

Reframing the Arab Reform Agenda

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Special to washingtonpost.com's Think Tank Town

Monday, April 16, 2007 12:00 AM

A growing strain of opinion suggests the reform project in the Arab world is dead and consequently the United States should revive democracy promotion in the Middle East. Whether attributed to the rise in oil prices, the outbreak of sectarianism, or America's lackluster performance in Iraq, the requiem for Arab reform may be premature.

Modernization of both Arab culture and the Arab state began long before US engagement after 9/11 and it continues today independent of the "West." And most Middle East commentators, save a few like my colleague Afshin Molavi, have not bothered to capture the economic promise that resides in this gradualist reform model.

Take the case of Saudi Arabia. Symbols like veiled women prohibited from driving permeate our conception of Saudi society, but these images often overshadow major advances like the fact that women compose nearly 60% of higher education students (rivaling, if not outdistancing the U.S.).

Moreover, skeptics have been slow to acknowledge how deftly King Abdullah has maneuvered in such a short period of time, steering Saudi Arabia's entrance into the World Trade Organization, cutting import duties, privatizing telecommunications and preparing to liberalize the airline industry. Even less attention has been paid to his striking \$200 billion venture to develop new cities and economic zones. McKinsey & Associates notes that in the long-run, Saudi Arabia's diversified investment in seven major economic cities spread throughout the country will decentralize power away from the conservative heartland surrounding Riyadh, provide sought-after work and residence for nearly 10 percent of its population, and transform the country into a modern, investor-driven economy.

Critics have thoroughly savaged Egypt for its dubious elections and constitutional reforms but few have recognized the import of the recent mortgage finance laws passed in 2006 which could reestablish a vibrant middle class. Business Today Egypt heralded the breakthrough writing, "Mortgages could revolutionize not just the financial system, but also the nation's very social fabric."

Morocco has initiated an extensive revamp of its public university system in conjunction with the French government and World Bank that will bear undeniable political dimensions and implications. Even in Syria economic reforms have picked up speed -- corporate tax rates were cut this year by 30%, the government is preparing to float bonds for the first time ever, and its country rating has jumped 40 spots on the World Bank's indicator for the ease of starting a business.

These reforms fall quite in line with expressed Arab demands. Zogby polling from 2004 revealed the Arab world ranked quality of life issues -- employment, healthcare, education -- far higher than the lofty political issues the U.S. was trumpeting. Though non-democratic states are falsely caricatured as completely unaccountable to their constituents, public opinion matters a great deal to Arab states and determines how they govern. Arab opinion has demanded tangible economic reforms that improve daily life and governments are beginning to deliver with more jobs, expanded access to credit and lending, and greater opportunities for higher education.

Undoubtedly both governments and their constituents recognize they have a long way to go, but rather than tearing up the existing political order, they have undertaken a gradualist approach to revamp the social contract. And while support for U.S. economic assistance exists in some countries, there is

a wholesale rejection, according to Arab public opinion polls, of U.S. involvement in political reform. One thing is certain -- Arab governments are listening more intently to their people than we are. And as Fareed Zakaria, editor of Newsweek International, notes, "The easiest way to sideline a reform is to claim that it is pro-American."

While our political reform efforts are viewed with suspicion and are consequently ineffective, we still retain a comparative advantage on the economic reform track which does not threaten Arab states and in fact can complement state-led reforms.

Support for economic reform below the radar can yield eventual political dividends. Arab states are not in need of funds so much as the know-how and expertise to develop sophisticated financial instruments. Thus a USAID team has been assisting Egypt to develop the mortgage finance framework based on global best practices. This will help strengthen the modern Egyptian middle class through credit and home ownership.

The U.S. should do more to develop and fund imaginative ways of bolstering economic reforms so as to help create a social basis for future democracy. At present, unfortunately, the only groups popular and well-organized enough to win elections in the near term are the Islamist parties. As a matter of sequencing, broadening the middle class will expand the constituency for reform and develop other parties with real grassroots networks that can eventually compete in the electoral arena.

It is important to remind ourselves that recent U.S. democracy promotion in the Middle East was part of a strategic calculus. Tethered to the (faulty) national security plan of "draining the swamp" that produced 9/11, it was intended to eliminate extremist threats. This being the case, democracy promotion cannot be treated as an absolute goal, but must be balanced against other strategic priorities in the region.

Our strategic ties with present authoritarian Arab states remain both vital and fragile. We depend on them for intelligence cooperation against al Qaeda, suppression of Islamist radicalism, limiting popular anti-Americanism, and containing Iran. Undermining these vital U.S. allies by sermonizing over democracy will serve nobody's interests, especially when most ordinary Arabs do not regard democracy as their most important interest.

By contrast, enabling economic reforms with a view to building modern middle classes as a foundation for real long-term democracy benefits both our partners and us.

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