

# NOREF Policy Brief

## How the West can get on the right side of history in the re-awakening Arab world

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### Executive summary

The reign of Arab strongmen supported by the West is drawing to an end. Europe has the duty and the opportunity to get on the right side of history, and to assist in reform and reconstruction, if and when requested. The economic dimension is about more than aid and trade, and will turn importantly on ideas and debate. Policy should be driven by a blatant bias towards democracy and its defenders, the support of competitive politics and open societies, education and the building of institutions, law-based regimes and the empowerment of women – everything many Arabs still find attractive about Western society.

Until this tumultuous year of revolution it had been the settled opinion and

condescending orthodoxy throughout most of Europe that Arabs were the consumers of Western products rather than of Western freedoms. This was always bogus and, in light of the history of the Middle East over the past two centuries, hypocritical. It was the intrusion of European powers, led by France and the UK, that interrupted the evolution of nation-building and constitutional politics known as the Arab Awakening. The new Arab Awakening (*Nahda*) announced by the chain of uprisings of 2011 presents a chance for Europe to assist in resuming the democratic evolution it aborted, both in its own interest and in that of the Arab peoples.

The people of Cairo and Tunis, Tripoli and Homs, Sanaa and Manama, fizzing with hope and pent-up yearning for change, have confirmed that the idea of liberty and the desire for freedom are universal. No Arab society is immune from this.

The first lesson for Western leaders is that the era of propping up tyrants for short-term and often illusory gains should be ended once and for all. Western policy needs to find ways of stimulating the forces in Arab society that will eventually replace them. This demands confidence in our democratic values and humility and contrition about the ways we have betrayed them in colluding in Arab exceptionalism. After the September 11th attack on the U.S., an intellectually dishonest “they-hate-us-for-our-freedoms” industry emerged. No. What Arabs and Muslims hate is Western support for those who deny them their freedoms.

The West now has the opportunity to place itself on the right side of history in the Arab world, of which Egypt is set to re-emerge as the throbbing heart. The regime of Hosni Mubarak was at the centre of a network of regional strongmen the West has backed and bankrolled to secure stability in a neuralgic region, guaranteed oil supplies and the security of Israel. The West struck a Faustian bargain with Arab rulers, who blackmailed them into believing that, but for them, the mullahs would be in charge.

In fact, with Western complicity, Arab despots destroyed political and institutional life, leaving their opponents little option but to regroup in the mosque and guaranteeing that Islamism would be at or near the centre of Arab political gravity. Instability is certain; it is the future that is up for grabs.

The West needs to put its money where its mouth is, with a blatant bias towards democracy and its brave defenders, by supporting competitive politics and open societies, education and the building of institutions, law-based regimes and the empowerment of women – everything the Arabs, against the odds, still find attractive about Western society.

Europe was caught just as flat-footed by the chain of uprisings as the U.S. Comfortably aligned with dictators who ostensibly guaranteed them

stability and secure oil supplies, Western leaders dispensed liberal nostrums while checking in their democratic principles at the palace gate. Their response to Arab revolution is still evolving, after the first shocked vacillations between wobble and waffle. The NATO intervention against Muammar Qaddafi – with the backing of not just the United Nations Security Council, but also the Arab League – was important. It did not just provide decisive support to Libyan rebels forced into a civil war. It meant Qaddafi could not break the wave of revolution, which days later roared into Syria.

Yet the Arab crisis exposed mercilessly the cosiness of links between Western, and above all European, leaders and their regional counterparts. The fawning greed with which the UK, France and Italy had sought oil and business opportunities from Qaddafi’s murderous regime, for example, continues to look particularly tawdry as more details start to emerge. The UK in particular rushed with indecent haste to the Brother Leader’s tent. Tony Blair’s “deal in the desert”, sold at the time as turning the colonel away from terrorist adventurism and bringing him back into polite geopolitical society, paved the way for a lucrative contract for BP. It was the Blair government, too, that in 2006, citing national security concerns, wound up the fraud inquiry into kickbacks from BAe Systems’ £43 billion al-Yamamah arms deal with Saudi Arabia. King Abdullah told a U.S. statesman at the time that Britain’s decision had set back his attempts to curb corruption in the kingdom and the royal family.

It is more than just Libya and Saudi Arabia. Beyond the need for oil and the lazy equation of autocracy with stability, Western leaders have had a blind spot about Arab countries. Europeans have struggled to come up with convincing policies towards what is their backyard. The 43-state Union of the Mediterranean, a pet project of President Nicolas Sarkozy, is long on process and short on substance. Since its Paris launch in July 2008, when Bashar al-Assad was re-embraced by the West after being shunned for Syria’s assumed part in the murder of the former Lebanese premier Rafiq Hariri and for funnelling jihadis into Iraq, the union has not met at summit level. In 2011 Sarkozy lost his co-president of this august body: Hosni Mubarak. The European-

dominated Socialist International, another grouping of uncertain purpose, has also seen its ranks depleted: the collapsed ruling parties of Mubarak and Zein al-Abidine Ben Ali of Tunisia, neither of them distinguished by their passion for social justice, were both members. The West has a lot of ground to make up and needs surefooted leaders with a moral compass and sense of political direction that extends beyond the short term.

In those countries that are already embarking on transition, the Europeans in particular have the duty and the opportunity to assist in reform and reconstruction, if and when requested. The economic dimension to this is far from being just about aid and trade, and will turn importantly on ideas and debate. While the thirst for political reform is unquenchable, little has emerged about the attitude of the left and the liberals, the Islamists or the conservatives, towards the economic reforms their countries desperately need. That debate, when it comes, could be as wrenching as the political upheaval. The Egyptian and Tunisian dictatorships purported to be economically liberal while running their economies as rackets for tight circles of kleptocrats and cronies. Syria's reforms since 2005 are the same, in spades. The objective, to widen the circle of insiders rather than genuinely to open up the economy, has discredited the very idea of reform.

That discredit is all the greater in so far as Tunisia and Egypt in particular were held up by the International Monetary Fund (IMF) and the World Bank, the U.S. and the EU as regional pioneers of "structural reform" that would, by gradually building the middle classes, unlock political reform. This was not just a misunderstanding of the nature of the Arab security state. It was a rapacious hoax.

Egypt did engage gifted technocrats in a theoretically credible attempt to transit from a public sector-dominated command economy to an investment-powered, export-led, high-growth model. By parcelling out concessions to loyalist businessmen, a regime based on the military and security services expanded its base. Genuine reforms – including changes to corporate law ordered personally by President Mubarak – were vetoed by the security apparatchiks as

curbs on their discretionary powers. So, instead of confronting an insiders' economy, the regime simply widened the circle of insiders.

In this cat's cradle of mutual enrichment, scores of businessmen went into parliament – a seat of patronage rather than power – while retired officers remuneratively graced corporate boards. A particularly indolent form of crony capitalism thrived, but the bulk of Egyptians did not. The number of Egyptians living on or below \$2 a day grew from 39% to 43% on Mubarak's watch. In its last five years the Mubarak government had to triple spending on food and fuel subsidies from 8.1% to 26.1% of current government expenditures. Spending on public schools and infrastructure shrivelled. Now, by IMF reckoning, Egypt's economy needs to grow by about 10% annually for the next decade just to absorb the currently unemployed and new entrants to the workforce.

Egypt has until now managed to stumble on as a skewed *rentier* economy of a different kind to the oil-rich Gulf model, earning between two-thirds and three-quarters of its foreign exchange from foreign aid, gas sales, Suez Canal fees, remittances and tourism. The army, furthermore, is insulated by its own tentacular business empire, with most of its weaponry provided free by the annual \$1.3 billion military stipend from the U.S.

What Egypt really needs is a modern education system to unlock the vast reservoir of talent of its 85 million people. It needs law-based institutions, from free trade unions to independent courts. It is crying out for innovation and entrepreneurial dynamism. It needs a competitive environment to attract the right investment, not parasite companies living off the distortions within the system. But what kind of debate is about to ensue when, for so many people, reform was rightly perceived as a fraud? And, given the continuing need to funnel enormous spending to the poor, will that not further empower populists whose hostility to reform will be shared by much of the population – quite reasonably, given their experience of it?

## Recommendations

Norway, with a reputation for aligning interests and values in its foreign policy, and rooted in a social democratic consensus that intersects with the social justice concerns of mainstream Islamism, may be well placed to win an audience for the sort of genuine reforms these countries are crying out for to realise their peoples' potential. It is worth considering whether partnership with Turkey, whose post-Islamist government's credibility is high with the forces likely to take power in transitional Arab countries, would multiply the effectiveness of policy. A Norway-Turkey partnership, within a secular framework respectful of all beliefs, might also tend to reassure Arab Christians, fearful of the growth of Islamist influence.

These transitions will be messy and prolonged, but amid the powerful undertow of reaction and fierce jostling for position in the Arab revolutionary arena there is also a battle of ideas going on and a search for solutions. There are three main areas in which credible outsiders can help provide them, and in doing so help build an audience for democratic citizenship, with a full panoply of human rights, women's rights and minority rights.

### *Institution building*

There is an imperative need to reconstruct (and in some instances create from scratch) functioning, modern institutions. Demand (from the host transition state) must obviously precede supply, but there will be a need for the democratic training of police and security services; the training of MPs

(Turkey already does this); the creation of free trade unions; rules to protect the independence of the judiciary; advice on best practice in regulation and corporate governance; co-operation in tackling corruption; a progressive tax reform; a new system of property rights to draw the vast black economy into the formal sector; redesigned subsidy and welfare systems that benefit the poor; ways to entrench human rights; and so on.

### *Development and reconstruction*

This is not just about aid and trade. Europe does need to open its borders, especially to Arab goods and Arab students. These countries need massive investment, especially in productive infrastructure and trade logistics. Yet they need not just investment, but technology transfer (which Europeans more readily supply than U.S. companies). They almost certainly need an Arab development and reconstruction bank (with a private sector arm to fund investment-starved small enterprises), drawing on European and Gulf Arab capital, and expertise from institutions such as the European Investment Bank.

### *Education*

This is a culturally sensitive, but vital area, which needs not only funding for schools, but techniques to nudge education away from limited-syllabus rote learning – to teach people how to think, not what to think – and thereby produce creative, independent-minded young people who understand the value of diverse opinion and belief.