



## Emerging Order in the Middle East

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After more than a year of Arab uprisings, the emerging political order in the Middle East is marked by considerable shifts within individual countries as well as at the regional level. Domestically and internationally, new actors are emerging in strong positions and others are fading in importance. Islamist parties are on the rise with many secular forces losing power. And across the region, economic concerns have risen to the fore. These domestic changes have implications for both regional and international actors. There are a number of more ambitious economic and political steps the West should take to respond to these power shifts and engage with these new players.

In the political realm, demanding that Islamist movements adopt broad ideological agendas that endorse secularism or blanket philosophical commitments to core values such as women's rights is the wrong approach. Instead, international actors should focus on a few, very specific issues for special emphasis, such as international human rights standards, the maintenance of existing treaty relationships, and the principle of peaceful settlement of international disputes. Such pressure will be most effective if it is uniform, so all parties should strive to behave consistently. The international community should also expand its engagement beyond a small number of elite political actors, focusing diplomatic efforts on building bridges to entire societies. In the end, there may be little the West can do to decrease the mutual suspicion that exists between Islamists and secular forces in these countries, but it must act to include both Islamists and secularists in all dealings with the Arab region.

This type of collaboration is likely to be most effective when it comes to certain concrete issues like economics. Because many of the new governments across the Arab world have short mandates in which to bring about change before the people vote once again, the immediate focus should be on short-term goals that can be implemented within one electoral cycle. Creating employment opportunities will be a priority across the Middle East and North Africa, and the international community can support that process by increasing financial assistance, providing technical expertise, and helping to establish regulatory and legal frameworks that will promote large-scale public works projects and thus create jobs. International actors should help develop the private sector in these countries to fuel growth and assist domestic players in managing the economic expectations of Arab publics. And the European Union in particular should modify its protectionist trade terms with the region.

In the end, the best hope for reconciliation in the Arab world comes from a focus on economic reform and other concrete issues. A deliberate effort to bring antagonistic factions together in this way would be a greater contribution to bolstering democracy in these countries than either democracy promotion projects or the imposition of political conditionalities.

## Changes in the Domestic Order

Nathan J. Brown

In a wave of uprisings in the course of 2011, authoritarian Arab regimes proved surprisingly susceptible to public protest by large, non-ideological coalitions of ordinary citizens pressing for political change. Four presidents eventually lost their jobs in a region where continuity had appeared an almost unbreakable rule.

Of course, not all of the countries that experienced uprisings are witnessing a shift in the importance of political actors. In Bahrain, turmoil has so far not brought about any real change. Neither has it in Yemen: although President Ali Abdullah Saleh was forced to resign, his vice president is still in charge and one of his sons is a presidential candidate. The outcome of a year of violence may be nothing more than a reshuffling of formal positions within the same narrow, family- and tribe-based elite.

But in a number of countries, when politics shifted from the public square to the ballot box, it was not non-ideological coalitions that turned in the most impressive performances. Instead it was Islamist movements, with their extensive social presence and organizational capacities, that dominated the field. In Tunisia and Egypt, a new Islamist elite has emerged that has a different social and ideological basis from the old, secular and modernist elite. It is likely that in Libya, too, a new Islamist elite will emerge as a result of the forthcoming elections. Even in Morocco, where the monarchy remains firmly in control, the king has been forced to allow the Islamist Justice and Development Party (PJD) to form a new government and thus to some extent challenge the old elite. There is also a widespread expectation that when regime change comes to Syria, the Muslim Brotherhood will be a prominent part of the new system.

The change witnessed now throughout North Africa and the Levant first started in Iraq, where the outcome of U.S. intervention was not just the replacement of the tyrannical regime of Saddam Hussein with a new and at least originally more democratic one. The intervention also saw the sidelining of the secular Sunni elite and its replacement by a Shi'i elite dominated by parties with an Islamist orientation.

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## The Rise of Islamists

Insofar as democratic structures are built in the region, Islamists will be major players. This does not mean that Arab democracy has an exclusively Islamist future. Public protest, having been added to the political repertoire, will not likely disappear. However, it is liable to take the form not of vast demonstrations in support of general change but of more highly targeted, specific, and sectoral protests (by women, students, or workers). New political actors struggling to define an independent voice—such as labor unions—may succeed in doing so. And military and security forces are likely to continue to be important political actors, at least for the time being. But Islamists may eventually become dominant players, as other groups have shown themselves to be inept or uninterested in building a strong presence in the electoral realm. Indeed, the only other structures that could reliably mobilize citizens for electoral purposes—ruling parties—have been dismantled in Egypt and Tunisia (and were never constructed in Libya and most monarchies).

Islamist actors may be the most significant winners from the democratizing trend, but they are also showing considerable signs of change. Most of them are fairly successful. Movements that had been underground, such as Tunisia's Ennahda, reemerged quickly and built impressive nationwide networks. Egypt's Muslim Brotherhood, lacking legal status but able to operate openly to a limited extent, and its Salafi movements, sometimes formally organized but rarely political, built their own political parties with very impressive speed and effectiveness. And in all these cases, Islamists managed to craft not only structures but also comprehensive programs, addressing a host of political, economic, and public policy issues.

Even in countries that have not undergone regime change, Islamist actors appear to be formidable electoral forces. In Morocco, the PJD has accepted limited constitutional reform and taken a leading role in the cabinet; in Jordan, the Islamic Action Front has pressed for political reform and even raised the idea of a constitutional monarchy. In Kuwait, Islamist and conservative tribal candidates performed well in the most recent parliamentary elections.

The rising tide has lifted all Islamist movements but in the process also made observers far more aware of the diversity of the Islamist part of the political spectrum. Under previously prevailing semi-authoritarian conditions, it was clear that there were some movements—often modeled after Egypt's Muslim Brotherhood—that sought to join the political mainstream and other jihadist movements on the political fringe. But over the past year, Salafi movements, oriented toward an intense social conservatism based on a claimed careful fidelity to religious texts, have shown far greater interest in political engagement in places like Egypt and Tunisia. And even within the more experienced, Brotherhood-type movements, some differences are thrown into sharper relief.

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Morocco's PJD has been marked by its insistence on joining the ruling elite; Jordan's Islamic Action Front has been pushed into bolder opposition. Tunisia's Ennahda has demonstrated a willingness to forgo constitutional mention of the Islamic sharia, a step unimaginable for Egypt's Muslim Brotherhood. Broadly speaking, such movements watch each other very closely to learn lessons but they are evidently far more deeply shaped by the domestic environment in which they operate.

## Elections and Ideology

Despite such diversity, the electoral success of the movements has led to two sorts of ideological developments. First, it has led these movements to embrace democratic mechanisms and politics more generally with wholehearted enthusiasm. This does not simply take the form of general support for democracy—over the past decade, verbal endorsements have been coming thicker and faster from mainstream Islamist movements—but with greater frequency, Islamists have shown increasingly detailed interest in and commitment to strengthening majoritarian mechanisms. Realizing that parliamentary elections are likely to result in sizable (and thus unavoidable) Islamist blocs in some countries and Islamist majorities in others, Islamists have pressed for neutral and professional electoral administration, stronger parliaments, and more robust protections for political organizations.

This change is most subtle but still quite striking in the constitutional processes now under way in Tunisia and Egypt. While heated and emotional debates are likely to take place over the constitutional role of Islam and Islamic law, the Islamist parties in those countries are showing some political savvy by moving the focus of their energies to far less symbolic provisions—parliamentary oversight of the cabinet and civilian oversight of the military, for instance. When other movements and political groups focused on hot-button issues such as transitional justice and the appropriate sequence of political reconstruction, Islamists tended to leave such details to others, insisting only that the political process continue and that elections proceed. That decision has paid off handsomely—as the Islamists expected, elections have played a sorting role. Islamist leaders have been transformed from simply one group among many at a very crowded table to the leading civilian political actor.

And that has led to the second ideological change visible in the movements: They have ceased to regard themselves as opposition movements and increasingly see themselves as actual or potential governing parties. Movements based on the Muslim Brotherhood model have very general ideologies that make flexibility easier than it might be for other ideological movements. Still, it is remarkable how quickly they have accepted what they see as the burdens of leadership and have adopted positions dictated more by economic and international exigencies than by their interpretation of religious texts.

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On questions of economic policy—most notably foreign investment, tourism, and aid—the movements present themselves in effect as committed to a largely liberal and outward-oriented set of policies, different from the preceding regimes largely in their commitment to fairness, transparency, and anticorruption measures. They have toned down their positions on Israel with considerably more reluctance but still seem willing to give the assurances official Western interlocutors have sought.

These changes have not been as marked in the less politically experienced Salafi groups, simply because they are relatively green, far more committed to specific interpretations of religious texts, and less likely to assume positions of political responsibility. But even Salafi movements have been called upon to develop detailed policy positions instead of presenting themselves only as models of personal rectitude and piety.

### Islamists' Policies

The old charge of doublespeak—that Islamists have learned to mouth reassuring platitudes to foreigners while retaining a fiery religious language for their own supporters—was always exaggerated but is likely to be less applicable to the current period. To be sure, Islamist movements take their religion quite seriously and there will likely continue to be moments when backbenchers or even leaders issue a statement that is liable to cause consternation in Western circles—most likely on Israel, women's rights, and minorities. Political leaders always speak a different language to their supporters than they do to foreigners.

The gap—while it will never disappear—may diminish. Islamist leaders are increasingly aware that they are watched closely both by domestic opponents and by foreign leaders. They will therefore be forced to find verbal formulas that travel across audiences. And the increasing sense of political responsibility—and the sense that they have a historic opportunity—has led movement leaders to become more cautious in their rhetoric.

The current moment has led to some change, but it has not resolved all issues for the Islamists. The transition from being underground or barely tolerated movements to governing political parties is not an easy one even for leaders fully committed to governing and politics. And Islamist movements insist they do not have that total commitment—they very much wish to retain their character as broad reform movements, seeking to develop better Muslims, healthier families, and more just societies. Though these parties are increasingly looming larger in their thinking and attracting some of the most dynamic leaders, politics, party work, and parliamentary activity form merely one part of their mission. Thus, there are serious unanswered questions about Islamists' objectives:

- When do Islamists use the authority of the state and when do they emphasize their older approach of working from below through movement actions, preaching, education, and social activities?
- How much are they willing to extend their commitment to freer politics to the social and cultural realms? What sorts of restrictions do they favor for artistic expression, for non-Muslim rights, and for public discussion of sensitive religious topics?
- How do they square their dedication to market economics and property rights with their social welfare commitments and their insistence that Islamic teachings are comprehensive and therefore apply to the economic realm as well?

While Islamist movements have thus undergone an incomplete and still sometimes hazy evolution, outside actors have only limited tools to shape their future development. A favorite activity of the past decade, scouring such movements for “radicals” who must be shunned and “moderates” who can be supported, is likely to continue to be futile. Islamist movements are not looking for ideological guidance, and the largest movements pride themselves on their organizational prowess and unity of ranks. They are hardly likely to fissure as a result of Western flirtations. It makes far more sense to regard and treat them as socially and politically conservative movements with a very strong religious orientation but also with strong democratic credentials—and therefore certainly not entirely unfamiliar creatures.

## **The Consequences of the Internal Power Shift**

Marina Ottaway

The power shift between a secular and an Islamist elite, the most striking domestic outcome of the Arab Spring so far, took place not despite but because of the introduction of greater democracy. It allowed parties to organize and replaced the tightly orchestrated elections run by the old regimes with freer and more competitive ones.

It seems unlikely that in most countries where democratic processes brought Islamists to power, particularly in Egypt where Muslim Brothers and Salafis won an overwhelming victory, that the situation can be reversed soon by democratic means. Islamist parties have proven to be both well organized and popular, while secular parties appear incapable of developing a message with widespread appeal, are poorly organized on the ground, and have trouble forming coalitions among themselves even for electoral purposes.

The victory of Islamists in recent elections is much more than the normal alternating of parties in power that takes place regularly in all democratic

political systems. It is an alternating of elites, marking the decline of the modernist, secularist elite that controlled the politics of Arab states in North Africa and the Levant for decades and the concomitant rise of a competing Islamist elite that had been shunned, sidelined, and often persecuted. Symbolic of the change is that in both Tunisia and Egypt, many of today's major Islamist figures were imprisoned or exiled by the old regimes and were only able to relaunch their political careers in 2011. Ennahda Party chairman Rached Ghannouchi and Prime Minister Hamadi Jebali in Tunisia, and the Egyptian Muslim Brotherhood's deputy supreme guide (deputy chairman) and would-be presidential candidate, Khairat al-Shater, to mention the most prominent, have all spent many years in prison or exile.

The rise of the Islamist elite is causing enormous angst and fear among members of the modernist, secular elite. This is understandable, because a truly historic shift is taking place. Along with genuine fear there is also a lot of fearmongering on all sides, as the cases of Tunisia and Egypt illustrate.

## Tunisia

Discussions of the aftermath of the Arab uprisings invariably single out Tunisia as the most successful, promising country, already on its way to developing a democratic political system. In this somewhat rosy view, with some economic support from the international community to help it weather the transition-caused slump, the country has a bright, democratic future.

There is no doubt that Tunisia has so far handled the transition better than any other country and that it is way ahead of Egypt. Although there was some violence during the upheaval, indeed more than originally reported, the military stayed out of politics and the various political factions managed to agree relatively swiftly to a transition plan to which they stuck. Thus Tunisia now has an elected Constituent Assembly, which has chosen a president from one of the secular parties while electing an Islamist prime minister. Secular parties and Ennahda share positions on the six commissions that are drafting separate chapters of the country's new constitution. The coalition government, comprising Ennahda and two secular parties, will remain in power until that new constitution is enacted and new elections will be held about a year from now.

Yet just below—and occasionally above—the surface of this orderly and well-managed process is a lot of tension. The chasm that divides secular and Islamist parties surfaces in each interview or even casual conversation. While Westerners see Ennahda as a moderate, nonthreatening Islamist party, Tunisian modernists see it as dangerous and untrustworthy, its moderation barely hiding radical positions. Statements made by the most radical members of the organization are routinely held up as the real position of the party. Opponents argue that the

party is reluctant to crack down on Salafis, not because it rejects the repressive tactics the Ben Ali regime used in the past, but because Salafis are really Ennahda's militias. No matter what Ennahda leaders say about the rights of women, secularists are convinced that the party is determined to amend the personal status code adopted by Tunisia soon after independence and replace it with a discriminatory one based strictly on sharia. Indeed, everything Ennahda does or says is nefarious by definition.

The secularists' fears of Ennahda are mirrored by the Islamists' fears of the "Left," a term that seems to embrace everything from the barely left of center to the few surviving hard-line communists who still eke out an existence in fringe political parties and pockets of the labor movement. In Ennahda's portrayal, they are all unreformed Stalinists, unbelievers who see religion as the opium of the people, a minority that feels entitled to rule the country even if it has no support.

The lack of trust between the two sides is complete. They accuse each other of doublespeak and outright lies, although requests for concrete examples by a visitor do not elicit concrete answers from either side.

## Egypt

If the tension is bad in Tunisia, it is much worse in Egypt. The transition process there is poorly designed, with the military controlling power until parliamentary and presidential elections are complete but failing to provide clear guidelines. Egyptians spent months squabbling over the timing of elections—with secular parties wanting a delay to give them time to organize. They engaged in endless debate about the sequencing of constitution writing and elections, with secular parties originally preferring to postpone elections until after the constitution was written so Islamists would have as limited a voice as possible in the drafting, but they never reached a clear decision. They sought to limit the power of the drafters of the constitution by trying to impose on them a set of inviolable constitutional principles without a clear concept of how such principles would be adopted. In the end, the military, whose sympathies lie more with the old secular elite than with the Islamists, was forced to act, pick the dates for parliamentary and presidential elections, and fit the writing of the constitution in between the two.

But the plan did not work as hoped. When the elections resulted in a parliament dominated by Muslim Brothers and Salafis, the secular parties immediately called it non-representative despite the fact that the elections were unanimously declared honest by all domestic and international observers. Because the parliament was not representative, they argued, it should not have elected the Constituent Assembly, although this is what the interim Constitutional Declaration produced by the Supreme Council of the Armed Forces decreed. The transition process was thus plunged into a new crisis.

With presidential elections scheduled for May 23 and 24, the drafting of the constitution had not even started by mid-April. The Administrative Court disbanded the Constituent Assembly in a clearly political decision. A lawsuit, still pending, challenged the constitutionality of the election law, on the basis of which the members of parliament were voted into power. Because of the contestation, the probability is high that the constitution will not be enacted before the presidential elections. This raised the possibility that at the end of May, Egyptians could elect an all-powerful president to a five-year term and then later a constitution that reduced his power, causing a new crisis.

At the center of the increasingly messy transition process in Egypt is the secular parties' fear of the Islamists, their unwillingness to accept the reality of the broad support Islamists enjoy, and the secular parties' own disorganization and weakness. Despite their protestations that they represent the future of democracy, secular parties have proven unwilling to accept the outcome of an election-based political system, namely the transfer of power from a secular to an Islamist elite.

This opposition was based on the secular elite's fear of losing the positions of power to which it felt entitled rather than the fear of what Islamists would do once in power. This was made clear by the fact that the battle over the constitution hinged on the question of who would write it, with no real debate on the content. Indeed, with Egyptian secular parties not wanting to sound irreligious and the Muslim Brotherhood anxious to show moderation, there was little disagreement between the two sides about the place of religion in the constitution. In their platforms, almost all secular parties defended the articles of the 1971 constitution declaring Islam to be the religion of the state and sharia the source of legislation. The Muslim Brotherhood declared repeatedly that it wanted the constitution to define Egypt as a civil (that is, secular) state with an Islamic reference, not as a religious state.

The issue seems less about the content of the constitution, but more about power. In fact, the biggest point of disagreement in the writing of the constitution is likely to hinge on the political system, with secular parties wanting to maintain a presidential system and the Muslim Brotherhood favoring a parliamentary system or, as a compromise, a mixed one as in France.

### The Challenge for Western Countries

So far, Western countries appear more willing than the secular parties of Tunisia and Egypt to accept the rise of the Islamists. Election results are clear, and Western countries know that they would lose all credibility if they rejected the outcome of democratic processes they support.

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Nevertheless, the rise of Islamist parties is a matter of concern to Western governments for two reasons. First, questions still remain about the ultimate goals of these parties, how they will evolve once they are in power, and whether they will be open to strong relations with the West. In the case of Egypt, the questions of the Islamists' willingness to abide by the peace treaty with Israel and, more broadly, how they will deal with Israel, a country they normally label the Zionist entity, also loom large.

The second challenge to Western countries is posed by the deep division between Islamist and secular or modernist forces that is emerging as a dominant feature of the countries undergoing transitions. The secular elite that is being marginalized by the rise of Islamist parties is the one that Western governments befriended and supported in the past. It is the elite from which successive regimes in these countries rose, and it is part of the historical relations, friendly or not, between Arab countries and the West. The Bourguiba and Ben Ali regimes in Tunisia were part of this elite, as were the Wafd governments and the regimes of Gamal Abdel Nasser, Anwar Sadat, and Hosni Mubarak, all of whom, in different forms, belonged to the modernist and secular project.

Not only are there historical ties between the secular elite and the West, but the political survival of this elite is important to the emergence of countries in transition as democracies. Democracy requires competing and countervailing forces, thus the Arab world at this time requires both Islamist and secular forces.

## The Regional Order

Paul Salem

Key for both the West and the countries undergoing transitions, the regional dynamic, though not yet changed fundamentally, is very unpredictable. There was no meaningful Arab or Middle East "regional order" before the uprisings; there still is not one today. The region is among the most disordered in the world and has no cooperative political, security, or economic framework. It is also host to two of the world's most intractable conflicts: the Arab-Israeli conflict and the tensions between Iran and most of the regional and international community. Although the Arab uprisings have affected regional relations in a range of ways, the two major conflict axes remain and the region is no closer to building a stabilizing regional order.

The uprisings and transitions in Tunisia, Egypt, Libya, and Yemen have affected regional and international relations, but they have not led to a fundamental transformation in regional power balances. Had the uprising in Bahrain succeeded, or if the revolt in Syria yet succeeds, a more dramatic change in power relations would come about. The fall of the Assad regime would be a historic loss for Iran and a gain for Arab Sunni powers as well as the West; the fall of Al Khalifah rule in Bahrain would be the opposite.

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Part of the reason that uprisings have had a limited impact on external relations so far is that they were largely about domestic, not foreign, policy. In comparable periods of upheaval in the Middle East from the late nineteenth century up until the Iranian revolution of 1979 and beyond, public uprisings almost always had a strong focus on anticolonial or anti-Western agendas, and coups or new governments that rode those waves quickly implemented dramatic shifts in foreign policy. Indeed, in recent decades, Middle Eastern governments had put forward foreign policy posturing as a substitute for domestic good governance and reform. The 2011 uprisings called that bluff by demanding domestic liberty, good governance, and social justice, and by keeping foreign policy on the back burner.

The uprisings have brought about a net power shift to the people themselves, not to one or another of the regional or international players. The Arab populations were a missing player in regional power relations, with power usurped by rulers and traded in various relationships of dependency and alliance with larger regional and international players. The power shift to the people is manifest in the fact that populations have realized that through their ability to mobilize, demonstrate, revolt, and—eventually—vote, they actually have the lion's share of power in their societies. The shift in power is also clear in new forms of politics in countries that are transitioning toward constitutional and democratic government. Foreign policy is no longer made by the ruler and a small clique of cronies but must be negotiated by accountable governments before contentious and pluralistic parliaments and before an informed and mobilized public.

As a result, foreign policy has to have firm foundations in public opinion and public interest and cannot be the reflection of the changing whims or backroom deals of unaccountable rulers. This might make the foreign policy of post-transition Arab countries closer to that of Turkey: strongly nationalistic and focused on concrete economic interests. Governments have to maintain their popularity in the court of public opinion and must produce economic growth and jobs. So far, public opinion has continued to focus on domestic affairs, but if there are dramatic developments on the Israeli-Palestinian front, public opinion could push governments to new hard-line positions.

### Repercussions for Main Regional and International Actors

The United States and Europe feared that they would incur dramatic losses as the Arab uprisings unfolded, but they have maintained relationships and gained some new influence in Libya. If the Syrian regime collapses, the West could score a gain there as well. Also, after a century of vilifying the West and looking fondly east, Arab public opinion has had a favorable view of the West's role in this period and a negative view of eastern states like Russia, China, and India. The Arab uprisings, however, have also brought about significant instability and insecurity and can threaten new risks from terrorist networks. In addition, if

transitions in Egypt and North Africa stumble or collapse, Europe could face new challenges of immigration and insecurity.

Russia and China have lost large amounts of goodwill among the Arab publics and governments in the past year. They will have an uphill battle to repair their image in the months and years ahead. Russia's gamble of standing by Assad has temporarily raised Russian influence in the region, and has positioned Russia, in a sense, as the international patron of the Iranian-Iraqi-Syrian-Lebanese axis; but this strategy could backfire if or when the Assad regime falls. Already, Russian flags have replaced American flags as the symbol of choice in public protests. China's position has been less prominent than that of Russia, but its image, too, has taken a beating in the region.

Israel was among the biggest losers this past year, losing its last friend in the region with the fall of Mubarak. And without Mubarak, King Abdullah of Jordan can no longer be counted on as a friend. Although the new players in Egypt have promised to preserve the peace treaty with Israel, they have already indicated that they will take a tougher line, possibly taking a position closer to the Turks, who have become much more vocal about and critical of Israel's nonconciliatory behavior. And if there is another Israeli-Palestinian conflagration—for example, like the Gaza War of 2008–2009—there is no guarantee that an elected Egyptian government could maintain normal relations with Israel as Mubarak had. Israel also faces the possibility of an Arab Spring–style Palestinian uprising. But a change of regime in Syria would make Hizbollah more vulnerable, since the enemy of Israel receives political support from the Syrian regime, and could open up the possibility of renewed peace negotiations over the Golan and a possible resolution to the Israeli-Syrian-Lebanese standoff.

Iran has gone from being the most to the least popular country in Arab public opinion. Its suppression of its own protesters after 2009 and its support of the Assad regime have robbed it and Hizbollah of virtually all the popularity they enjoyed in previous years. If the Assad regime falls, Iran will lose its longest-standing ally in the Arab world as well as access to Hizbollah. This could be the biggest blow to Iran since the Iraq-Iran war and could end the decade of regional ascendance that began with the U.S. removal of the Taliban and Saddam Hussein, though Iran would likely double down in Afghanistan and Iraq in response to the fall of Assad. And there is always the looming possibility that the United States or Israel could launch an attack on Iran. Though sympathy for Iran is low in the region, there could be a considerable Islamist backlash in Egypt and other Arab countries against Israel and the United States if Iran is attacked.

Turkey has been looked to as an example of political and economic success by many parties in the Arab Spring, and Turkish Prime Minister Recep Tayyip Erdogan has been well received in many postrevolutionary capitals. However, this does not translate into Turkish dominance or a neo-Ottoman order in the region. Nevertheless, Turkey's soft power in politics, economics, and diplomacy

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is crucial to building a more stable and prosperous Middle East. Turkey could wield influence through its relations with newly forming Muslim Brotherhood–led governments and could have particularly strong influence in a post-Assad Syria.

Saudi Arabia has survived the Arab Spring despite shocks to its regional allies and internal order. It is trying to build influence with new movements and governments in transitioning countries and has used the Gulf Cooperation Council (GCC) to respond forcefully to the crisis in member state Bahrain. Its economic largesse has bought it political time at home, but Saudi Arabia faces the medium-term challenge of adapting its political institutions to changing political expectations. That challenge is set to have important ramifications for Saudi Arabia’s future regional role.

Egypt has regained some of the prominence and credibility it had lost under Mubarak. The protests in Tahrir Square were carried live on Arab television and reconfirmed that Egypt is the psychological center of the Arab world. It is up to the next Egyptian president to build on this potential to project Egyptian soft power in the region. Egypt’s new standing has already breathed new life into the Arab League and allowed it success in mediating long-stalled intra-Palestinian negotiations.

Syria has gone from being a strong player in the Arab east to being a playing field. The regime has proven too strong to topple quickly and too illegitimate to regain control of the country. Syria is probably entering a “lost decade” in which the slow decline of a doomed regime will be accompanied by rapid militarization of the opposition and disintegration of public order and security. The fall of the regime will be followed by a troubled transition, and it will take several years to rebuild political, security, and economic order. Syria has already become an arena for regional and international proxy wars, as Lebanon and Iraq were in the recent past.

Iraq is slowly returning to regional influence after more than two decades of absence. Despite troubling authoritarian practices, a new Shi’a-led state order is asserting itself in Baghdad with rapidly rising oil wealth, a significant army, and growing self-confidence and ambitions. This Iraq will be friendly with but not subservient to Iran. It has strategic relations with the United States and wants to build strong relations with its Arab and Turkish neighbors as well. Its growing regional role is indicated by its hosting of the Arab League Summit in late March and the P5+1 nuclear talks with Iran in May.

Qatar is perhaps the biggest “winner” in the Arab Spring. Its Al Jazeera television station was key in fanning the flames of revolution. Its diplomacy has been key in pushing the GCC and the Arab League to take action. And it remains a hyperactive player in the Arab arena, now focusing on support for the Syrian revolution.

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## Regional Cooperation

The Arab League and the GCC, meanwhile, have shown signs of increased dynamism. The Arab League has returned from decades of irrelevance to play a significant role in regional and international diplomacy leading up to the military intervention in Libya and has been playing an important—although so far ineffective—part in addressing the crisis in Syria. It is gaining renewed relevance because Arab public opinion has remobilized and acquired a clear regional and international legitimacy and Egypt, which hosts and leads the Arab League, has been freed from three decades of regional isolation and has regained legitimacy in the Arab street as one of the key capitals of the Arab Spring. Additionally, Qatar's hyperactivism in regional and international diplomacy has pushed the Arab League to take positions that were unthinkable just a year before.

The GCC emerged from the Arab Spring shaken by the uprising in Bahrain but stirred into action and assertiveness. The country remains an open wound and the soft underbelly of the organization, but the GCC effectively demonstrated its military muscle and raised the bar of its political ambitions with the intervention. The GCC has demonstrated that it will protect the monarchical order of its members from pro-democracy or pro-republican movements and will rebuff any attempts by Iran to project its power into the GCC. The increased ambitions of the GCC have included offering membership to Jordan and Morocco, mediating the transition in Yemen, backing military intervention in Libya, and considering stronger unity within the council.

The departure of Qaddafi in Libya and the transition in Tunisia have created a renewed opportunity for intra-Maghreb cooperation and integration. The oil economies of Algeria and Libya, the skill-rich economy of Tunisia, and the labor-rich economies of Morocco and Egypt form a natural set of complementarities. And North African countries face similar dynamics of building partnerships with Europe while managing security and sociopolitical challenges at home. Regional officials have been exploring increased cooperation, though the possibility of a revival of the Arab Maghreb Union remains to be tested.

## Future Developments

Although the Middle East's regional and international relations have not been fundamentally transformed by the Arab uprisings, a large set of new dynamics have come into play. Successful transitions in North Africa, Syria, and Yemen could bring about a more stable Middle East, but civil war or state failure in Syria and Yemen and failed transitions in North Africa could bring about a very different regional reality. Like the events of the Arab Spring itself, the course of regional relations in the Middle East is extremely unpredictable and external players need to be prepared to take advantage of opportunities for progress and

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regional cooperation, as well as to be ready to manage or defuse crises or conflicts if and when they erupt.

## The Politics of International Engagement

Marina Ottaway and Nathan J. Brown

International actors will find it difficult to influence political developments in the region, particularly because they lack strong ties to the Islamist movements that have emerged as central players in several countries. Tools are limited in terms of dictating the development of the Islamist movements, but there are some that might be used gently to steer them. Though the results may sometimes seem modest, they will be more likely to bear fruit than an adamant insistence that Islamist movements immediately adopt secular and liberal values.

The movements are primarily domestically focused, but they also realize that their societies are enmeshed in a globalized world. While not abandoning core ideological commitments, they might sometimes find it useful to spin those commitments in a way that seems more respectable internationally—particularly if they are treated as respectable political actors with solid democratic legitimacy. Indeed, some movements have come to the realization that they have a serious international image problem but also a unique opportunity at present to address it—and therefore show an interest in reaching out to international interlocutors.

In a few areas—security sector reform, for instance—Islamist movements do show a real interest in learning from the experience of other countries. Technical cooperation in areas such as legislative drafting and managing parliamentary staffs might also prove to be a fruitful way to build up human ties between Islamist movements and outsiders.

Western political actors must prioritize. Direct demands that Islamist movements adopt broad ideological agendas endorsing secularism are certainly futile; even broadly philosophical commitments to core values such as women’s rights are likely to generate either angry or useless platitudinous responses. But if external actors will be unlikely to shape political reform and reconstruction singlehandedly, they may be able to select a few, very specific issues for special emphasis, especially if they can present them not as Western impositions but as norms of international behavior. For this reason, direct engagement might lay great stress on international human rights standards. Similarly, international actors cannot impose cooperation with a full Western security agenda, but they can focus on the maintenance of existing treaty relationships and the principle of peaceful settlement of international disputes.

Such pressure will be most effective if it is uniform. And here there may be differences between the U.S. and European approaches. The United States is perhaps generally more friendly to religious values openly expressed in public life, more focused on security issues, and more interested in locating an effective

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interlocutor than Europe. These distinctions are hardly absolute; European actors sometimes act in the same way. Still, coordination will be essential to effective policy and strategizing.

And, more ambitiously, Western governments will need to change their understanding of diplomacy—or rather import understandings developed in other regions. In those Arab societies whose political structures are moving in more participatory and pluralistic directions, it will be necessary for Western governments to cultivate new diplomatic skills. It will no longer be sufficient to depend on ties to a small number of elite political actors; instead, diplomacy will become a task of building bridges to entire societies.

There may be little the West can do to decrease the mutual suspicion that exists between the Islamists and the secular parties because it is deep rooted, and in the end Western countries themselves remain suspicious of Islamists. What Western countries can do, however, is as much as possible to include both Islamists and secularists in all dealings with the Arab region. That holds particularly true for all international forums in which concrete economic and other policy issues are discussed.

Islamists must be included to the extent possible because, having been shunned and isolated in the past, they have not been part of the international mainstream. Yet, in governing, the Islamists will have to make decisions and design policies on issues that affect all countries, and so they need to understand as quickly as possible today's international environment as well as the concerns of international institutions and other countries, particularly those with fast-growing economies. They may have not given much thought to such concrete issues during the long years of exile and imprisonment—and this is occasionally reflected in the statements of their leaders—but they will have no choice in the future.

The continued inclusion of the secular elite is also important not only to reassure these actors that they have not been abandoned by the international community but also to force them to work with Islamists on concrete issues that bridge the gap between divergent ideologies. For instance, both Islamists and mainstream secular forces embrace the idea of a market economy. And both know that the state needs to continue supporting safety nets both for humanitarian reasons and to maintain social peace.

## **Economic Implications of the Arab Revolts**

Sinan Ülgen

All of this is taking place against the backdrop of a distinctly worsening economic climate across the region—the unavoidable outcome of the Arab Spring's destabilization of the economic systems across the Middle East and North Africa. Even in countries like Tunisia and Egypt where the transition to democracy

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is relatively advanced, political uncertainties have tended to plague economic achievements.

For the first time since 1986, Tunisia's economy shrank by 1.8 percent in 2011. Unemployment there reached 18 percent last year, up from 13 percent in 2010, and risk premiums have increased. Meanwhile, the Egyptian economy contracted by 0.8 percent, with 1 million Egyptians losing their jobs as a result. The Egyptian government now pays almost 16 percent interest per year when it borrows in Egyptian pounds, up from 11 percent in 2010. Foreign investment flows have also dried up in Egypt, falling from \$6.4 billion in 2010 to a mere \$500 million in 2011.

The combination of these negative trends is impacting the countries' fiscal as well as external balances. Egypt's budget deficit, for instance, reached 10 percent of its national income while its reserves have depleted to \$15 billion—barely enough to cover the country's foreign exchange requirements for the next three months. In Tunisia, the budget deficit, which stood at 2.6 percent of the country's national income in 2010, shot up to 6 percent in 2011 in the wake of the revolution.

This rapid economic deterioration in addition to the high expectations raised by the onset of political transitions is creating a sense of urgency that impels the emerging political actors to develop more detailed economic programs and to address the growing economic grievances of their populations. For instance, whereas Islamists' discourse had essentially centered on political themes, highlighting issues of political participation, inclusiveness, and democratic reforms, the recent election campaigns witnessed a rhetorical shift away from politics to economic aspirations. The newly elected political leaders and political parties know full well that their popularity can only be sustained if they are able to deliver growth, employment, and better living standards to their citizens.

Overall, the emerging political players and in particular the Islamist parties have adopted a rather conciliatory tone regarding engagement with international actors. The economic programs of these parties are by and large pro-market, emphasizing the role of the private sector in economic growth and underlining the need to attract foreign capital. The state is seen as a vehicle for ensuring social justice, and there are scant references to sharia principles. For instance, both in Tunisia and in Egypt, the political Islamists have given assurances that the economically critical tourism sector will not be hindered by restrictions having to do with Islamic law. And representatives of the PJD in Morocco and Ennahda in Tunisia have already demonstrated their readiness to participate in international platforms of economic dialogue such as the World Economic Forum. The Islamists' economic programs also foresee a role for international institutions in helping the national economies overcome the challenges they face.<sup>1</sup>

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## The Economics of International Engagement

Unlike the area of democratic reforms, where resistance to foreign intervention and assistance has been strong, the new Arab leadership seems much more receptive to a partnership with the West focusing on economic objectives. The real need in these countries for economic change provides an unprecedented opportunity for international engagement with the new Arab leadership, and a blueprint for such a relationship can be identified. Ideally, it should incorporate short-, medium-, and long-term goals. But because many of these Islamist parties have short mandates in which to bring about change before the people vote once again, the immediate focus should be on short-term goals that can be implemented within one electoral cycle.

### Job Creation

The new governments will immediately face the challenge of creating employment. The dearth of proper employment opportunities fueled popular dissatisfaction with incumbent regimes eventually leading to the Arab revolts, and the economic instability ushered in by this period of uncertainty further aggravated the employment situation. Structural reforms are indispensable for a sound job-creation strategy, including education reform, training and skill creation, and product, labor, and service market liberalization. But these reforms will yield results only in the long term, even though Arab governments are faced with pressures to deliver jobs in the short term and to balance fiscal constraints with job creation ambitions.

An economic recipe for short-term job creation may be investments in large-scale public works.<sup>2</sup> This type of government spending can create labor-intensive jobs that will help to address the problem of rising unemployment. The international community can help the Arab governments launch and sustain such initiatives in three ways.

First, the international community can increase the amount of promised financial assistance. Egypt is, for instance, negotiating a loan of \$3.2 billion with the International Monetary Fund, though that loan is unlikely to be sufficient given the short-term financing requirements of the Egyptian economy even if the deal, as expected, opens the way to the release of funds pledged by Gulf countries. More funding sources are clearly needed to undertake a more effective job-creation strategy that can also have a short-term impact on the job market.

The second option would be to provide technical expertise to Arab policymakers on debt management. Without top-notch expertise in debt management, an economy implementing large-scale public outlays risks crowding out private investment. That effect can be clearly seen in the Egyptian economy, where the domestic banking system is used to finance the country's high budget deficit. As

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a result, national savings are channeled to the state treasury, undermining the banking system's ability to transfer these funds into productive private sector investments. Under such circumstances, switching from a heavy reliance on domestic savings to finance budget deficits to foreign savings would be beneficial. However, this requires a high level of technical competence among economic policymakers to obtain the most favorable terms in tapping international debt markets and managing debt issuance and debt rollover.

Third, the international community can help Arab governments establish a secure and predictable legal and regulatory framework for public-private partnerships for large-scale infrastructure projects. International actors, jointly with Arab governments, can then help to market these opportunities, allowing Arab economies to benefit from infrastructure-focused long-term international financing.

An area where the development of a public-private-partnership framework would be particularly useful is the area of housing policy. The lack of proper housing opportunities is becoming a real problem in some of these societies. A recent Carnegie Endowment-Legatum Institute report on the Egyptian economy recommended, for instance, developing public-private partnerships to modernize the housing sector.<sup>3</sup> According to the report, "Private-public investments, designed to regenerate and develop areas currently occupied by urban slums, are another promising initiative with substantial long-term benefits for development, especially where the slums are located in commercially desirable areas. Loans extended to slum redevelopment projects could be a relatively safe and high-return investment, with additional social benefits accrued to poor Egyptians."

Incidentally, the Turkish experience can provide a reference for overhauling housing policies, designing market-friendly and effective public-private partnerships so as to quickly modernize the housing sector, and overcoming the shortage of decent housing. Turkey has developed a relatively successful model for producing affordable mass housing projects based on a public-private partnership for the low-income groups. A Mass Housing Authority (MHA), backed by government finance and access to treasury-owned lands, was able to carry out the construction of half a million residential units between 2003 and 2010 without burdening the public budget. According to its business model, the MHA delivers the land, auctions the construction projects to private developers, and monitors the construction and marketing of the projects. It also provides housing loans to low-income earners. The success of the MHA led to requests for the transfer of its know-how and its business model to a range of international partners. At last count, 33 countries, including Saudi Arabia, Iraq, Jordan, Syria, Egypt, Kuwait, Yemen, and Algeria, had asked the MHA to carry out housing projects in their countries.

The combination of these options would allow Arab economies to create jobs in the short term while avoiding the risks of destabilizing fiscal balances or of crowding out private investments.

## Private Sector Development

The quest for inclusive growth will be a key objective for all Arab governments, and the new growth paradigm must rely on a private sector operating in an economic environment with the right incentive structure. In other words, the new system must eradicate the incentives for rent seeking, regulatory capture, and political lending and encourage growth and competition. For instance, World Bank economists have identified two main obstacles to private sector development in the region—patronage networks and connected lending, which limits access to capital to regime-friendly enterprise owners. Reform of the banking system is therefore a crucial area where international actors can provide assistance.

Arab economies stand to profit from the establishment of sound and independent regulatory institutions to control and monitor their banking systems. Presently, central banks are responsible for monitoring, but the current system does not allow for the genuine identification of systemic risks like the size of nonperforming loans, among other things. Independent banking regulatory authorities can ensure that risks are properly identified, and they will help to overcome the perennial problem of politically motivated lending.

A related obstacle is that the banking systems do not efficiently channel deposits into loans that are geared for productive investments. This shortcoming is tied to both the overreliance on the banking systems for financing budget deficits and the inability of the small- and medium-size enterprises to access the banking system due to the high prevalence of informality that undermines company balance sheets. The multiplication of internationally backed loan-guarantee schemes would help to overcome this structural impediment to the deepening of the financial system with the commensurate benefit of strengthening private sector activity.

Finally, Arab governments are intent on refocusing their efforts on the promotion of entrepreneurship. For instance, the economic program of Ennahda envisages the provision of technical support and mentoring programs to university graduates who own small- and medium-size enterprises. The PJD's program in Morocco emphasizes entrepreneurship and speaks about economic empowerment through self-employment initiatives.

International partnerships can be launched with Arab economies to promote youth entrepreneurship and private sector development. The broad range of initiatives used for the development and promotion of entrepreneurship in European countries—ranging from programs run by chambers of commerce and industry to university-industry collaboration schemes, including cooperation in developing risk-finance instruments with public funding, and creating the seed

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money for larger and privately funded investment funds—can be leveraged and replicated to assist Arab policymakers in their bid to create vibrant economies.

## Trade

The protectionism embedded in the EU's agricultural policy significantly impedes its efforts to assist the region. Despite rhetoric about the importance of helping development—which, incidentally, is now enshrined in the Lisbon Treaty—the EU has maintained the inherent protectionism of its agricultural policies. The EU has conditioned its agricultural trade liberalization with North Africa on progress made at the Doha Round of World Trade Organization negotiations. Given Doha's visible lack of progress, however, the EU needs to revisit this policy and should instead introduce an initiative for dismantling its agricultural trade barriers, including lowering tariffs, eliminating export subsidies, and gradually doing away with tariff quotas.

## Managing Expectations

These governments are also facing a severe problem of expectations management. It is perhaps normal for the Arab citizenry to want more from new, democratically elected governments in terms of job prospects, income, and standards of living. But governments run the risk of falling short of expectations. Policymakers and recent electoral campaigns have exacerbated these problems, with political parties taking part in elections announcing lofty economic goals. Their programs read like a wish list of economic outcomes to be achieved within one electoral cycle. A failure, in coming years, for the new ruling parties to achieve these high ambitions would have political repercussions ranging from a drop in popular support to popular disillusionment with the democratic experiment.

Although this is an area in which domestic actors will have a leading role, the international community can also help in a number of critical ways, including by facilitating a more concerted engagement and dialogue with the emerging political actors in the Arab world on economic policy issues. This engagement can take the form of regular invitations to multilateral forums on economic policy or of setting up new multilateral forums focusing on economic challenges in the Arab world.

In parallel, capacity building both within the public administration on economic policy matters and within civil society—especially in helping to establish and/or improve independent economic policy think tanks—is an option. A key effort in this respect would be a sustained training program for journalists and editors covering economic developments in the Arab world, as the media is instrumental in shaping expectations. Such a training program would allow reporters to critically assess the economic programs and discourses of the new ruling parties, and the economic debate would be disseminated to the public at large through a more realistic lens.

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Finally, the donor community should also broaden its engagement with local stakeholders. In the past, the dialogue was essentially between the representatives of the donor organizations and the representatives of the respective Arab governments. Today, the dialogue needs to involve more players. Engagement with nongovernmental stakeholders will not only help the donor community better assess the needs of the local economies but will also help the local actors to better manage their expectations of their own governments and of the international community.

## Focusing on the Concrete

Sinan Ülgen, Nathan J. Brown, Marina Ottaway, and Paul Salem

In all countries, political and ideological differences get in the way of rational discussion—the Western world is no exception. But that experience also shows that the best hope for reconciliation in the Arab world comes from a focus on concrete issues such as economic reform. It is unlikely that Islamist and secular elites will get over their mistrust and even hatred completely. Both the United States and European countries have a role to play in trying to steer competing Arab elites away from acrimonious and ultimately sterile ideological debates and toward more practical problem solving. Both Europe and the United States are well placed to play this role, and the two should not necessarily work together all the time. The important consideration is that all external actors behave consistently in terms of including both Islamist and non-Islamist parties in the discussion of whatever bilateral or multilateral issues arise.

A deliberate effort to bring antagonistic factions together would be a greater contribution to promoting democracy in countries in transition than either democracy promotion projects—which usually have a marginal impact at best—or the imposition of political conditionalities. The United States and European countries recognize in theory that transitions to democracy are long-term, complicated processes that do not follow straightforward trajectories. They need to put the idea into practice by seeking ways to help countries overcome the inevitable difficulties they face rather than implying that change can, and must, be linear.

## Notes

- 1 Ibrahim Saif and Muhammad Abu Rumman, “The Economic Agenda of the Islamist Parties,” Carnegie Paper, Carnegie Endowment for International Peace, May 2012.
- 2 Incidentally, the economic program the Tunisian government presented to parliament a few weeks ago refers to infrastructure programs for job creation.
- 3 Legatum Institute–Carnegie Endowment for International Peace–Atlantic Council, “Egypt’s Democratic Transition: Five Important Myths About the Economy and International Assistance,” August 2011, [http://carnegieendowment.org/files/Egypt\\_Democratic\\_Trans\\_UK16ppWEB.pdf](http://carnegieendowment.org/files/Egypt_Democratic_Trans_UK16ppWEB.pdf).

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