuals, leading to large social inequities and fragmentations (Beblawi, 1990, p.89; Lubeck, 1996, p.298; Abed and Davoodi, 2003, p.10).

The state also embarked on a modern function of providing, in most cases free of charge, public goods and services, including health, education, defence, social security and impressive physical infrastructure. It also heavily subsidised the basic needs of its citizens including gas, electricity, food and telecommunications and demanded little or no taxation in return. ‘With virtually no taxes, citizens are far less demanding in terms of political participation’ (Beblawi, 1990, p.89). The slogan that encapsulated the march towards modern democracy elsewhere: ‘no taxation without representation’, became in the Arab World ‘no taxation and no representation’.

Not only oil-rich but also oil-poor Arab states followed a similar trajectory. Through Arab aid, external location rent and workers remittances ‘the oil phenomenon has cut across the whole Arab World’ (Beblawi, 1990, p.98). Between 1975 and 1980 alone, multilateral Arab–Arab assistance exceeded \$6.6bn. The total of all inter-Arab economic assistance, including funds

bilaterally disbursed, was much higher still (Ismael and Ismael, 1999). Countries like Jordan, Syria, Egypt, Yemen and Sudan, to mention a few, were behaving like oil states though without oil, implementing large, unproductive and prestigious projects, buying support through patronage of a bloated public sector, providing welfare services free of charge or at a very low price and yet demanding little in the way of taxation from their citizens.

As oil prices collapsed in the early and mid-1980s, almost all Arab states were facing major macroeconomic difficulties, including high inflation and large trade and fiscal deficits. Oil-poor Arab states, such as Egypt, Tunisia, Morocco, Jordan, Algeria and Yemen, resorted to structural adjustment programmes (SAPs) designed by the IMF and World Bank to correct economic imbalances. Apart from confirming the failure of secular Arab state to achieve sustainable development, prosperity and security originally promised in the national development project, SAPs have been associated with massive social and economic dislocations (Lubeck, 1996; Harrigan and El-Said, 2009a, 2009b).

By insisting on implementing what the IMF calls 'public expenditure management' programmes (Abed and Davoodi, 2003, p.11), SAPs directly targeted and reduced state resources. Public expenditure management in reality translates into cuts in public investment in education, health and infrastructure, as well as eliminating subsidies and imposing new and broader tax bases. The sudden and immediate retreat of the state from welfare provision, in the presence of weak or non-existent formal social safety net systems, created a gap in the economy which faith-based organisations, particularly the Muslim Brotherhood and their offspring and sibling organisations, moved quickly to fill. These organisations are today key providers of health, education, medicine, food, clothing and even jobs and cash transfers to millions of the poor and needy in the Arab World. Some observers today refer to this phenomenon as the 'parallel state', or 'a state within a state' each competing for the loyalty of their followers (Harrigan and El-Said, 2009b). The 'parallel state' phenomenon played an important role in further undermining the legitimacy of the incumbent, pro-Western regimes and simultaneously enhanced that of faith-based organisations in the region.

Donohue (2005) stresses the intimate relationship between action-reaction dynamics of radicalisation. In particular she draws attention to how the way authorities (through counter-terrorism measures) and non-state actors (through violent extremism) react to radicalisation influences its further development. She argues that 'there is a close relationship between the types of actions taken by state and non-state actors. Both incorporate violence, fear and a broader audience, as well as being purposive, political and (although denied by both sides) affecting non-combatants' (quoted in

Birk, 2009, p.7). Most Arab states look at radicalisation as purely a security threat and hence follow a purely security approach, with the probable exception of Saudi Arabia. Not only are violent extremists imprisoned without proper trials and even tortured, their relatives and friends also face a similar fate to pressure suspected radicals to give themselves up, thus leading to embitterment and anger towards the state and its authorities (Birk, 2009; UN, 2009). The introduction of taxation, a key conditionality element in all SAPs promoted by the IMF and World Bank, in most Arab oil-poor states in the 1980s and 1990s was not accompanied by democratisation, more freedoms or genuinely improved political representation as many Western observers had hoped and expected. On the contrary, with taxation came more repression, authoritarianism and corruption. The 2009 UN *Arab Human Development Report* went further to conclude that the Arab state, rather than guarding and protecting its citizens, has been 'turn[ed] ... into a threat to [the] human security' of its own citizens. A study by the University of North Carolina (UNC), based on a Political Terror Scale, a composite index compiled annually at UNC that uses data on core human rights violations in individual countries around the world drawn from Amnesty International and US State Department reports, concluded that the Arab World is one of 'three regions that have the worst human rights records between 1980 and 2006' (Human Security Brief, 2007, p.7).

Whatever index one uses, the Arab World fares badly in terms of democracy, human rights and governance. There is a consensus today even among such prominent international institutions as the IMF, World Bank, United Nations and even the US State Department that the Arab World performs worse in most of these categories than all other developing regions. Freedom House (2007) finds the region to be the worst performing in terms of political rights and civil liberties. The UN *Arab Human Development Reports*, the first of which was published in 2002, repeatedly stated that the Arab World suffers, among other things, from 'democracy deficit', 'obsolete norms of legitimacy' and 'remains the only substantially unchanged region of the world' (LeVine, 2002; Almounsor, 2005; Abed and Davoodi, 2003). Our statistical analysis of the political dimensions of globalisation in Chapter 2 confirms this picture.

These developments have important implications for the spread of terrorism. The link between a lack of human rights and violent extremism is widely acknowledged. The United Nations Global Counter-Terrorism Strategy highlights this link and underlines the need for mutually reinforcing relationships between the promotion and protection of human rights and counter-terrorism measures. However, Arab regimes' commitment to human rights remains questionable as they have become adept at squashing all forms of dissent. Although 'being radical ... is not illicit' (Coolsaet and

de Swielande, 2008, p.156), MENA governments have tended to round up all their radicals and opponents, whether religious or secular, violent or non-violent (International Crisis Group, 2005). Dr Abdulrahman Al Hadlaq, a high-ranking Saudi official involved in the rehabilitation of former Saudi violent extremists, concedes: 'The roots of terrorism are found in Arab prisons. Arab youth look around and who do they see is torturing them? Their own rulers, security officers and governments. This is the near enemy they say' (Interview in Riyadh, August, 2009). This echoes what General McChrystal, then the top military commander in Afghanistan, in his report to President Obama in September 2009 is reported to have said about another region, Afghanistan, where the Taliban were using the prison system to find and train new recruits.

The business environment in the Arab World is also significant. Here, a picture emerges of a region that has higher than average set-up costs and excessive bureaucratic procedures. According to the IMF (in Abed and Davoodi, 2003), out of the seven main regions of the world, the Arab World is the fourth most bureaucratic, fourth most time-consuming with regard to establishing a business and the fifth most expensive in terms of start-up costs. Start-up costs also include costs related to bribery, the payment of commissions and other corrupt payments involved in lobbying state officials. MENA performs worse than most other developing regions in measures of good governance and effective institutions, especially in areas of accountability, regulatory quality and the control of corruption (Abed and Davoodi, 2003, p.7).

For all these reasons, Arab economies saw globalisation benefits pass them by, failing to diversify and create sufficient new jobs to absorb the large cohort of young people reaching working age. More importantly, the long record of economic underachievement has led to pessimism about the future, the credibility of policy interventions and to bouts of political extremism. A poll by Pew shows the people of the region, led by Saudi Arabia, uniquely dissatisfied and pessimistic about their children's future. These feelings are rooted in the reality of dwindling employment and economic prospects, including in Saudi Arabia where per-capita income in 2004 was 40 percent lower than at its peak in 1982. Pessimism and dissatisfaction are positively correlated with age and educational attainment. That is, the young and more educated are the most pessimistic and dissatisfied. It is worth remembering that 15 of the 19 11 September hijackers were educated Saudis from high-status backgrounds (Noland and Pack, 2004, pp.2, 3, 7).

In brief, the tale of Arab oil wealth represents a misleading picture of the region's true economic situation. Oil wealth masks structural weaknesses emerging from continued reliance on oil rents, failure to diversify economic structure, failure to benefit from global integration and even failure in

preserving security of the region's citizens. Moreover and despite an increasing need, Arab regimes appear to have developed a fear of change similar to that developed by the French state at the end of the 19th century and to whom the modern use of term terrorism owes its genesis. As one former Algerian individual who was imprisoned and tortured in his own country for his beliefs stated: 'The paranoia about terrorism among pro-Western [Arab] governments has done everything to fertilise its seeds. One terrorist said: "I wasn't a terrorist, until they came for me and told me I was".' (*Observer*, 2003). A network of patronage and corruption has perpetuated economic, social and political inequalities. The upshot has been to encourage a sense of helplessness and to add further polarisation and radicalisation to society.

Personal/historical variables

Hundreds of millions of the world's Muslim population share many of the harsh conditions discussed earlier, including a global radicalising environment, a lack of democratic institutions and freedoms, discriminatory policies and repressions and harsh economic conditions. But that alone does not lead them to commit violent acts. Extremists remain a small minority within their communities. The overwhelming majority of Muslims oppose violence, whether in the name of religion or for any other cause.

It is clear therefore that global and national environments alone are insufficient to turn somebody into a violent extremist. A personal factor, experience or crisis, ranging from the complex to the mundane, is still needed. As Sageman (2008a, p.99) reflected, an enabling factor works best when it 'resonates more with ... personal experiences, which in turn gives strength to the [violent] ideology from indisputable biographical evidence'. A person in a state of shock, following a crisis of some sort, argues Naomi Klein (in MacFarquhar, 2008), regresses to a childlike state in which he/she longs for some sort of parental figure to take control. This makes the person susceptible to a violent ideology and persuadable to suicide. Statements by Islamist extremists jailed in their homeland for their beliefs provide powerful evidence for the thesis that violent extremism occurs at the intersection of personal experience and an enabling environment:

It takes more than the speeches of bin Laden to turn an Islamist into a terrorist. It takes years of feeling abused. To make me kill, my torture needs to be personal. To send me into a fury, I need flashbacks of suffering, not empty ideological concepts. (*Observer*, 2003)

While interviewing a number of Islamist violent extremists in France, Farhad Khosrokhavar concluded with similar findings:

Every [Islamist] group refers to a major political fact that appears to have been the essential driving force behind its radicalisation, next to certain facts of daily life such as being subjected to humiliation, a sentiment of indignity or personal offence. The conjunction between [the] two procreates the passage to extremism. (Khorsrokhavar, 2006, p.14; see also Coolsaet, 2008, p.164)

Research by Israeli suicide terrorism experts, such as Ariel Merari (2005 p.438), conclude that no act of suicide terrorism takes place in a vacuum and that most Palestinian human bombers have either been tortured themselves by the Israeli armed forces or witnessed the torture of a close family member or a friend; lost a close family member or a friend as a result of Israeli attacks; witnessed the demolition of their or their friends' or neighbours' house; been themselves, or seen a close family member or a friend, humiliated by Israeli authorities; or have a close family member or a friend captured and imprisoned by Israeli authorities. Therefore, 'they wish to take revenge from suffering from the enemy that they had personally undergone':

'The new age of globalisation has hit the Arab World in a very strange way,' wrote Fareed Zakaria (2009). Proponents of globalisation wrongly assumed that globalisation would introduce the homogenising effect of Western, especially American culture, that American individualism would become the norm after penetrating and diluting even the most resistant cultures and traditions in the world. They ignored the argument put forward by cultural theorists that local cultures are resilient and adept at maintaining themselves. (Schirato and Webb, 2003, p.11)

Sageman (2008a, p.97) rightly notes that Muslim-majority countries remain solidly collective, coming at the bottom of Hofstede's collectivist cultural scale. This has important implications for the study and countering of violent extremism. As one Muslim fugitive stated:

Reared in large families and seldom alone, the average Algerian [and Muslim] is a stranger to the individual 'I' identity that defines western liberty. For us, joy and pain are collective experiences. We feel each other's sufferings as our own, which is why the death of every Muslim brother, whether in Chateaufort prison or Palestine, is taken personally. (*Observer*, 2003)

This has led many observers, like Sageman (2008a) and Argo (2004, 2006), for example, to argue that terrorism is a social phenomenon, with informal institutions like the family, kinship and friendship playing a key role and preceding the religious context. Speckhard and Ahkmedova (2006, p.486)

not only found similar trends in their work on Chechnyan bombers, but further developed this argument by stating that in conservative, traditional and collective cultures, even if specific traumatic experiences are not ubiquitous and foreign occupation is not present, 'secondary traumatisation' developed through viewing downloaded footages of traumatic images from Palestine, Iraq or Chechnya, can still lead to radicalisation of Muslim youth in other parts of the world. Speckhard and Ahkmedova found 'secondary traumatisation' to be present among many Al-Qaeda-affiliated groups and individuals in Chechnya and among the Moroccans responsible for the 2003 attack in Casablanca and particularly significant in radicalising alienated Muslims in Europe. This process has been facilitated by the revolution in communications technology, including telephone, satellite television and the Internet, which have connected the Islamic community across the globe. One result of this increased connectivity has been to strengthen the Muslim sense of belonging to one community, or *Ummah*, as Islamic scholars refer to it. As Hassan (2003) noted, international travel, satellite communications, the Internet, TV, access to books and magazines combined with increasing literacy have made Muslims aware not only of their cultural and social diversity, but also of their plight and their pain. At the same time, this has promoted 'a greater ummah consciousness, a heightened sense of belonging to a global community of believers' and has facilitated Speckhard and Ahkmedova's secondary traumatic effects.

The resort to terrorism, while a rare and individual reaction to the situation faced by the community, is therefore at the same time a community act. Both the terrorist and the community he claims to represent can explain his act in terms of a logical as well as an emotional response to adverse circumstances. In the absence of other champions and faced with a political leadership that is both remote and exclusive, the terrorist provides an example to others who are susceptible to such action because of their own personal circumstances. For the powerless, the act of terrorism provides an opportunity to be powerful, to satisfy the need to react to injustice and to promote the possibility of change while at the same time achieving status within the extremist group or even within the community more broadly. While terrorism is seen in the West as a negative reaction to circumstances, in many MENA communities it is seen as a positive act.

Concluding remarks

This chapter looked at violent extremism only in the MENA region. The specificity of Islamic fundamentalism in that area, characterised as 'Islamic melancholy', makes it risky to generalise for all forms of violent extremism in all parts of the world, particularly for non-Muslim forms of

violent extremism. In fact, it is important to note that conditions of relative deprivation and social exclusion prevail all over the world and that the intellectual project to define violent extremism only in relation to MENA or Muslim-majority states ignores the growth of violent extremism in other parts of the world, including Western Europe and the US.

Moreover, violent extremism is not simply a developmental issue, although MENA states would do well to reduce poverty and enhance equality for other, equally important objectives. Violent extremism is carried out overwhelmingly by the more educated and those of higher status, who are able and willing to organise and take action, unlike the poor and the uneducated who are bogged down with making ends meet. Inequality and poverty, however, create a facilitating environment for violent extremists who prey on and exacerbate a sense of melancholic grievance in their societies. An environment characterised by poverty and inequality makes it difficult for the authorities to rely on the support of their citizens for information and other societal assistance that is a prerequisite for overcoming violent extremism.

Violent extremism occurs at the intersection of global, national/local and personal factors. Foreign occupation, whether in Palestine, Iraq, Afghanistan or elsewhere, the lack of democratic principles and respect for human rights, the lack of economic opportunity and the sense of hopelessness that exists in many areas of MENA provide the breeding ground for radicalism. In the absence of political change and genuine reforms designed to tackle corruption, discrimination and repression and in the chronic economic underperformance that characterise the national and local environment in the MENA region, the seeds of violent extremism will remain, however successful the authorities may be at suppressing their growth. An effective de-radicalisation and disengagement strategy requires a multi-level, multi-dimensional approach which includes and reinforces a respect for human rights and the rights of minorities and promotes sustainable development that meets the aspirations and expectations of the educated and middle classes, as well as global and local programmes to tackle the other causes of Islamic melancholy.

Notes

- ¹ Annual Threat Assessment of the Intelligence Community for the Senate Select Committee on Intelligence (http://www.dni.gov/testimonies/20090212_testimony.pdf).
- ² Home Secretary's statement on the counter-terrorism bill 13 October 2008, available on website: <http://security.homeoffice.gov.uk/news-publications/news-speeches/counter-terrorism-bill-statement>.

- ³ In a more recent interview, Krueger explains why the poverty factor gained currency in the West as an explanation for terrorism: 'I think that in the West, we think very much in materialistic terms. And we think, you know, "Who could possibly want to give up their lives for a cause? It must be someone who has nothing to live for", whereas I don't think that's what's motivating the people who participate in terrorism' (quoted in *Morning Edition*, 2003).
- ⁴ The International Crisis Group had warned in 2005 that if they want 'to head off what could well become a major source of internal instability, European policy makers need to alter their anti-terrorism policies, including by ceasing to describe their counter-terrorism effort as a "war"' (ICG, *Understanding Islamism*, No. 37, 2 March 2005, p.25).
- ⁵ These are: Prevent (individuals from turning to terrorism); Protect (citizens and infrastructure by reducing vulnerability to attack); Pursue (investigate terrorists and disrupt support networks); and Respond (manage and minimise the consequences of attacks). For full details, see the EU Counter-Terrorism Strategy at http://ec.europa.eu/justice_home/fsj/terrorism/strategies/fsj_terrorism_strategies_counter_en.htm.
- ⁶ In his historic speech in Cairo in June 2009, President Obama deliberately avoided the use of terms like 'terrorism' or 'terrorist'. Some saw this as 'a departure from the language used by the Bush administration, but one that some Middle East experts suggested reflected a belief by the new administration that overuse had made the words inflammatory' (Zeleny and Cowell, 2009). Osama Bin Laden, however, was quick to describe President Obama's decision to send more troops to Afghanistan and pressure Pakistan to act against the Taliban as 'sow[ing] seeds of hatred' (a reference to Bin Laden's audio tape) (Borger and Walsh, 2009). As Chatterjee (2009) wrote while analysing US strategy to deal with violent extremism in Afghanistan, 'The signals coming from the Obama administration ... are to say the least, confusing ... early leaks about [the new strategy] largely seem to promise more of the same.'
- ⁷ In fact, violence in Afghanistan, according to a recent report by the United Nations, intensified in 2008 with some 5,000 people killed, including more than 2,100 civilians, a 40 percent increase on the previous year.
- ⁸ Most globalisation historians suggest that the world experienced at least three waves of globalisations. The first was under the Roman Empire, the second under the British Empire between 1880 and 1914 and the final, current wave starting around the year 1980. See Held and McGrew (2000).
- ⁹ <http://pewglobal.org/reports/display.php?ReportID=264>
- ¹⁰ The countries surveyed by Gallup were: Morocco, Egypt, Turkey, Lebanon, Jordan, Saudi Arabia, Iran, Pakistan, Bangladesh and Indonesia.
- ¹¹ The initiators of the modernisation movements came from both Shia' and Sunni sects. The former was represented the Persian Jamal al-Dine al Afghani (1839–1897), while the latter was led by the Egyptian Mohammed Abduh (1849–1905). For more details, see International Crisis Group (2004), pp.6–7.
- ¹² Some of these events include the disintegration of the Ottoman empire, the abolition of the Caliphate in 1924 by Mustafa Ataturk, the 1916 Sykes-Picot agreement that was seen as dividing the Arab World between the French and the British, the failure of Great Britain to fulfil its promises of a unified Arab State following the Arab revolt, Great Britain's encouragement of Jewish migration to Palestine and sponsoring Jewish settlements there and the Balfour Declaration in 1917 proclaiming a Jewish national Home in Palestine.

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12

In Search of a Deradicalisation Strategy

Hamed El-Said and Jane Harrigan

Introduction

The academic community has shown unprecedented interest in the process of radicalisation since 2001, as have social scientists and other researchers. Terrorism studies no longer lie on the margins between political science and military studies, as they once did. Today, 'terrorism studies are a stand-alone subject entering a golden age' (Shepherd, 2007). However, the focus has thus far been more on the motivations for violent extremism. The equally important question of what leads an individual or a group to leave, disengage from, or exit violent extremism has attracted far less attention. As John Horgan (2007, p.29) wrote, the 'disengagement phase remains the most poorly understood and least researched'. This despite the fact that several countries have developed and introduced 'soft' strategies, as opposed to 'hard' – military – strategies, to counter radicalisation and extremism that lead to violence. Turkey, for example, introduced such strategies in the early 1990s, followed by Egypt and Algeria in the mid and late 1990s, Indonesia and Yemen in the early 21st century (around 2002), Saudi Arabia and Jordan around 2005, and the United Kingdom and the Netherlands, among others, thereafter. Yet, little is known about these programmes, their composition, sequence, operation, administration, or even performance (UN, 2008).

Many programmes have been running for long enough to allow some analysis of their effectiveness. 'Soft' strategies are now held to be the main weapon against violent extremism, but there remains 'an almost complete absence of evaluation research' for their performance (Lum et al., 2006,

p.489). Equally, no 'model' or 'simple formula' exists that might help operators in the fight against violent activism to understand 'how to make terrorists disengage from violent activism; or at least to provide best practice for how to develop and run a disengagement program' (Bjorgo and Horgan, 2009, pp.21, 249).

The goal of this chapter is threefold: firstly, to investigate and shed light on 'soft' strategies that have been in existence since the early 1990s in 37 Member States (MSs) of the United Nations; secondly, to provide a systematic, though preliminary evaluation of these strategies based on statistics derived from the START database of the US Department of Homeland Security;¹ and finally, to provide brief, descriptive case studies to support key arguments of the chapter.

The chapter proceeds as follows: section three argues that the global community should embrace more 'soft' strategies in the fight against violent extremism; section four examines the key components of the deradicalisation strategies of 37 Member States with the aim of providing best practice examples from countries that face the threat of violent activism; section five provides a preliminary evaluation of the impact of the programmes in the sample 37 Member States, and the final section summarises and concludes. But first we shed some light on the sources of data, the countries involved, and the methodology followed to collect and use the data in this chapter.

Data and sample size

In early 2008, one of the authors, backed by the United Nations Counterterrorism Implementation Task Force (CTITF),² embarked on a mapping exercise of deradicalisation measures implemented by Member States. The main focus was on non-coercive approaches (which we refer to in this chapter as 'soft' deradicalisation, or, in some cases, preventative strategies) that rely, in the words of the Malaysian government, on engagement with and 'winning hearts and minds in the segments of society that are normally targeted by extremist and radical groups for recruitment, support and funding.' (UN, 2008, p.2).

On 18 February 2008, a formal letter was sent to Permanent Missions to the United Nations in New York inviting all Member States to provide information on their non-coercive policies and initiatives designed to address radicalisation and extremism that lead to terrorism. Of the 192 States addressed, 34 provided information on their respective policies and programmes. In addition, information on similar policies and programmes implemented in Turkey, Jordan and Morocco was collected through fieldwork and visits made by the authors to the capitals of these countries

as part of a larger and on-going project on ‘Learning from Deradicalisation and Rehabilitation Programmes that focus on Al-Qaeda-related Terrorism’, which is funded by the Norwegian Foreign Ministry.

Despite the relatively small size of the sample used in this chapter, it remains, as far as we know, the largest inventory of deradicalisation programmes in the world. Moreover, the sample represents countries from all major regions of the globe, including MENA, Western Europe, Eastern Europe and Asia; only Latin America is unrepresented. The 37 countries involved and a synopsis of their deradicalisation programmes are summarised in Table 1.

Table 1: Main programmes undertaken/to be undertaken as part of Countering

MS	Legislation	Prison	Education	Promote Alliance of Civilisation/Inter-Culture	Internet, TV or Radio	Global Programme	Engaging Civil Society	Training	Economic-Social Inequalities	Information	Rehabilitation	No**
Algeria	x								x			
Australia			x	x		x	x		x			
Austria			x	x		x	x			x		
Belarus								x	x			x
Belgium	x	x	x	x	x	uc†	x	x		x		
Canada												
Djibouti												x
France	x	x	x		x							
Finland			x	x				x				
Germany ¹								x				
Guyana												x
Iceland	x				x							
Italy	x			x	x		x			x		
Jordan	x		x									
Kuwait				x								
Malaysia ²		x	x									x
Morocco	x	x			x		x		x			x
Netherlands	x	x	x		x	x	x		x			
New Zealand				x				x				
Nigeria					x		x					x
Norway ³						x	x	x				
Romania							x			x		
Russia												
Saudi Arabia		x	x		x							x
Seychelles												x
Singapore		x			x		x			x		

Table 1 continued:

MS	Legislation	Prison	Education	Promote Alliance of Civilisation/Inter-Culture	Internet, TV or Radio	Global Programme	Engaging Civil Society	Training	Economic-Social Inequalities	Information	Rehabilitation	No**
Slovenia	uc	uc		uc			x		x			
Sweden ⁵	x				uc	x						
Sudan	x											x
St Vincent & the Grenadines												x
Switzerland*												x
Thailand	x	x	x					x				
Turkey	x	x	x	x ⁶								
UAE			x	x				x				
UK	x	x	x	x		x	x		x			
USA	x	x	x	x	x	x	x	x	x	x		
Yemen ⁴	x	x		x ⁷	x ³		x		x	x(uc)		

Terrorism Strategy

Source: Developed by the authors from Member States' responses to the 18 February CTITF letter.

Notes: * However, Switzerland launched the Montreux Initiative, which sought to create a climate of trust between authorities and Islamic charities by enhancing transparency. She also held conferences to raise awareness about how to counter violent ideologies and extremist propaganda, and also to learn from the experiences of other countries in this area, including in the area of the internet, public diplomacy as an instrument to counter violent extremism.

** 'No' stands for no programme.

† 'uc' stands under consideration.

¹ Information on the German counter-radicalisation programme is derived from Analysis in this section is based on information derived from Gerhard Schindler, 'Radicalization and strategies for de-Radicalization from the German Viewpoint', in (pp. 61-70). Schindler is the Head of the Directorate for Counterterrorism in the German Interior Ministry and Head of the Security and Islamism Discussion Group of the German Islam Conference.

² Malaysia's programme takes place inside prisons only.

³ Norway's global programme focuses on sponsoring international research on de-radicalisation and disengagement from terrorism. Examples include 'Leaving Terrorism Behind', and this project. Both focus on de-radicalisation and disengagement experiences in several countries. The aim is to spread these experiences and derive lessons for worldwide use and to benefit from the possibility of implementing best-practices.

- ⁴ Yemen's global strategy is based on signing several bilateral and multilateral agreements related to counter-terrorism, including the UN Counter Terrorism Strategy. So far, Yemen has signed more than 30 such agreements with friendly states. Yemen was also requesting financial, technical, and training assistance from the international community in order to be able to pursue its de-radicalisation programme effectively.
- ⁵ Sweden's global strategy is based on studying how development assistance can be used as an instrument to strengthen states' ability to prevent violent extremism. Some of the measures anticipated include supporting young people through projects that lead to job creation, education, and training; promotion of democracy; prison reform; dialogue and reconciliation; and media support.
- ⁶ Pamphlets and brochures only.
- ⁷ TV and radio.

Why the need for a 'soft' strategy?

The simple answer to the question of why do we need a 'soft', non-violent strategy to counter violent extremism was long ago answered by one of the most respected and well known radicals of the 20th century, namely Mahatma Gandhi. Gandhi once wrote: 'returning violence for violence multiplies violence, adding deeper darkness to a night already devoid of stars. Darkness cannot drive out darkness; only light can do that. Hate cannot drive out hate; only love can do that' (quoted in Barash, 2009, p.28).

The ability of purely military approaches to overcome violent extremism is limited. Furthermore, they can end up radicalising more people than they eliminate, and so lead to fresh recruits. This was the main finding of Lum et al. (2006, p.489), who, while evaluating counter-terrorism approaches, concluded that it 'appears that some interventions either did not achieve the outcomes sought or sometimes increased the likelihood of terrorism occurring'. Operations that lead to the death of innocent people, even when they are in retaliation for a previous attack against uninvolved civilians, undermine support for the government and aid violent extremists by convincing the public (and particularly the communities from which violent extremists emerge) of the brutality of the incumbent regime, leading to further radicalisation and facilitating recruitment in support of the violent cause.

The role of social networks in radicalising individuals and drawing them into violent activism is increasingly recognised in the literature (Argo, 2006; Sageman, 2008). These networks are formed over a long period and their individual members are deeply and emotionally involved with one another. Just as the death of a family member can have a traumatising effect, so too can the death of a member of a larger social network. The simple Biblical injunction of 'an eye for an eye, a tooth for a tooth' is no longer enough. An individual in a collective setting, as is the case for most Muslims, belongs

to a family that in turn belongs to a clan, which itself forms part of a tribe, which is then a part of a wider community identified by culture and belief. In this way the death of one individual can have a multiplying retribution effect, radicalising other members of the same social network and therefore increasing the potential number of recruits to violence.

In Afghanistan, for example, by calling in an air strike that leads to the death of innocent Afghans, coalition forces have 'jeopardize[d] the United States mission by turning the civilian population against American forces and their ally, the Afghan government', and have thus given 'new ammunition' to the Taliban (Schmitt and Shanker, 2009). In Pakistan too, where the response to violent extremism has been almost solely a military one, there has been a dramatic increase in incidents of and fatalities from violent extremism. In Iraq, on the other hand, a change towards softer measures and non-coercive strategies since 2006 aimed at winning the hearts and minds of local citizens, including former fighters, appears to have contributed to a reduction in violence.

Since Al-Qaeda-related terrorism is a global phenomenon that feeds off local grievances, successful and carefully tailored 'soft' strategies in one region or country can have wider regional and global ramifications. Saudi Arabia's deradicalisation programme, for instance, has noticeably reduced the number of Saudi nationals flocking to Iraq to join the fight against 'American occupation' of that country. This is highly significant as according to the United States army, Saudis used to comprise close to half the foreign fighters and suicide bombers in Iraq (Krastev, 2006). Similarly, the decline in the number of Saudis and other foreign fighters going to Iraq has also contributed to the decline in the levels of violence there (Human Security Brief, 2007).

The use of violence as a way to address real or perceived grievances not only legitimises repressive reaction by the state, but also undermines the legitimacy of the aggrieved party's cause. It is now widely acknowledged, even by many former violent extremists and including Omar Bin Laden, the son of Al-Qaeda founder and leader Osama Bin Laden, that the 9/11 attacks in the United States caused the US to occupy two Muslim states, Iraq and Afghanistan, and led to the death of many thousands of Muslims (Jacobson, 2008a). Similarly, an increase in the sophistication of Tamil Tigers operations and in the number of fatalities per operation led to an all out war by the Sri Lankan government that defeated the Tamil Tigers in 2009, decapitated its leadership, caused the death or arrest of other key figures of the organisation, and brought tremendous suffering to the Tamil people, many of whom became refugees in their own country.

In similar vein, Israel has always used rockets fired by Hamas and other Palestinian factions to justify its occupation of parts of the West Bank and

its blockade of the Gaza Strip (Landau, 2009; Ravid and Pfeffer, 2009).

However, states that resort to excessive retaliatory violence and repression also lose credibility, as well as the support and sympathy of the global community. 'Due to increased global interdependence, the non-local audience for a conflict may be just as important as the immediate community' (Zunes, 2009, p.6). It was the loss of such support, facilitated by the revolution in communications technology, that spread awareness of the repression by local authorities of a non-violent resistance movement, that played a key role in ending the apartheid regime in South Africa. Israel's position has been similarly undermined by the 2009 United Nations report by Judge Richard Goldstone, which was deeply critical of the degree of force used during the Cast Lead operation in the Gaza Strip.

Equally, non-state groups and individuals that choose a violent path also lose support in their own communities. In fact, nothing has been more detrimental to the popularity of Al-Qaeda and other violent extremists among Muslims all over the world than their use of violence in the name of religion, an issue which has long been debated by members of radical organisations themselves, including Hezbollah and Hamas (Bloom, 2007). Contrary to popular belief in the West, the majority of Muslims oppose the use of violence in the name of Islam. 'Violence is the path of a minority,' wrote Coolsaet and Swielande (2008, p.165), 'the recourse of the few'. Several polls and surveys support the argument that violent extremism takes place at the fringes of Muslim communities, and is strongly opposed by the great majority.

For example, a poll by Gallup in 2006 found strong opposition to terrorism among Muslims in seven out of ten countries³ polled, with this opposition especially strong in the Muslim populations of Indonesia, Pakistan and Turkey. The same poll also found complete rejection of terrorism among very large majorities of Muslims living in Germany, Spain, Britain and France. On Bin Laden, the poll found majorities in eight of the ten countries surveyed having little or no confidence in the Al-Qaeda leader. A more recent and comprehensive survey by Pew (2007, p.7), which analysed global political attitudes in 47 nations between 2002 and 2007, is equally affirmative. It noted the continuing rise in the number of Muslims rejecting suicide bombing and other forms of violence against civilians in the defence of Islam to be among the most striking trends in predominantly Muslim nations. Like its predecessor, the 2007 Pew survey found that overwhelming majorities of the world's Muslims say the use of violence in the name of religion is 'rarely acceptable'.

Even in Saudi Arabia, the birthplace of Islam, the home country of Osama Bin Laden and 15 of the 19 9/11 attackers, fellow countrymen have not only dramatically turned against the Al-Qaeda leader and his

organisation, but also against Saudi fighters in Iraq. They also now support state action against violent extremism and violent extremists, according to a recent survey conducted by the Centre for Public Opinion at the end of December 2007. Today fewer than one in ten Saudis have a favourable opinion of Al-Qaeda, 88 percent approve the Saudi military and police pursuing Al-Qaeda fighters, and 69 percent favour Saudi Arabia working with the US to resolve the war in Iraq.

Providing former and current violent extremists with a way to 'exit' violence is an essential strategy to counter violent extremism (Bjorgo and Horgan, 2009, p.251). If violent extremists believe that there is no alternative, or that if they are caught they will be killed or tortured, they will fight until the end, even if they know that they have little chance of victory. While controversial, such strategies were successfully employed in the 1970s and 1980s to facilitate disengagement of extreme right-wingers from violent groups in countries like Norway and Sweden (Bjorgo, 2009; Bjorgo et al., 2009), to dismember underground organisations like the Italian Red Brigades (Porta, 2009), with the Irish Republican Army (IRA) in Northern Ireland and with Basque separatists in Spain (Alonso, 2009; Bjorgo and Horgan, 2009). Similar exit strategies have also been integrated into deradicalisation and rehabilitation programmes that target religious extremists in Muslim-majority countries like Saudi Arabia, Yemen, Egypt, Indonesia, Malaysia and Algeria (Barrett and Bokhari, 2009).

Finally, security approaches directed purely against terrorism shift large and badly needed financial resources, particularly in poor countries, to counter violent extremism at the expense of other sectors which can play an equally important role in undermining radicalism, such as health, education and social welfare programmes. While financial poverty is relatively rare in the Arab World when compared with other regions, human poverty, which refers to deprivation in terms of capability and opportunity caused by a lack of access to proper health and education, is increasing in Arab oil-poor states, except Tunisia. As the UN 2009 *Arab Human Development Report* (p.11) noted, 'low income Arab countries exhibit' a high incidence of human poverty. The Human Poverty Index (HPI),⁴ the Report continued, 'shows that insecurity undercuts health, education and standards of living, all of which puts in question the effectiveness of the state in providing, and ensuring access to, the basic necessities of life.' It is not surprising therefore that the legitimacy of faith-based organisations, including the Muslim Brotherhood, which have become the largest providers of services such as health, education, food, clothing and even jobs, has risen tremendously over the past two decades at the expense of incumbent regimes in the region (Harrigan and El-Said, 2009).

Put differently, following a 'soft' strategy to counter violent extremism is

by far less costly, both in financial and human terms than pursuing a purely military strategy. For example, while the US spends 'US\$150-billion-a-year [on] the global war on terror' (Cronin, 2006, p.21, 2009), Saudi Arabia spends only US\$12 million a year on its deradicalisation programme (personal interview with Dr Abdul Rahman al Hadlaq, the Saudi Ministry of Interior's Director of Ideological Security, Riyadh, August, 2009). The Saudi deradicalisation programme, it is worth mentioning, is now touted as 'one of the world's best terrorist rehabilitation programmes.' (Youseff, 2009. Also see Shane, 2009; Handley, 2009; Boucek, 2008). While Operation Iraqi Freedom has cost the lives of more than 4,500 US soldiers since its inception in 2003, and more than 1,460 coalition soldiers have died in Afghanistan in Operation Enduring Freedom since 2001 (Human Security Brief, 2007; Icasualties.org, 2009), Saudi Arabia, since introducing its deradicalisation programme in 2005, has experienced only one unsuccessful attack by a militant who targeted the deputy Interior Minister, Prince Mohammed bin Nayef, on 30 August 2009 (Youssef, 2009).

To sum up, the resort to violence has been the most important single factor explaining the decline in support for extremist activism in Muslim-majority states, although other more individual reasons have also played a role. Violence has also legitimised the use of repressive counter-measures by state authorities. As Hassan Abu Hanieh, a deradicalised Jordanian who was arrested more than ten times by Jordanian authorities for his involvement with radical networks, stated: 'we found that by being violent we are only providing legitimacy for the government to become more repressive and ruthless' (personal interview, Amman, September 2009). This has important global strategic implications for both deradicalisation strategies and for global terrorist movements: movements that lose the support of the communities and/or people on whose behalf they claim to act cannot win and are soon defeated (Human Security Brief, 2007).

The search for a soft approach

The emergence of a consensus among academics, state officials and security and intelligence agencies to the effect that military and security approaches alone are not only incapable of reducing violent extremism, but can end up radicalising more people and hence increasing the threat of violent activism, triggered a search for a 'softer', preventative response. As the European Commission has stated: 'There is a wide agreement that reducing the threat of terrorism lies primarily in preventing ... people from turning to terrorism by tackling the factors or root causes which can lead to radicalisation' and extremism that leads to violence (European Commission, 2008, pp.3, 9).

Moreover, the rejection of violence by the world community,

including Muslim communities, has provided significant insights into key vulnerabilities of violent extremist groups, and has suggested the conditions under which individuals and movements abandon terrorism. Indeed, hundreds of former extremists have not only disengaged from violent activism, but have also turned against their former colleagues and organisations (Jacobson, 2008a; 2008b). Such developments have helped to generate an increasing interest in deradicalisation and disengagement policies, and have enhanced understanding of the reasons and factors that lead individuals away from violent activism. Many such rejectionists have written revealing and insightful descriptions, including books, of their thought processes, so providing valuable data that can effectively inform and guide 'soft' policy approaches to countering violent extremism (Horgan, 2009, p.19).

Such insights and developments have played a significant role in the development of the softer strategies adopted by our sample of 37 states. In Turkey, for example, which has lost more than 35,000 people to violent extremism since 1960, 'policy changes were adopted in the late 1980s and early 1990s ... as a result of the [terrorist] incidents which began to rise sharply at the beginning of the 1980s in Turkey'. The new policy removed the military as the central and sole body dealing with the problem and gave a primary role to the Turkish National Police (TNP). It injected preventive 'precautionary measures and tactics that have [proven] ... especially effective and successful against terrorism' (all quotations from US Congress, 2006, pp.22, 23). Many other countries in our sample had similar experiences.

The pertinent question, then, is what are the key components of a successful deradicalisation programme? To answer this question, we analyse in this section the information obtained from our 37 States (both through responses to the Task Force's letter in early 2008 and fieldwork carried out by the authors) on deradicalisation measures which have been implemented, or are in the process of implementation.

Any strategy that hopes to combat violent activism successfully must be informed by, and based on, a good understanding of the underlying mechanisms and conditions conducive to violent extremism. Such an understanding 'is now widely considered to be of crucial value in any attempt to tackle the phenomenon.' (European Commission, 2008, p.3. Also see Bjorgo and Horgan, 2009). As observed in the previous chapter, only a very small number of Muslims engage in violent acts. In addition, the great majority of those who do engage in such acts are not particularly poor, uneducated or from lower status backgrounds. This suggests that violent extremism is the result of a complex interaction of factors that occur at a global, local and individual/personal level. It is difficult, with the limited volume and quality of data available, to determine with a high degree of

accuracy which factors will weigh most heavily on the decision to engage in violent extremism. What we do know is that the phenomenon results from a combination of factors that contribute differently from person to person in their intensity and persuasiveness. We return to this point in later sections.

Based on our analysis of the non-coercive strategies and measures adopted in 37 states, we can distinguish and identify three key policy dimensions implemented either fully or partially as part of their 'soft' policies to deal with violent extremism. These dimensions are consistent with our analysis of the conditions conducive to violent extremism: global measures, national/local measures, and measures aimed at the individual. Each dimension can be further subdivided. For example, the global dimension can include policies to help countries at risk of violent extremism to improve governance, human rights and freedoms, reduce corruption, and support cultural programmes and dialogues. The national/local dimension can include policies that target the internet and media, education, training, prisons and economics, while the individual/personal dimension places prisons and rehabilitation programmes as the top priority. The three dimensions and their sub-divisions are summarised in Table 1. In addition to this taxonomy, it is also possible to divide programmes according to whether they are deradicalisation programmes or counter-radicalisation programmes. Deradicalisation takes place on those who are already radicalised and indoctrinated and aims to change their views and beliefs. The most common type of deradicalisation programmes are usually prison-based. Counter-radicalisation aims to prevent the vulnerable from falling into the clutches of radicalised beliefs and views before they have done so. These two types of programme cut across our three-dimensional division. We now discuss each of these dimensions/measures briefly.

The global dimension

The global environment contains many radicalising factors for the world's Muslim population. They include, first and foremost, the conflicts in Muslim countries and territories such as Iraq, Afghanistan, Chechnya and, most importantly, Palestine. There is also the perceived disadvantage of Muslim communities in countries such as Thailand, the Philippines and China. Other global radicalising factors include financial, political, military and diplomatic support for corrupt and authoritarian Arab regimes that violate human rights or otherwise dehumanise a large portion of their citizens.

Seven of the 37 states in our sample (or 19 percent of the total) recognise the radicalising role of the global environment, and have therefore incorporated (Australia, Austria, the Netherlands, Norway and the US), or are considering incorporating (Belgium and Sweden) a global dimension

in their strategies to tackle Islamic violent extremism. For example, a third of the Austrian Development Cooperation Programme is now designed to promote democracy and human rights in developing countries. This is because Austrian officials view disrespect for human rights, the lack of democratic participation, an absence of the rule of law and good governance, rampant corruption and social injustice, and marginalisation as factors that create conditions conducive to the spread of violent extremism.⁵ Dutch officials also regard a peaceful and secure international order, human rights, democracy, and good governance as important means to fight radicalisation and recruitment to violence in foreign states. Political, diplomatic and military instruments are thus deployed to promote respect for human rights and good governance. Norway's global programme so far focuses on funding global research on violent extremism, particularly in countries where it is most evident, in order to learn from the experience of other countries how best to counter the phenomenon.⁶

In addition to promoting national and international research on violent extremism, the global programme adopted by the United States involves large international operations, particularly in humanitarian support during disaster relief, considered critical to winning the hearts and minds of foreign communities and preventing the growth of extremism by enhancing the image of the United States in Muslim-majority countries. Examples include provincial reconstruction teams in Iraq and Afghanistan, counter-radicalisation discussion forums in Iraqi prisons, and rehabilitation programmes for Iraqi detainees to help prevent a return to violence. US international efforts also target opinion leaders in foreign countries, seen as essential partners in effective and successful public diplomacy initiatives since their voices can have more credibility among violent extremists than US voices and are more capable of debunking violent ideology. As a result, the US approach seeks to connect with mainstream leaders, engage key influencers working at grass-roots level and mobilise, empower and amplify their voices to push back against violent extremism.

Some of the global measures anticipated by Swedish authorities include supporting young people in Third World countries through projects that lead to job creation, education and training; promotion of democracy; prison reform; dialogue; reconciliation and media support. Similarly, Belgium's authorities are exploring how economic development, human rights and good governance and democracy assistance programmes and dialogues may contribute to preventing radicalisation and recruitment at the global level. The Belgian Development Aid and Programmes for Preventive Diplomacy and Conflict Prevention, the key instrument through which measures at the global level can be implemented, is currently experimenting with contributing to preventing radicalisation and recruitment in third

countries by ‘indirectly’ strengthening institutions and the rule of law, promoting good governance and enhancing the role of civil programmes.

Clearly then, Western countries are aware of the global dimension of violent extremism. MENA countries, however, accord less importance to the global environment. No MENA country for which data is available in our sample explored, for example, the possible links between their closeness to and support for the policies and interests of Western powers in the region and the radicalisation of segments of their own population.

The national/local dimension

Within the field of violent extremism, the national dimension has by far received most attention from the academic, official and security communities (Coolsaet, 2008; Bjorgo and Horgan, 2009). This in part reflects a genuine conviction among many Western officials and academics that Islamic violent extremism is a Muslim phenomenon, stemming from conditions pertinent to Muslim societies or communities. This conviction has been cemented by a powerful Western media (and key state officials and leaders) explicitly attributing violent extremism, at least during the eight years of the administration of President George W. Bush, to some lunatic dead-enders motivated by ideological precepts that provide some after-life rewards to kill and be killed in the name of Islam. More important, attributing violent extremism to national/local factors, including ideological factors, has important political implications for Western democracies; laying the blame for violent activism at national/local doors not only absolves Western powers of any major responsibility, but can justify foreign policy agendas that make the situation worse, for example by insisting on the close cooperation of Muslim-majority States in pursuing initiatives that place the threat of terrorist attacks on the West at a higher level than national development objectives.

Analysis of the data obtained from 37 states identifies the type of policies and measures that can be taken at the national/local level to enable a successful deradicalisation strategy. These national/local level measures are wide-ranging, relating to fields as diverse as the internet, education, prison reform, legislation, civil society, information and economics and include both deradicalisation and counter-radicalisation programmes.

The internet

The role of the internet in creating a borderless world, bringing together various individuals and groups with similar interests and values and providing a new means of social interaction has by now been well researched and understood: ‘The internet enables groups and relationships to form that otherwise would not be able to, thereby increasing and enhancing

social connectivity' (Bargh and McKenna, 2001). Violent extremists have also been one of those categories empowered by the internet to expand their influence beyond national borders and to achieve what they would otherwise not have been able to achieve. In fact, countries like Saudi Arabia consider the 'internet to be a calamity for us because Al-Qaeda uses it more than any other tool to propagate their violent ideology and radicalise Saudi youth' (personal interview with Dr al Hadlag, Riyadh, August 2009).

Violent extremists use the internet for a variety of purposes, including communicating with one another, attracting recruits, offering training, raising funds for their operations, researching and identifying their targets, preaching their violent ideology and spreading propaganda, as well as planning their operations (NCT, 2007; Weimann, 2004; Knight and Kasa Ubayasiri Ryan, 2007; CIAG, 2008; Conway, 2007). Planning and preparation for the 9/11 attacks and other atrocities were facilitated by the internet; 'from Toronto to London, from Madrid to Morocco, and in Holland, America and beyond, we have witnessed the effects of radicalisation' through the internet (CIAG, 2008, p.2). The very great virtues of the internet – low cost, ease of access, lack of regulation in many parts of the world, access to vast potential audiences, and fast communication and flow of information – make it an attractive means to achieve goals and objectives for any organised group, including violent extremists.

Much less agreed, though, is how to deal with use of the internet as both propaganda and a communications tool by violent extremists. Due to the overwhelming legal, financial and technical difficulties involved in attempting the total prohibition of the use of the internet by violent extremists, the focus has moved towards using the internet as both a tool to refute the arguments of violent extremists, and as a source of information to track and monitor the movements, activities and plans of their messengers.⁷

Mechanisms are in place, in collaboration with internet service providers, to monitor websites that facilitate and encourage violent extremism and recruitment, as well as incite hatred and discrimination. In many Member States, such sites are systematically monitored and investigated to deepen knowledge about the activities of the groups that use them. The United Kingdom government, for example, has been using the internet as an instrument to help mainstream voices to articulate a moderate understanding of various religions in the country. One example is the UK authorities' active support and encouragement of the 'Radical Middle Way' project, which is a 'BritishIslamOnline' website where young Muslims can access a wide range of views and opinions from all the major Muslim schools of thought. Nigeria has organised several seminars on combatting terrorism through the internet, including the organisation of capacity-building and training/workshops on law enforcement and digital technologies for all

agencies involved in countering radicalisation, and has initiated online projects aimed at undermining the capacity of violent extremists to propagate violent ideologies through the internet (UN, 2008, pp14–16).

In the Netherlands, webmasters of sites that attract large numbers of Muslim youths have installed systems whereby radical expressions are countered by messages stating alternative views. The Belgian authorities have put in place mechanisms that systematically investigate all internet sites that encourage and facilitate violent extremism and recruitment. This is reflected in the ‘internet Open Source Platform’, which is administered by the Federal Police with representation from the Intelligence Services and the Counterterrorist Joint Unit. The ‘Internet Open Source Platform’ also encourages individuals to report sites that host illegal material to a point of contact within the Federal Police. In Singapore, authorities have encouraged a group of volunteer religious scholars and teachers to launch a website that carries arguments against violent extremist messages and ideologies. The European Commission backed ‘Check the Web’ project, launched during the German Presidency of the European Union in May 2007, proposes a common European approach to internet monitoring based on strengthened cooperation and coordination in the monitoring and evaluation of open internet sources.

Arab and Muslim-majority states like Morocco, the United Arab Emirates and Turkey have used the internet as a tool to counter the messages and ideology of violent extremists.⁸ The UAE has subjected all media forms to monitoring, and uses them, including TV channels, to teach the ‘right Islam’ and rebut distorted violent ideology. Morocco’s internet programme, which broadcasts regularly and aims to refute violent ideology, is run mainly by a civil society organisation (*Al Rabita al Muhammadiyah Li Olamaa*: The al Muhammadiyah Association for Scientists), in collaboration with the state. Turkey’s internet programme relies on monitoring all ‘Jihadi’ websites, and on producing information against violent ideology through pamphlets and brochures published on the internet. Overall, 16 of the 37 states for which data is available have developed or are developing some programme⁹ to combat the use of the internet for violent activism and/or to counter violent ideology (Table 1) (UN, 2008, pp.14–16).

Education

The role of education in building capabilities, providing opportunities and empowering individuals has long been recognised by the academic and development communities as a key ingredient of sustainable development and institution-building (see World Bank, 2003). Developing human capital through education, can also play a significant role in the development of a resilient community that upholds the values of democracy, equality,

participation, non-violence, peaceful coexistence and tolerance. The significant role of educational institutions in promoting violent ideologies could be seen in countries like Pakistan and Indonesia, where thousands of *madrassas* (religious schools) were allegedly deliberately indoctrinating their pupils to become 'Jihadis' by crafting and disseminating a narrative that resonates well with young Muslims experiencing a radicalising global and/or national/local environment, and which portrays Islam and Muslims as being under direct attack by a monolithic, crusading West (Sageman, 2008). However, not all countries have a *madrassa* system prone to radicalisation. In Bangladesh, for example, many prominent academics argue that the government there is wrong to point to the *madrassa* system as a source of radicalisation amongst youth. Analysis by the security forces of the background of members of one of Bangladesh's main religious extremist groups, *Jama'at-al-Mujahideen Bangladesh* (JMB), showed that less than 5 percent were *madrassa*-educated. Not surprisingly, education occupies a pre-eminent place in many countries' counter-radicalisation programmes, though at different levels and at various stages.

In the United Kingdom, for example, authorities work closely with providers of education at all levels, but particularly at the level of schools, so as to equip educational institutions better to resist the influence of extremists and their violent ideology. This has resulted in the teaching of subjects that promote intercultural understanding and citizenship. It has also been reflected in other actions, such as the recently introduced 'Children's Plan', through which state officials engage directly with head teachers in order to ensure their access to all forms of support needed, as well as ensuring support for young, vulnerable people who may be exposed to violent extremist influences.

In Austria, compulsory school curricula and religious education classes teach anti-bias and tolerance as part of civic education. In the Netherlands, education is viewed as a prerequisite not only to counter violent extremism, but also to facilitate the integration of minorities. Since 2006, therefore, primary and secondary schools have been legally obliged to build citizenship education and social integration into their curricula. The Belgian authorities have designed specific educational programmes to engage and inform pupils and parents about the dangers pertaining to violent extremism and terrorism, and have developed special educational programmes to combat violent extremist beliefs and to foster tolerance and coexistence.

To prevent the development and emergence of *madrassas* in Yemen, the authorities have taken measures to unify the general educational system under the supervision of the Ministry of Education.¹⁰ Yemen has also taken measures to ensure that the national curriculum respects all religions, as well as setting in motion awareness activities that promote religious discourse

and the ethics of tolerance and moderation. In the US too, education is used as a means to counter violent extremist ideology. The American authorities have introduced educational programmes designed specifically to reach out to youth of all cultures, including those from marginalised groups and racial and religious minorities.

Education can also be provided through other means such as TV, radio and the internet. In Morocco, where the state itself has not yet designed any explicit deradicalisation programmes, the authorities have encouraged a civil society organisation (*Al Rabita al Muhammadia*, named after the King) to take the lead in rebutting violent ideology as anti-Islamic. The Head of the *Al Rabita*, Dr Ahmad Abadi, has a daily seven-minute TV programme, which he uses to provide 'the true interpretation of the Quran'. The *Al Rabita* has also established its own websites (www.arrabita.ma and www.habous.gov.ma) in order to provide itself with further means to counter violence and expose ideologies that justify the killing of civilians in the name of religion as violating both the letter and spirit of Islam. Similarly, Saudi Arabia has used TV and radio channels as effective means to counter radical ideology, appeal for information about perpetrators of violence, and broadcast information related to the Saudi deradicalisation programme, including amnesties, incentives and rewards to those who cooperate with the Saudi authorities. In total, 16 of the 37 states for which information is available attach special importance to the role of education in building peace, fostering tolerance and promoting coexistence (Table 1).

In Bangladesh, a country which did not respond to the UN survey and hence is not included in Table 1, but where one of the authors has undertaken field work, education is the centrepiece of the country's deradicalisation programme. Bangladesh's programme takes a grass-roots motivational approach. Whilst many other countries have approached the criminal, Bangladesh has approached society with a focus on preventative measures well suited to the local socio-cultural environment. Using people of religious influence the programme is one of psychological warfare rather than rehabilitation. Although run by the state, NGOs have been set up to make the programme operational. These NGOs run workshops, seminars, conferences, roundtables and symposia. These are held at various venues, including *madrassas*, mosques and community centres. They are funded by the state via the NGOs, with the latter responsible for their operational running. These events are all very participatory, encouraging question-and-answer sessions with religious leaders and offering an open floor. Topics are not explicitly billed as deradicalisation but rather include things like Islam and peace, Islam and modernity, Islam and pluralism, Islam and human rights, Islam and the role of Imams. Anti-terrorist themes and messages are inserted unannounced into the events. To quote one state official: 'This

is deradicalisation unannounced – a covert form of psychological warfare’ (personal interview, Dhaka, September 2009). Likewise in Bangladesh influential Imams are encouraged to insert anti-extremist messages into the popular Friday sermon at mosques.

Legislation

Social exclusion, discrimination and injustice in general are important radicalising and polarising factors in any society. Such phenomena do not simply reflect bad economic conditions, but, in many cases, they also reflect inherent cultural, political and legal discriminatory policies which undermine the basic rights of minorities or of other social groups. Those rights can further be undermined by a heavy security apparatus fed by exaggerated threats of global violent extremism and designed to strengthen the coercive power of the state in dealing with the phenomenon. Such fears were behind the United Nations Global Counter-terrorism Strategy, adopted by all 192 Member States in September 2006, which reaffirmed that states must ensure that any measures taken to combat terrorism comply with their obligations under international law, in particular human rights law, refugee law and international humanitarian law (UN, 2008). Rights that may be especially affected by counter-radicalisation measures include the right to freedom of thought, conscience and religion, the right to freedom of opinion and expression, the right to liberty and personal security, and the right to freedom from fear and discrimination.

Legislation is an effective instrument in the hands of state authorities to end all forms of discrimination and enhance governance, democratic principles, transparency and civic participation. Rather than merely strengthening state powers to coerce or censor citizens suspected of sympathising with terrorism, legislation can, and should be used to, undermine factors conducive to radicalisation, such as racism, discrimination against minorities, xenophobia (including Islamophobia), and to confront those who spread hate speech or incite others to violence.

Canada was one of the first countries to enact, in 1985, a law criminalising incitement to violent extremism and addressing hate crime and even the use of the internet to encourage and facilitate violence. In France, laws exist that allow legal action against groups that promote discrimination, hatred and violence towards a person or a group of people based on their origin, ethnicity, nation, race or religion. Legal recognition of all religions and religious groups in Austria empowered moderate voices that challenge terrorist ideology. Iceland has established new legislation criminalising acts of terrorism, including hate speech and incitement to violence. Iceland has also used its legislation to deny admission to individuals who pose a threat to national security or public order, and to expel individuals who have

become a threat to national security or public order after they have been admitted to the territory. Similarly, antidiscrimination laws have been used in the Netherlands to support victims of discrimination, and to facilitate the flow and provision of information to citizens and local authorities to enable them to combat those who would exacerbate divisions in society by inciting racism and xenophobia, specifically Islamophobia. New legislation in Yemen facilitates monitoring non-governmental organisations and their activities and criminalises acts of incitement, recruitment and training for terrorism. Algeria has used its legislation to create a national consensus and reconciliation programme by enabling the President to pardon or reduce the sentences of individuals who have been involved in violent extremist acts so long as they have not committed mass murder or rape and were not involved in explosions that targeted public places. Finally, new legislation in Thailand stresses that 'people's participation is essential in fostering peace in the area where instability prevails'.

Torture in prisons has long been acknowledged as a key radicalising factor (UN, 2008) and can make relatives and friends easy targets for recruitment by extremists, as can the fear of indefinite detention without trial. To avoid such a scenario, the Turkish authorities enacted a series of laws aimed at providing clearer regulations regarding the handling of arrested persons. For example, detention procedures were changed, with the duration of detention being shortened to a maximum of four days. Very strict guidelines were introduced prohibiting improper behaviour towards detainees. Detainees were also allowed to meet their lawyers alone during their detention prior to facing the courts.

Legislation can also play an important role in combating radicalisation inside prisons, known to be an important recruitment and incitement environment in certain places. Combatting radicalisation inside prisons requires more than the implementation of legislation that makes incitement, recruitment and other similar offences punishable by law. It also requires good governance and the observance of the human and political rights of prisoners inside the prisons themselves. Yemen has signed, ratified and introduced a battery of national and international legislation in this regard,¹¹ 'and has also written significant rights and protections for its citizens into domestic legislation' (Birk, 2009, p.10). These include safeguards against arbitrary arrest and detention, which should not take place without a warrant from a competent authority unless an individual is caught in a criminal act. Arrested individuals have the right to be informed of the charges immediately, and the right to notify a person of their choice. Their next of kin should also be informed of any developments in the case, and detainees have the right to face a judge within 24 hours of their arrest (Birk, 2009, p.11). Saudi Arabia's entire deradicalisation programme is built

around the good treatment of captured violent extremists (Boucek, 2009). Of our sample of 37 states, 15 (40 percent of the total) have made key changes to their regulations as a way to counter radicalisation and violent extremism, while one country (Slovenia) is considering taking similar measures (Table 1).

Tackling economic and social inequalities

While economic deprivation and poverty can undermine societal cooperation with the state, inequities can polarise the educated sector of society, which is more prone to suicide under such conditions than the poorer strata which are more prone to commit homicide under similar conditions. In this respect, 'relative deprivation' (what people expect to obtain or feel they deserve in comparison with what they get) can explain why many violent extremists do not come from poor socio-economic backgrounds, and why some relatively well-off Muslims tend to become radical in Muslim-majority and non-Muslim-majority countries alike (EU, 2008, p.20).

There are wide variations among the 37 states for which information is available with regard to their views on the link between economic conditions and radicalisation and violent extremism. Moroccan authorities, for example, consider poverty to be a key factor, a position they share with most Egyptian officials. Although most European countries do not find a causal relationship between lack of economic prosperity and a tendency to radicalise, they 'refer to the lack of economic prosperity as one of the conditions that create an environment in which people tend to radicalise more easily, and aim to counter this by promoting more economic prosperity' (EU, 2008, p.19). Certainly not even one of the 37 states cited in this chapter has either identified relative deprivation as a motive for violent activism, nor has mentioned any measures taken to counter the phenomenon. However, several countries have taken measures to improve economic conditions in general for affected groups, including for Muslim minorities in non-majority Muslim states, and also to empower those groups and reduce inequities as part of their overall deradicalisation strategy.

For example, the Dutch authorities have undertaken several policies to address discrimination, including discrimination in the labour market, as well as to equip youth with the skills they require in order to find decent jobs. They have also provided financial resources for language training and to encourage young people to complete their schooling, and have increased support for parents to help them equip their children to participate more fully in Dutch society. The US authorities have introduced a programme specifically designed to address the economic needs of the target population of violent extremists, and to shape and influence their views. The US programme has been tailored according to the unique social, economic and

psychological needs of each target group. A recent regulation in Thailand went so far as to call for the establishment of a special development zone in areas of instability as part of the country's overall counter-radicalisation strategy. The zone addresses aspects of the economic, social, cultural, health, educational and other needs of the targeted population.

Shocked by the vast disparities of wealth in the country and a rapid rise in the level of poverty and unemployment, Moroccan authorities feared political instability and this led them to collaborate with the World Bank to introduce in the late 1990s a vast Social Priority Programme. This includes several mini-programmes, such as a wider provision of electricity (PERG), water (PAGER) and rural roads (PNCRR), along with a poor area development programme (BAJI). BAJI aims at better targeting both education and health expenditure as well as infrastructure and employment interventions in the country's poorest 16 provinces. In particular, it aims at boosting school construction and enrolment in poor areas, including through a school meals programme, and has placed a higher priority on primary health care services and the expansion of primary health care facilities (Harrigan and El-Said, 2009, p.127). Stunned by the Casablanca attacks of 2003, in which the perpetrators atypically came from very poor socio-economic backgrounds, the government, as part of a wider political reconciliation programme called for by the new King (Mohammed IV), began specifically targeting the areas which had served in the past (and continue to serve) as locations for state prisons. These areas had suffered from underdevelopment caused by a lack of capital investment, infrastructure and other development projects.

Information

When it comes to countering and preventing violent extremism, information, as every security officer will testify, is everything. 'In our case,' Major Ahmet Sait Yayla from the Counterterrorism and Operations Division of the Ankara Police Department, stated, 'if you do not share intelligence or information, there is no fight against terrorism' (quoted in US Congress, 2006, p.33). The success of any strategy to counter violent extremism therefore depends to a large extent on an ability to acquire and access up-to-date intelligence. It equally depends on rapidly disseminating information to operational units involved in countering violent activism that can take appropriate action. The pertinent question is how to generate information and simultaneously share it with various stakeholders involved in preventing violent extremism.

As Bruce Hoffman (2003, p.7) has written, 'the most effective and useful intelligence comes from places where the terrorists conceal themselves and seek to establish and hide their infrastructure'. This requires developing strong ties and building confidence within communities from which

violent extremists are most likely to come. In fact, cooperating and gaining the trust and confidence of local communities is vital in the fight against violent extremism. The state alone does not have all the resources necessary to counter this phenomenon. It needs partners and civil society and local communities can bring to bear a range of tools and resources not available to governments. Working with communities and civil society enhances trust and transparency and strengthens social cohesion. Civil society organisations can empower mainstream Muslim voices that oppose violence in the name of religion, and reach segments of society that governments may have difficulty to reach and engage. They can thus help counter extremist ideologies and promote peaceful dialogue. Investing in contacts with local communities not only facilitates and accelerates the process of information gathering, but can also act as an early warning system of any violent extremist tendencies, hence permitting an early and effective counterstrategy.

Saudi Arabia has pioneered information-gathering from the communities which violent extremists are most likely to target, namely families of violent extremists themselves and social networks of friends and relatives. Families of captured violent extremists are involved in every step of the Saudi Arabian rehabilitation programme which is designed to prepare inmates to rejoin their society, families and friends after their release. Families are invited to visit their sons in prisons regularly at the expense of the Saudi government. A special committee exists whose main function is to study the social and economic needs of the families of detained extremists, and to recommend how the state may meet them. In addition, families of captured individuals are invited to see at first-hand how their sons are being treated in prison by the authorities. This policy aims to refute Al-Qaeda's propaganda that Saudi authorities treat members, once captured, inhumanely by torturing and seriously harming them, or even killing them. As a scholar who is involved in the Saudi deradicalisation programme stated:

Once families see for themselves how well we treat their sons, they realise that Al-Qaeda was lying to them about their fate. When they see that we are actually helping their sons rather than torturing them, that the authorities are looking after their sons and even after their families despite all that they did to the state, state officials, and to society, we gain their trust. The families begin to collaborate with us. They even begin to provide valuable information about the thinking, attitudes, and movements of their sons. This is a pattern we have noticed across the board. (Personal interview, Riyadh, August, 2009)

In Bangladesh, educational programmes in the local areas of Cox's

Bazaar, Bogra and Sylhet, carried out by NGOs but sponsored and overseen by the country's security forces, have, according to state officials, led to a hardening of local attitudes against extremists and an associated significant increase in community-level intelligence. Elsewhere, Guyana has begun a Citizen Security Programme. One of its initiatives includes the implementation of an integrated information system to facilitate outreach to civil society, as well as to gather and exchange information and monitor crime and violence. In Belgium a system is already in place that facilitates gathering, disseminating and exchanging information at both national and regional (European) levels. Information on those involved in hate speech and incitement to terrorism inside and outside the European Union is shared and exchanged between and among intelligence and police services at national and regional levels.

Other examples are equally telling. Norway's 'Exit Project', established in 1997, aimed specifically at supporting young people who wanted to disengage from radical racist or other violent extremist groups (for example, neo-Nazi groups). The programme was managed by local government agencies with members of civil society playing a crucial role in its successful implementation. The project also focused on developing knowledge and disseminating information to professionals working and associated with violent groups. The Italian Central Directorate of Prevention Police has recently launched the '*Tabligh Eddawa*' project within the European Group of Six relating to the sharing and analysis of information on the movement of so-called 'itinerant preachers'. The Italian authorities have also established Italy's Youth Advisory Board, jointly set up in 2006 by the Interior Ministry and the Ministry of Youth and Sport, to engage young people from different cultural backgrounds and, through them, their communities in dialogue to promote mutual understanding.

Finally, the US approach to information-gathering and sharing, not dissimilar to the UK's, has sought to expand engagement with and to enhance collaboration between state authorities and local communities to counter violent extremism. This includes empowering, mobilising and amplifying the voices of 'community influencers and opinion leaders in different parts of the country' in order to discredit and counter (through words or actions) the ideology or narrative of violent extremism to delegitimise its discourse (UN, 2008, p.7).

Out of the 37 states for which information is available, ten countries (27 percent of the total) have designed internal systems to gather and share information among operational units involved in countering violent activism, while 17 (46 percent) have improved existing internal structures, have designed systems of cooperation between the state and local communities,¹² and have introduced frameworks to empower and amplify

moderate local voices to rebut and discredit violent extremist ideology (Table 1).

Training

Law enforcement personnel need rigorous training to equip them with the necessary knowledge and skills to deal with violent extremism successfully and effectively. Law enforcement personnel need to be aware of the phenomenon they are trying to combat, have good understanding of the culture of violent extremists, and be able to prevent further extremism,¹³ rather than radicalising minorities in their societies or the population at large through inappropriate action. It is too often the case, particularly in non-Muslim-majority states, that law enforcement personnel lack basic knowledge of the culture, habits and even religion of the extremists they seek to deradicalise and end up unintentionally radicalising them further. This can happen both inside and outside prisons.

Of the 37 states for which information is available, eight have developed or are developing some form of training and qualification programme for officials and community workers involved in countering radicalisation. Belgium, for example, has developed special training modules for new police candidates, as well as for existing officers. These aim to sensitise neighbourhood police officers to violent extremism by explaining the phenomenon and explaining typical recruitment activities and ways to disrupt them with the help of the appropriate agencies. Canada provides cultural and religious awareness training for its national security investigators in partnership with relevant community members. The Norwegian Police Security Service (PST) in 2003 set out to train regular police to recognise radicalisation processes and take preventive measures with radical youths who have become involved with violent right-wing or other organisations. For instance, regular police are trained to carry out 'preventive conversations' with radical youths along with their parents with the goal of motivating young people to break with extremist groups. (UN, 2008, p.20).

The individual/personal dimension

It is not enough to work from the outside (through the global and national/local environments); successful measures to counter violent extremism require simultaneous efforts at the level of the individual to prevent his or her personal history or experience from suddenly triggering a decision to commit violence, such as by seeking revenge for a family member killed by the authorities or foreign soldiers. The fact that an individual's behaviour and choices are shaped by personal experience has long been established by psychologists and sociologists. Although hundreds of millions of Muslims around the world experience radicalising global and national/

local environments, only a small number on the fringe choose to commit acts of violence. This is true also among Palestinians, most of whom live in extremely radicalising conditions, both national (for example, occupation, humiliation) and international (the military and political support for Israel by many Western countries). Similarly, in Chechnya, only a few of those who are shocked by a personal trauma (for example, death of family member, friend or husband in the case of Chechnya's so-called Black Widows) are likely to commit an act of violence (Speckhard and Akhmedova, 2006, p.471). As the European Commission (2008, p.22) put it: 'major life events, such as a traumatising and abusive childhood, can lead to radicalisation' and violence.

Yet not one country in our sample of 37 highlighted the role of personal trauma as a trigger event for radical violence; nor did any make any explicit mention of measures taken specifically in this regard. However, several deradicalisation strategies do address a variety of what can be classified as personal conditions, and even include measures taken to alleviate the impact of personal trauma and personal history.

It is possible to divide these measures into two types: those implemented inside prisons, and those implemented outside prisons. The former include amnesty and sentence reduction for repentant extremists or those willing to provide vital information about their colleagues, including in court. Measures inside prisons can also include open religious dialogue to clarify the real meaning of Jihad and the conditions under which it can be justified in Islam. The psychological and social preparation of violent extremists who have spent a long period in prison before they rejoin their families is another important prison policy. This can be part of a wider rehabilitation programme designed specifically to facilitate reintegration into society.

Again, Saudi Arabia has pioneered efforts in this respect which deserve special attention. All captured violent extremists are invited to join a dialogue programme almost immediately after sentencing regardless of the time they will spend incarcerated. Saudi officials believe that Saudis who commit acts of violence have been 'misled' by Al-Qaeda recruiters who have convinced them that Jihad against the state, non-Muslims, and even Muslims who oppose their views, is not only religiously justified, but is also a religious duty. The dialogue programme therefore is aimed largely at diffusing the violent ideology and convictions of detainees by engaging them in a genuine religious and historical dialogue over such issues as the meaning of Jihad, conditions under which Jihad is permitted, who should authorise Jihad, and the proper goals and objectives of Jihad. The most often cited objective of these discussions is to instil respect for the leadership and trust in its decisions as to the best interests of the *umma*, rejection of violence, understanding of and respect for the rights of non-Muslims,

and the welfare of captured individuals and their right to a respectful and dignified life in their society, not prisons (personal interviews, Riyadh, August 2009). Yemen and Malaysia have also adopted similar approaches.

Six months prior to their release, prisoners are transferred to what Saudi officials call a 'recreational centre' located a few miles outside Riyadh. There, individuals are no longer called prisoners. They are instead called 'graduates'. Dialogue with all graduates intensifies in the centre, popularly known as the Prince Mohammed bin Nayef Centre for Care and Counselling. Sometimes dialogue takes place in groups and sometimes on a one-to-one basis, depending on the needs of the graduates. The social and economic conditions of the prisoners and their families are studied carefully and catered for. Family members are invited to dialogues, briefed about the conditions of their sons, and mentored by programme managers as to what to say to their sons every time they meet them. Sports, including football, are practised on a daily basis, with the security personnel, academics and scientists running the programme participating alongside the graduates. 'Playing football with them,' one scientist explained, 'is much more than just a game of football. It gives us the chance to study their psychology and attitudes, including how aggressive some graduates are, how they approach victory and defeat, and who among them is willing to cross the line to win at any cost. This gives us another opportunity to determine who remains at risk; whether graduates are ready for release in six months' time or whether they need further counselling and support' (personal interview, Riyadh, August 2009).

Efforts to alleviate the influence of personal/historical factors on the decision to commit acts of extremist violence can also take place outside prison. Examples include amnesties and sentence reductions for those who are still at large but are willing to denounce violence and collaborate with the authorities. Looking after sons, daughters and other close family members of a deceased or captured violent extremist is also an important policy implemented in Saudi Arabia, Malaysia, Algeria and Indonesia.¹⁴ Capturing or killing a violent extremist can have far-reaching consequences for his family, not only psychologically but also economically, particularly if he or she is the main breadwinner. Children's education can be disrupted and their health can suffer from lack of treatment, mothers may be forced to spend less time with their children and more time seeking an income to support her household. Children, who had nothing to do with the violent acts committed by a close member of their family, can suffer from ostracism and stigmatisation in their own society. If not looked after, other violent extremists may reach them first, thus facilitating their recruitment at a later stage. If ignored, children may become angry enough to seek revenge for the death, torture or imprisonment of their family members.

Therefore, Algeria has provided direct financial and welfare support to the victims of violent activism, including to the progeny of incarcerated or killed extremists in order to prevent the emergence of a new generation of radicals angry over their neglect or the death of a loved one. Malaysian and Indonesian authorities have taken similar measures. In Bangladesh, the authorities responded to an upsurge in Islamic extremist violence in 2004 and 2005 with harsh new legislation which resulted in hundreds of imprisonments and the execution of the main leaders of JMB. Aware of the negative impacts this could have on families of those imprisoned and killed a limited programme of family support was introduced, including the financing of children's education.

In total, only six countries (16 percent of the total) in our sample of 37 have taken measures to combat the influence of individual/personal factors on violent extremism, including the development of some sort of a rehabilitation programme, while one, Sweden, is considering doing so (Table 1).

Preliminary evaluation of deradicalisation programmes

Evaluating the effectiveness of various deradicalisation programmes cited in this chapter is not an easy task, given the fact that they are not uniform in all countries, they have been introduced at different times, and they vary in their goals and objectives. An added difficulty relates to the fact that country-level information on, for example, the characteristics of extremist groups, the profiles of the perpetrators of violence and their motivations, is monopolised by national governments who only release 'the data they consider convenient to make public'. (Bjorgo and Horgan, 2009, p.246). A third evaluation difficulty relates to the counter-factual – in order to be able to judge the effectiveness of a programme we need to know what would have happened in the absence of the programme. It may be, for example, that during a deradicalisation programme terrorist incidents in the country go down. But this might also have happened in the absence of the programme if it is due to an exogenous factor such as increased security and intelligence operations. Nevertheless, it is fair to assume that the chief aim of most, if not all, deradicalisation programmes is 'bringing terrorist campaigns to an end' (ibid. p.248). The pertinent question then is, do we have sufficient metrics to gauge whether these programmes are deradicalising more violent extremists than global, national and personal factors are creating?

We believe that sufficient metrics exist to provide a preliminary assessment of deradicalisation programmes in the 37 states quoted, based on the 2009 Global Terrorism Database, START, of the US Department of Homeland Security. The empirical evidence from START is rather mixed, to say the

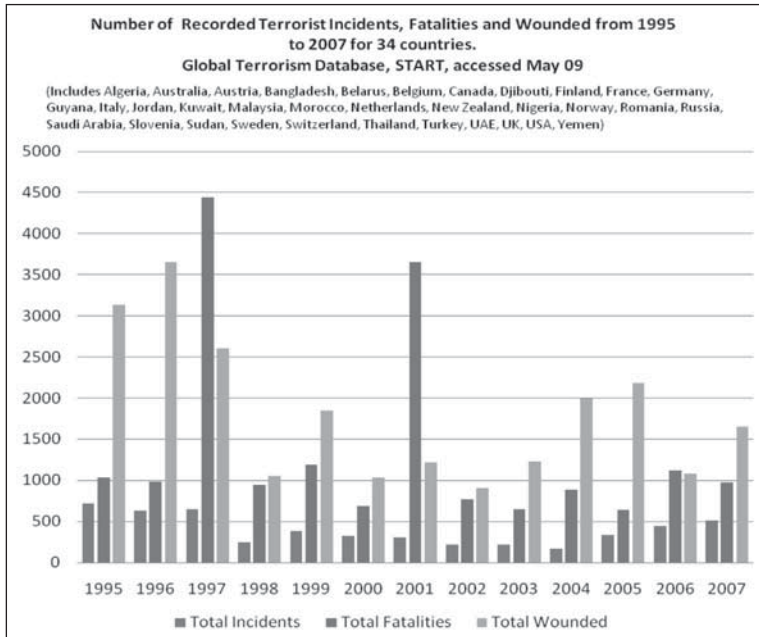
least. Figure 1 shows three key measures of violent extremism, namely, the total amount of incidents, the number of fatalities and the number of wounded. These measures reveal rather an alarming fact; not only have the three key variables remained high, but they have increased noticeably since 2005 in terms of total incidents and total fatalities. The obvious question to ask is why? Does this mean that deradicalisation programmes that seek to win the battle for hearts and minds through non-coercive measures are unsuccessful?

It would be wrong to argue that deradicalisation initiatives do not work and that the only alternative is a return to exclusively hard measures. In fact, deradicalisation programmes have not yet had a fair chance to prove themselves, except, perhaps, in Saudi Arabia; and their potential to eliminate violent extremism has been undermined by obvious discrepancies between rhetoric and reality, between what is declared and what is implemented, and between what is promised and what is delivered. Such discrepancies can be observed in all three dimensions of Muslim violent extremism: global, national/local and individual/personal.

At the global level, little has changed for most Muslims; the global environment remains as radicalising as ever. Western powers, including the new US administration, continue to support financially, militarily and politically corrupt and authoritarian regimes in the MENA region and elsewhere. Iraq remains largely as it was under the Bush administration. In fact, since President Obama took office in January 2009, there has been an increase in the number of fatal sectarian incidents. The same holds for Afghanistan and for Palestine, where the situation has also deteriorated. In the United States itself, the spectre of home-grown violent extremism has emerged as a more credible and serious threat. The difficulties of converting the hope for change generated throughout the world by the election of President Obama into reality have left a growing sense of disappointment and hopelessness.

The national/local environment also remains polarising in many countries in our sample. For example, in 2009 the British Home Secretary, Alan Johnson, said that the United Kingdom 'got it wrong' with regard to its immigration policy, partly because of an overreaction to the 7 July 2005 bombings in London. 'Ignor[ing] immigration problems and the growing pressure on jobs and services in parts of Britain' led, in the words of the Minister, to neglecting community problems, increasing tensions between communities, and raising legitimate concerns of 'some communities ... which have been disproportionately affected by immigration ... [and] the strain that the growth in the local population has placed on jobs and services' (Ford, 2009). This has undermined the United Kingdom's integration policy, a key component of its deradicalisation strategy.

Figure 1: Number of recorded terrorist incidents in 34 countries where deradicalisation programmes exist



In the case of the Arab World, deradicalisation programmes have largely failed so far to improve the national/local environment, and in some cases may have made it worse. As the latest *United Nations Arab Human Development Report* (2009, pp.4, 6) noted, ‘Most [Arab] states failed to introduce institutions of representation’, and ‘Anti-terror laws have [been used to give] government security agencies sweeping power’, turning the state itself ‘into a threat to [the] human security’ of its own people. Repression, social and political exclusion, abuse of state coercive powers and increased corruption have co-existed with deradicalisation programmes that have been confined by and large to prisons.

In the personal/individual dimension, none of the deradicalisation programmes analysed in the 37 sample states has any built-in assessment methodology to evaluate its performance. This has also meant that none of them has any ‘post-release programmes’ to determine who remains at risk after discharge and so requires further support, and who does not (Jones, 2009). The tragic incident at the US Fort Hood military base in Texas in November 2009 suggests that it is not only those who are discharged or psychologically assisted following a personal trauma that need support, but also those who support them.

The START figures, however, are highly aggregated, and disguise important inter-country differences in the relationship between deradicalisation programmes and terrorist violence. In Bangladesh, for example, many claim that the deradicalisation programme, initiated in 2005, has been highly successful in reducing incidents. Following the upsurge of violence in 2004 and 2005, there have been no further major incidents since the launching of the programme. One has, however, to be mindful of the fact that since 2005 other factors have also been at play in Bangladesh, including an increased security and intelligence operation with the formation of the new Rapid Action Battalion (RAB) and the introduction of the death penalty for terrorist offences which may have acted as a deterrent.

The assessment based on the START figures does not lead to any conclusion that deradicalisation programmes are ineffective or not worthwhile. On the contrary, they are essential to both understanding and dealing with violent extremism. One reason why the Saudi programme has met with more success than almost any other is because the authorities have had the time, resources and determination to judge what works and what does not within the very specific culture of Saudi Arabian extremists. Other countries may learn from this and even adopt parts of the Saudi programme, but it will only be through trial and error and with constant adjustment that deradicalisation and rehabilitation programmes begin to pay back their large investment.

Concluding remarks

This chapter has reviewed and identified key components of the deradicalisation policies of 37 Member States of the United Nations. It has also attempted a preliminary systematic evaluation of their performance by looking at the average aggregate number of incidents, fatalities and wounded per attack per year between 1995 and 2007 (2007 is the latest year for which data from START is available).

A broad-brush evaluation of these deradicalisation programmes suggests that, so far, policies based on noncoercive initiatives aimed at winning hearts and minds have not yet succeeded in convincing the small number of extremist Muslims to abandon violence. In fact, the problem seems to have got worse since 2005.

However, it would be wrong to jump to the conclusion that deradicalisation programmes do not work. In some countries, like Saudi Arabia, for example, deradicalisation has succeeded in convincing a large number of Saudi youth to abandon violence. Between 2005 and 2009, Saudi Arabia has witnessed only one, largely unsuccessful, incident of violent extremism.

Many attribute this to the Saudi rehabilitation programme, whose main characteristics have been the reintegration of the detainee into his family and society, a recognition of the central role played by family members in the deradicalisation process, and the involvement of credible academics and religious leaders from Saudi society. It is not surprising that the Saudi deradicalisation programme is today hailed as the most successful deradicalisation programme in the world. Likewise, we have seen a strong correlation between deradicalisation programmes and a decline in extremist violence in Bangladesh.

Although most deradicalisation programmes have not yet produced the desired objective of eliminating violent extremism – and even in Saudi Arabia 11 of the graduates of the programme have returned to violence – this is largely because the root causes of violent extremism continue to exist. They do so on global, national and individual levels and the ability of any one state to eliminate them is bound to be limited. However, deradicalisation programmes remain not just the best choice but also the only choice for states that are determined to reduce the threat from violent extremism. The more that states develop their programmes, and the more that other states join in, the more likely that the underlying causes of extremist violence will erode on all levels, not just the individual, but the national and global as well.

Notes

- ¹ START provides a comprehensive dataset for global incidents of violent extremism, and records the number of fatalities and wounded per attack. START's modified dataset is now widely recognised as the most authoritative and accurate data available on global terrorism (Laqueur, 2007).
- ² The CTITF was established in 2005 to ensure overall coordination and coherence in the counter-terrorism efforts of the United Nations system. For information on the CTITF and UN Counter-Terrorism Strategy, see UN (2008).
- ³ Those countries are: Indonesia, Pakistan, Jordan, Turkey, Germany, France, Britain, Spain, Egypt and Nigeria. For more information, see Mogahed (2006).
- ⁴ Human poverty is measured through the Human Poverty Index (HPI), which is a composite index built on three components: longevity, knowledge and standard of living.
- ⁵ Switzerland held several conferences to raise awareness about how to counter violent ideologies and extremist propaganda, and also to learn from the experiences of other countries in this area, including in the area of the internet and public diplomacy as an instrument to counter violent extremism.
- ⁶ Examples of projects funded by Norway include *Leaving Terrorism Behind*, a book edited by Bjorgo and Horgan and published in 2009, as well as *Learning from Deradicalisation and Rehabilitation Programmes that focus on Al-Qaeda-related Terrorism*, which is currently underway by the authors. The aim of the Norwegian government from funding such projects is to spread the experiences of UNMSs, to derive lessons for worldwide use and to benefit from the possibility of implementing best practices.

- ⁷ Attempts to intervene more aggressively in the area of the internet brought Western democracies under strong pressure from their societies who view attempts to limit the free flow of traffic on the internet as undermining democratic values such as freedom of expression.
- ⁸ Yemen's efforts are more prone towards using TV and radio stations to refute violent ideology than the internet.
- ⁹ Slovenia is still developing an internet programme.
- ¹⁰ In countries like Jordan, Saudi Arabia and Morocco, the educational curriculum has long been unified and closely monitored by the authorities through the Ministry of Education.
- ¹¹ Yemen's global strategy is based on signing several bilateral and multilateral agreements related to counter terrorism, including the UN Counter-Terrorism Strategy. Yemen has so far signed more than 30 such agreements with friendly states. Yemen was also requesting financial, technical and training assistance from the international community in order to be able to pursue deradicalisation programmes effectively.
- ¹² Switzerland launched the 'Montreux Initiative', which sought to create a climate of trust between authorities and Islamic charities by enhancing transparency.
- ¹³ For more details on this point, see Hoffman (2003).
- ¹⁴ For more information on the Indonesian deradicalisation and rehabilitation programme, see ICG (2007).

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