

Editorial

Reform process is essentially a matter of context transformation. This issue of ConflictINFOCUS addresses the current calls for political and economic reform. These have recently acquired strategic importance in the MENA region as a preventive tool to contain intra- and inter-state conflicts. The context in which the Euro-Med Partnership (EMP) has emerged was marked by a shared goal of achieving stability and prosperity in the Euro-Med region. Political and economic reform is nothing but a gradual change in contexts; a change built on conscious attempts by both partners to improve and hasten the processes of democratization, good governance, and trade liberalization.

As a partnership, the EMP emphasizes the role of Arab states in strengthening the EMP as an integral part of a successful partnership. Acknowledging the role awaiting Arab states and highlighting the effect of economic and political reform on inter-societal conflicts would enable experts to draw a broader picture about what needs to be done in the southern part of the Mediterranean in order to develop this partnership. Central to the Mediterranean also is the strategic importance of conflict prevention instruments in order to contain conflicts in the region.

As a tool for development, economic reform would entail simultaneous political reform in order to contain possible interstate conflicts that may arise as a result of inequalities and oppression. Good governance, economic liberalization, and democratization are the pillars for early action in order to contain emerging conflicts in the region. Oppression, poverty, and extremism have emerged in the Middle East as a result of improper political mechanisms and partial economic reform. Arab states are advised to adopt innovative measures to combat conflict-instigating factors in their societies.

Having addressed the EU role in strengthening the EMP in previous issues, this issue of ConflictINFOCUS sheds light on Arab states' responsibility in empowering the partnership. Two articles in this issue tackle directly and indirectly the Arab responsibility for a successful partnership: Yasar Qatarneh's "Real Partnership Involves Understanding, Not Only Your Partner's Responsibilities, But Also Your Own Responsibilities" and Oliver Schlumberger's "Economic Reform, Governance, and Intra-Societal Conflicts: A Call for Paired Strategies".

Conflict prevention as a strategic tool for economic and political prosperity in the Euro-Med entails serious cooperation between Arab states and the EU on conflict prevention instruments as crystallized in agreements and declarations adopted by the northern partners of the EMP. Major agreements and declarations in the context of the EMP and the EU emphasize the strategic goal of the partnership of conflict prevention in the region. Roberto Aliboni's article titled "Strategies and Conflict Prevention Instruments in the EMP" sheds light on major agreements and instruments currently discussed in the premises of the EU Strategic Partnership with the Middle East and the Mediterranean. ■

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REAL PARTNERSHIP INVOLVES UNDERSTANDING, NOT ONLY YOUR PARTNERS' RESPONSIBILITIES, BUT ALSO YOUR OWN RESPONSIBILITIES

By Yasar Qatarneh

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The Northern and Southern partners of the Euro-Mediterranean Partnership (EMP), share with each other more than just geographical associations, they have developed a multifaceted cultural relationship over many centuries. This commonality has enabled the region to come together under the umbrella of the EMP; nonetheless, it is essential to recognize that there are vast differences between and among them as well, especially in terms of economic and political character and development.

In a previous issue of ConflictINFOCUS, an attempt was made to get a better understanding of the responsibilities that our northern partners in the Euro-Med Partnership have to accommodate with. Real partnership involves understanding, not only your partners' responsibilities, but also your own responsibilities. This article is a follow-up on the subject of Euro-Mediterranean Partnership and provides a brief overview of the political and social climate, as it has developed in the southern part of the Euro-Med region since the signing of the agreement. It outlines in specific some of the particular characteristics and challenges that tend to impede a more serious partnership between both shores of the Mediterranean.

Governance

One of the most important challenges is the confrontation between regimes, the political ruling elite and the citizenry. There is an increasing gap between governments and their people, with governments being perceived as corrupt and unable to bring any benefits to the people. This sense of alienation and mistrust of the government and its leadership is a breeding ground for contemplating the acceptance of alternative leaders - as a step towards improving their present life conditions.

With a decline in the socio-economic conditions, we clearly see the rise of extremism and terrorism. These problems are internal i.e. within the state as well as between states. Most states have weak and unsustainable relations with each other. These and other problems create a complexity of intertwining and intersecting predicaments. However, an inescapable and obvious problem is that governments are not able to improve or deliver benefits to the lives of their people, thereby causing antagonism between the people and their governments. This is dangerous to the region, because, where there are no democratic opposition, people are drawn to radical groups that seem ready to fight to achieve their goals. Their intentions could be noble

but their methods are problematic. This poses a real challenge.

Failure to implement political reforms and to establish good governance is a matter of equal concern. Indeed, in my view Western observers make a serious error when they focus on 'external' threats, such as Al Qaeda, rather than the inherent problems associated with poor governance. The governments, I believe, try to play up these threats as a way to elicit military and economic assistance from the West, but in reality "state weakness" poses the most serious long-term threat to security. When the institutions of governance are not well established, capable of commanding respect, and managing the affairs of state, the result tends to be inefficient and bloated bureaucracies and 'predatory elites'. Furthermore, for self-serving reasons, those in power in weak states are "explicitly interested in the absence of the rule of law." The snowball effects of this, I believe, include the stifling of development, and the tendency of "conflicting parties - be they rival ethnic, political or economic groups - to pursue their interests via extra-legal means" rather than through the legally constituted mechanisms of the state.

Policies are all too often motivated by the desire to retain power rather than to build institutions of government or promote economic development. In fact, conflicts in this region and elsewhere in the Middle East is motivated by cynical calculations of the political benefit that may accrue from such conflicts. In the region, there is a clear history of conflicts to promote political ends.

It is quintessential to point out that an additional problem related to the problem of effective governance in the Mediterranean states concerns the problem of 'succession'. Where the state is weak and the legitimacy of the regime is questionable, the possibility of conflict around succession is considerable. I urge Western governments to engage the governments on a broad spectrum and to address not just security concerns but also such issues as democratic governance, human rights, and transparency.

Economic Disparity

The economies of the southern partners have declined sharply since 1991, resulting in a growing gap between a very small elite (numbering perhaps one percent of the population), which has benefited from privatization of portions of the economy and/or a privileged position in society, and the remainder of the population. The pace of economic reform in the region has been, in general,

slow. While few countries like Jordan and Egypt have taken significant steps towards a market economy, the economies of the other states remain highly centralized.

In the countries of the region, poverty has been increasing dramatically. Clearly, the increasing poverty, and the inability to improve living standards, poses one of the most serious threats to stability and security in the region. Especially, where a small elite benefits from access to power and wealth while the majority endures hardship, building resentment can lead to civil unrest. Cynicism and a lack of trust in the authorities also lead to lawlessness and corruption. Increased poverty has, furthermore, triggered high levels of emigration over the past ten years. Naturally, with such high levels of emigration, the nations are suffering from a “brain drain”, which further stalls economic development.

Over the long term, I see the economic disparities in the region as the biggest challenge to stability. It is a very important issue that needs to be addressed with utmost urgency. We have a situation where 80 to 90 percent of the population is much worse off than they were ten years ago, while 10 - 20 percent of the population, who are in the minority are consistently increasing in their wealth. This imbalance in wealth distribution cannot and should not continue forever. While it does not automatically lead to conflict, it does create a fertile ground wherein it will be easy for conflict entrepreneurs to mobilize groups along whatever lines they choose. And this goes hand in hand with weak governance.

Political Islam and Democratization

In the recent history of Arab modern states, Islam has taken on political manifestations. Islamic expressions take many forms ranging from strictly spiritual to overtly political, and in some cases both at once. This has not been well understood in the West where “fundamentalism” has been viewed as a threat to stability even when it does not have a “political” character. In any case, where governments see the rise of Islamism as a threat to their own power bases, they have tended to respond with repression of “fundamentalist” Islamism, or attempted to implement an “official” Islamism as an alternative to grassroots religious movements. Such repression may actually backfire, leading to alienation and radicalization of Islamic activists. I believe that the Islamic movement should be understood as one response to a “crisis of modernity”. Traditionalists think that modern society threatens the core values of Islamic society and wish to see a traditionalist order re-imposed, notwithstanding that Islam and tradition are not one and the same.

Since the September 11 attacks, the United States and its western allies have sought to forge closer political and military relations with the ruling elites in the region. The ruling elites expected to receive economic and military support in exchange for their co-operation with the US

and its allies in their ‘war on terrorism’. Such closer relations with the West, enhanced the credibility and perceived legitimacy of these governments, regardless of their adherence to democratic values or their degree of compliance with internationally recognized standards with respect to human rights and the rule of law. It is also the case that the West ‘needs’ the co-operation of these regimes more than it did prior to 9/11, and it therefore has less leverage for influencing human rights and the development of democratic institutions. Furthermore, the use of force in Afghanistan and Iraq can be cited by these governments to justify their own activities against opposition elements, and gives them the leeway to label such opposition as a terrorist threat, whether or not such a terrorist threat really exists. Similarly, governments that fear that political Islam could threaten their power base may attempt to associate all expressions of Islam with the violent extremist strain of Al Qaeda, as a way of justifying repression against potential political opposition.

Democratization will work and will be effective only under the condition that democracy emerges from the ground, i.e. emerging in national colors. Thus, what the policymakers and the attentive public have to do in the region, is, to think and develop on the “function of democracy”. The function of democracy is to in-build a set of mechanisms and instruments, which allows for contradictions and conflicts existing in any society to be resolved peacefully. Societies in the West have been developing their democracies under their specific social, political and cultural conditions. Therefore regions, like ours in the Middle East have developed and develop their own methods in accordance with their own social structures, and socio-cultural backgrounds. That they can benefit from western experience is true, but that is a different question. What would be best is that we sit down together and work out those instruments, which fulfill the function of democracy under their particular national conditions, and this is what has been lost in the EMP.

Conclusion

Early action should follow early warning. Notwithstanding the fact that it is still not clear how to translate knowledge about risks into early action and that there are still disagreements on how to tackle the problems facing the region, however there is surprisingly little disagreement on what those problems are. The two most serious, quite clearly, are governance and poverty. A third problem which relates to the first two is democratization. Meeting current and future challenges will require governments and politicians in the Middle East to take action and do some rethinking that better enhances and balances the political and socio-economical role of the EMP and spell out ways to streamline and improve its capabilities. In other words, in an era of burgeoning political and socio-economical challenges, openness and reflection is quintessential. ■

STRATEGIES AND CONFLICT PREVENTION INSTRUMENTS IN THE EMP

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In the years past, conflict prevention has emerged as a central objective in the European Union (EU) Common Foreign and Security Policy (CFSP). This is clearly reflected in the Göteborg Programme on the Prevention of Violent Conflict, adopted by the European Council in June 2001. By the same token, the Valencia Action Plan, adopted in April 2002 in the Euro-Med framework by the Foreign Ministers has confirmed conflict prevention as an important objective of the Euro-Med framework.

Most recently, the High Representative for the CFSP went back to point out the importance assigned by the EU to conflict prevention in a speech given at the Conference on Conflict Prevention organized in Dublin, 30th March-2nd April 2004, by the Irish Presidency - a Presidency who, in turn, wanted to stress conflict prevention in its six-months agenda. After listing a set of CFSP key goals, he said: "But the key theme is prevention. It lies at the heart of our approach to security."

These words by the High Representative are reflected in the EU policy of the last few months. In fact, the key role of conflict prevention in the overall EU security and foreign policy as well as in the Euro-Mediterranean Partnership (EMP) has been confirmed in at least three important developments.

First, a paramount role has been assigned to conflict prevention in the framework of the "European Security Strategy", presented by the EU Secretary General and High Representative for the CFSP and approved by the European Council in December 2003. Conflict prevention is also an inherent priority in the incoming European Neighborhood Policy. This policy will concern all the EMP members beside a number of countries in the European East. Ultimately, in June 2004 the European Council approved the "EU Strategic Partnership with the Middle East and the Mediterranean," in which conflict prevention emerges as an essential task of this new Partnership. Let's review very briefly in this note these three statements and their significance.

While in previous issues, this newsletter has already pointed out the relevance of the European Security Strategy and the European Neighborhood Policy in terms of conflict prevention, the final version of the EU Strategic Partnership with the Mediterranean and the Middle East, adopted by the European Council on the 17-18 June 2004, deserves being referred to. Furthermore, the EU Strategic Partnership has to be related to the statement made in the Presidency Conclusions of the

Euro-Mediterranean Mid-Term Meeting of Ministers of Foreign Affairs held in Dublin on 5-6 May 2004. The Dublin Mid-Term document matches the EU Strategic Partnership. Both documents can be regarded as a development of what was pointed out by the 2002 Valencia Action Plan. This coherence across different documents may augur well with respect to the chance that the EMP begins developing its own concrete action in the field of conflict prevention.

The EU Strategic Partnership in its section on the "Principles for Action" underscores "The primary political concerns for the European Union involve ... conflict prevention and resolution" - a priority already pointed out by the European Security Strategy. The EMP Mid-Term Declaration (section VI, 39) says "... efforts should focus on ... exploring the possibility for co-operation with Mediterranean partners in concrete activities on conflict prevention and crisis management". The section including these words refers to principles supposed to regulate the Political and Security Partnership and are explicitly related to the ESDP (European Security and Defence Policy).

The EMP Mid-Term Declaration fails to elaborate on the instruments whereby preventative joint action could be taken, however. These instruments have been pointed out, once and again, in other EU and EMP declarations.

This is certainly the case with the ESDP. The reference to the ESDP in the EMP Mid-Term Declaration reflects the desire of the EU that its emerging military instruments for responding to crises within the framework of a legitimate international mandate becomes a vehicle of co-operation between the EU and the Southern Mediterranean countries. The ESDP, particularly in the Balkans and Africa south of Sahara, has actually started working in implementing peace support and conflict prevention operations.

By the same token, a number of instruments had been called in by the Valencia Action Plan, and so have others by the EU Strategic Partnership. The Valencia Action Plan had made references to the joint "consideration of the causes of instability" (section II,1), the development of "preventive diplomacy mechanisms", and the exchange of presentations on "national concepts of conflict prevention" by the Senior Officials with a view to fostering joint concepts and policies.

The EU Strategic Partnership introduces two further

themes: non-proliferation in the field of Weapons of Mass Destruction and Counter-Terrorism. The non-proliferation clause the EU is starting to include in its agreements with the Southern Mediterranean partners (both in the framework of the EMP and the Neighborhood) looks particularly important in the perspective of a possible regional security agreement. The clause consists of a joint commitment towards fostering broad international policy of non-proliferation and a more specific individual commitment to abide by existing treaties and other relevant international instruments to prevent non-proliferation.

The use of the ESDP as an avenue towards co-operation within the EMP to prevent and solve crises is being taken into consideration by Southern partners since the Valencia ministerial meeting. Counter-Terrorism and Non Proliferation are being discussed in the framework

of the European Neighborhood Policy and the bilateral relations regulated by the Association Agreements. The more detailed mechanisms envisaged and mentioned by the Valencia Action Plan (while omitted in the most recent statement pointed out above) would in contrast require a more detailed and solid understanding to be implemented.

The European Neighborhood Policy is going to introduce in the Euro-Mediterranean relations a good deal of bilateralism. While many aspects of Euro-Med relations will take advantage of some more bilateralism, regional security will keep on being an essentially multilateral issue. In this sense, some more concrete development in joint conflict prevention action, following on to the principles pointed out in recent EU and EMP documents, would be welcome. ■

“Non-proliferation clause” to be included in agreements with third countries *Countering proliferation of weapons of mass destruction*

The Parties consider that the proliferation of weapons of mass destruction and their means of delivery, both to state and non-state actors, represents one of the most serious threats to international stability and security. The Parties therefore agree to co-operate and to contribute to countering the proliferation of weapons of mass destruction and their means of delivery through full compliance with and national implementation of their existing obligations under international disarmament and non-proliferation treaties and agreements and other relevant international obligations. The parties agree that this provision constitutes an essential element of this agreement.

The parties furthermore agree to cooperate and to contribute to countering the proliferation of weapons of mass destruction and their means of delivery by:

- taking steps to sign, ratify, or accede to, as appropriate, and fully implement all other relevant international instruments;
- the establishment of an effective system of national export controls, controlling the export as well as transit WMD related of goods, including a WMD end-use control on dual use technologies and containing effective sanctions for breaches of export controls.*

The Parties agree to establish a regular political dialogue that will accompany and consolidate these elements.

* These two elements might be considered as essential elements on a case by case basis.

** This document is taken from the following website:
<http://ue.eu.int/uedocs/cmsUpload/st14997.en03.pdf>



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Should you like further information on the RCCP structure, rationale, and activities, please contact:

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ECONOMIC REFORM, GOVERNANCE, AND INTRA-SOCIETAL CONFLICTS: A CALL FOR PAIRED STRATEGIES

Oliver Schlumberger*

Political Reform, Economic Reform, and the Threats of Intra-Societal Conflict

Major Arab and international efforts have taken place for economic reform in the Arab countries over the past one and a half decades. Yet, overall development prospects for the MENA region have deteriorated because economic reforms have been implemented according to a political logic of regime maintenance. This is dangerous, since it increases the potential for social and political conflicts within states. In the medium, and in the long run, violent conflicts in the MENA region abound not only on the regional and inter-state level, but also within individual Arab countries as intra-societal conflicts. While the nexus between political reform and conflict is self-evident, and the one between economic reform and conflict is understandable, there is also an intimate link between political and economic reform. This contribution argues that both must go hand in hand in order to manage the complex interdependence of multiple reform processes successfully. Such a “paired” course of reform could serve to prevent a destabilization of the already distorted and fragile socio-political and economic equilibrium in Arab countries. In order to achieve paired strategies, Arab leaders must acknowledge that reform is not equal to modernization, while European donors must acknowledge the strategic dilemmas Arab decision-makers face. These may prohibit the application of strategies that might have worked well elsewhere.

In the aftermath of the US invasion of Iraq and the fall of Saddam Hussain, a large number of initiatives, from both inside and outside the Arab world, highlighted the need for political reform. The Bush administration’s “Greater Middle East Initiative” made political reforms, for the first time in current history, an integral part of US foreign policy; Arab “democratization” has come to be seen as part of the “war” against terrorism. The subsequent G8-project of a “Broader Middle East Initiative,” the Cairo and Alexandria declarations and symposia, as well as the Arab League’s May 2004 “Tunis Declaration” with its formal commitment to political reform, are but some of the currently debated instances that demonstrate the prominence of political reform on the Middle Eastern agenda. Even earlier, a heatedly debated impulse for political change came from UNDP’s first regional “Arab Human Development Report,” (AHDR).⁽¹⁾ This year, the third AHDR with its focus on “freedom through good governance” of the region is about to be released, underlining the currently prevailing dominance of the issue of political reform.

Economic Reform according to the Political Logic of Regime Maintenance: A Failure

The focus of the debate has shifted from economic towards

political reform; yet, the former remains far from being a “mission accomplished.” Fifteen years of economic reform, supported by unprecedented international efforts and resources and implemented by Arab regimes against resistance from within, have left the region without enhanced prospects for long-term sustainable development. To the contrary, MENA’s development prospects not only remain bleak, but have dramatically deteriorated over the past decade when compared to other world regions.⁽²⁾ The goal of establishing competitive market economies in countries such as Egypt, Jordan, Morocco, Algeria, Tunisia or Yemen has not been reached. The single most important cause for this increasing developmental deficit is that, economic reform did not follow an economic logic of achieving deeper integration into global markets, increasing productivity and gaining a competitive edge in strategic sectors. Rather, it followed a political rationale of regime maintenance. Implementing economic reform as “survival strategies” for authoritarian regimes⁽³⁾ has already cost the Arab countries more than a decade of time during which the gap between other developing regions and the Arab world widened. In fact, this has been observed and analyzed throughout the region since more than a decade.⁽⁴⁾ But neither leading donor organizations nor Arab political regimes, reacted, to change that situation.

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(1) United Nations Development Programme / Arab Fund for Economic and Social Development 2002: Arab Human Development Report: Creating Opportunities for Future Generations, New York: UN Publications.

(2) See, i.a., Henry, Clement & Robert Springborg 2001: Globalization and the Politics of Development in the Middle East, New York: Cambridge University Press, Chapter 1.

(3) See Brumberg, Daniel 1992: “‘Survival Strategies’ vs. ‘Democratic Bargains’: The Politics of Economic Reform in Contemporary Egypt,” in: Barkey, Henri (ed.): The Politics of Economic Reform in the Middle East, New York: St. Martin’s, 73–104.

(4) See, i.a., Heydemann, Steven 1992: “The Political Logic of Economic Rationality: Selective Stabilization in Syria,” in: Barkey, H. (op. cit.); more recent accounts are found in: Heydemann, Steven (ed.) 2004: Networks of Privilege in the Middle East. The Politics of Economic Reform Revisited, New York: Palgrave Macmillan; Kienle, Eberhard 2001: A Grand Delusion: Democracy and Economic Reform in Egypt, London: I.B.Tauris; Schlumberger, Oliver 2002: “Jordan’s Economy in the 1990s: Transition to Development?,” in: Joffé, Georges (ed.): Jordan in Transition, 1990–2000, London: Hurst.

International agreements for the liberalization of trade were concluded on the one hand, but import monopolies, such as in Algeria, remained in place and under the control of a handful of high army officers. Privatization schemes were drafted, but their implementation remained to a large extent window dressing and excluded politically important areas such as banking, as was the case in Egypt. Former state monopolies such as in telecommunications were abolished, but turned into private monopolies or cartels instead, as happened in both Egypt and Jordan. And while all of the resource-poor Arab countries implemented new investment laws in order to improve the business climate, suspicion about insecure property rights prevails among foreign investors. They simply cannot be sure whether their local partner who today guarantees economic success will tomorrow still be politically established enough to ensure profits.⁽⁵⁾ What is often called “erratic” economic policies is, in fact, neither erratic nor arbitrary, but follows a quite stringent logic of political survival. Contradicting legislation and the inequitable application of rules and regulations, are a functional ingredient of economic reform when implemented as strategies of regime maintenance.

Global private capital flows increased manifold over the past two decades and are seen today as the means for achieving a transfer of know-how, for ensuring long-term productivity gains, and thus for sustainable development as such. However, Arab countries attracted an average of 0.6 per cent of global foreign direct investments (the lowest regional share worldwide), and Arab stock market capitalization, too, represents less than 1 per cent of the global total.⁽⁶⁾ Bear also in mind, that this picture is already brightened by the inclusion of investments in the energy sectors of countries like the Emirates or Saudi Arabia, plus some large one-shot capital inflows due to the sale of GSM licenses in several countries. Foreign investments as a percentage of GDP have remained, in the early 2000s, at roughly the same level as in the early 1980s. Exports, meant to become the major foreign exchange earner, remained comparatively weak. As a percentage of gross domestic products, they stagnate. In sum: Liberal reforms geared at export-led growth have, by and large, failed in the Arab world.

To be sure: Organizations such as the World Bank, the EU, and other bi- and multilateral donors bear their share of responsibility for the failure of economic reform as well. Too long did they look upon the issue of economic transformation as a merely technical issue, assuming that some invisible hand would then surely put everything in place. Effective anti-trust legislation to protect competition (and corresponding authorities which would complete independence from the political leadership to remain credible), to give but one glaring example, figured low on the agendas of the World Bank and the International Monetary Fund. During more than a decade of reform, they had not been effectively established in any Arab country.

As a result of the selective and politically determined implementation of economic reform, levels of latent intra-societal conflict rose considerably and became manifest in several instances. Poverty and unemployment rates have risen over the past decade, social security schemes have been curtailed in response to austerity policies, and middle classes shrank as a result of real income losses for public employees, but also for academics who could formerly count on public employment guarantees. Simultaneously, small urban strata of large and politically connected entrepreneurs and top bureaucrats have become rich virtually overnight. Unlike in earlier times, modesty rarely figures among the virtues of these ‘winners of globalization’ who now display their fortunes overtly in the streets of Cairo, Damascus or Amman. However, this small stratum, an amalgamation of businessmen with informal political ties, and bureaucrats and officers “gone private,” realizes significant non-market gains. Such profits often result from de facto monopolies reached through the political prevention of economic competition in the marketplace.

Incomplete Economic Reform and Intra-Societal Conflict

While the sub-optimal performance prospects of Arab economies give rise to concerns about increased brain drain, an aggravated lack of know-how, low foreign investment levels and the like, the social consequences of economic reforms as implemented through Washington-sponsored structural adjustment programs also deepened the rift between the “happy few” and the large “rest”, ranging from subsistence farmers and workers to mid-level bureaucrats and salaried professionals. The long-standing social pact, between regimes and their populations, was annulled as a consequence of neoliberal reform, and external assistance cannot substitute for foregone development opportunities. Islamist groups gained legitimacy because they took over the social niches that impoverished former welfare-states could no longer fill. Social and charitable Islamic and Islamist organizations thus became more visible. Some countries included moderate Islamists into a somewhat widened political game (Morocco’s Parti de la Justice et de Développement; Jordanian’s Islamic Action Front), but many regimes had to cope with widened popular support for militant groups as well (the Gama’a in Egypt, the groupes islamiques armés in Algeria). At the same time,

(5) Weiss, D. & U. Wurzel (1998: *The Economics and Politics of Transition to an Open Market Economy*. Egypt, Paris: OECD) give an excellent account of the Egyptian example.

(6) Cf. Florence Eid and Fiona Paua 2003: “Foreign Direct Investment in the Arab World: The Changing Landscape of Investment,” in: World Economic Forum (ed.): *Global Competitiveness Report 2002-03*, 108-119. Last accessed on 11 October 2004 at www.weforum.org/pdf/Global_Competitiveness_Reports/Reports/AWCR_2002_2003/FDI.pdf. See also Abdelnour, Ziad 2003: “Democratization of Capital in the Arab World,” *Middle East Intelligence Bulletin*, 5 (5), last accessed on 11 October 2004 at www.meib.org/articles/0305_me1.htm.

the social bases of the regimes themselves crumbled. For those with less religious affiliations, too, protest became a popular means of expressing dissent with regime policies. Bread riots, civil wars or violent uprisings were witnessed by regimes as diverse as Egypt (2003), Jordan (1989; 1996), Tunisia (1984; 2000); Yemen (1992) Algeria (civil war), Morocco (1990) or Mauritania (1995). While such instances were mostly managed through the elaborated repressive capacities of incumbent regimes, all of them also signal a clear loss of domestic legitimacy.

No Economic Success Without Transparent and Accountable Governance

With demands for political reforms now higher on the agenda of external players, it becomes clear that the success of economic reform, too, primarily depends on the regimes' political will to cede political control over economic outcomes. Therefore, the continuation of economic reform should be looked at as a major problem of political governance rather than mere technical or sectoral economic issues. In brief: There is not only a nexus between intra-societal conflict and the failure of economic reform, but this failure results from governance deficits. Therefore, economic reform should be pursued simultaneously with political reforms aiming at greater transparency, accountability, and respect for competition, the key to both market economies and open polities.

Citizens will demand more loudly than before, the ability to inform themselves openly about the "how" and "who" in economic and socio-political affairs. In Egypt, several sub-elite groups demanded an amendment of the constitution, including a two-term limit to the president's maximum time in office. While they did not succeed (this time), others will come and demand further reaching reforms. Generally speaking, installing one's own son in key decision-making positions contradicts both transparency and merit-based elite recruitment. These are clearly steps in the wrong direction since they perpetuate the defensive reaction to globalization Arab leaders have pursued since the late 1980s. If the goal is to keep control over how globalization will transform the Middle East (and there is no doubt it will), a more pro-active approach is needed. Time is running up for Arab leaders to acknowledge that economic reform will not trigger any developmental take-off if pursued as a strategy for political survival. Reform is not synonymous to modernization, but rather to transformation. In the long run, efforts at clinging to past rentierist strategies of systems maintenance through external aid will aggravate already existing tensions that may seem manageable today. Foresight, however, implies conflict prevention. It will not suffice to slow down a train that travels on a dead end track. Changed political and economic behavior by core elites is imperative to get the Arab economic train on a track that promises better developmental prospects.

The task sketched out here is difficult; it implies a

relaxation of political control, at least to a degree that enables economic reform to be pursued according to an economic logic. This does not necessarily imply, full-scale democratization. But, it certainly requires outstanding managerial skills in the timing, sequencing and tempo of individual reform steps. Trade liberalization without human rights, privatization without an independent judiciary, liberal investment laws without capital markets that are free from political insiders: all this will neither lead to prosperity nor to a peaceful social environment in each individual Arab country.

Challenges for Europe

External powers, and Europe in particular, must acknowledge that political reform cannot, at this stage, mean outright democratization. Rather, Europe must enter into a serious dialogue for improving the political environment in the Arab world. Such a dialogue should seek to find a consensus about the specific areas where a more liberal environment and a greater degree of pluralism can be introduced without endangering the overall social, political and economic stability of individual countries. It cannot be a European strategy to endanger its partners.⁽⁷⁾ Yet, it is essential that this Western acknowledgement must not serve as a justification for accepting the illiberal and patrimonial status quo, which impedes sustainable development.⁽⁸⁾ The international community, including the Arab countries, has reached an official consensus about good governance as a prerequisite for sustainable development. Partnership, however, should not come as political rhetoric, but in the sense the term implies. This requires the elaboration of new strategies for cooperation with authoritarian regimes in order to find solutions to the key problem of how to steer through profound political and economic transformations. Only then, will it become possible to maintain control over inevitable transformations with inherent dangers, but also chances for the Arab world. Rather than creating new international conflicts of the sort "the West against the rest," Europe should stand ready to help manage these challenges by creating a new spirit of friendship between neighbors. European political rhetoric of democratization that is not pursued in practice even when possible⁽⁹⁾ is as futile as Arab regimes' insistence on the Arab-Israeli

(7) I have explained this point in greater Detail in O. Schlumberger 2004: Democracy- and Governance-Deficits in the Arab World: Causes, Trends, and Implications for Development Cooperation, Bonn: German Development Institute [unpublished manuscript, 168 pp.].

(8) See, for instance, United Nations 2000: United Nations Millennium Declaration, Chapter V, [General Assembly Doc. No. (A/55/L.2)], New York: UN.

(9) For instance, all bilateral association agreements between the EU and the Mediterranean Partners include a clause (Article 2) that requires partners to comply with their widely neglected international human rights obligations. It seems that this has never triggered any European response, let alone a material one.

conflict to be solved before undertaking “real” change. Both are neither credible nor do they enhance prospects for development.

Challenges for Arab Leaders

None of the Arab leaders has gone as far as to assure, that economic reforms, may really tackle the structural economic problems, stemming from a lack of open competition. Defensive reactions as witnessed until today, can be substituted for by pro-active management of change, and some Arab leaders are beginning to realize that struggling to grasp this opportunity, will make their countries fare better than those alternatives that may prove to be rather short-lived in a globalized world.

While also caught in “the trap of liberalized autocracy,”⁽¹⁰⁾ Jordanian king Abdullah II, has acted at times as a regional example for change in the direction advocated here: providing support to the launching of the politically sensitive first ADHR or lending patronage to a national conference on “wasta” organized in cooperation with

Transparency International are important steps in the right direction. However, there is still a long way to go for attitudinal change in leaders to result in structural changes, to the polity or the economy. At the same time that such steps were taken, political deliberalization and a resurgence of repression in other areas, denounces the scenario of durable or structural changes to Arab political and economic life. It will be necessary to forge a consensus among Arab leaders to face the developmental challenges of the 21st century. History will judge them, not according to their ability to remain yet another decade in office with the help of brute repression, but according to their capacity to take up the task of organizing economic reform as a parallel process that goes hand in hand with political reform, in a way that ensures their countries’ youth a humane future. ■

(10) Daniel Brumberg, 2002: “The Trap of Liberalized Autocracy,” *Journal of Democracy*, 13 (4), 56-68.

About ConflictINFOCUS:

Conflict In Focus is a bi-monthly online bulletin designed to provide busy readers in the EMP policy community and interested general public with a concise and regular update on the current state-of-affairs of the most significant situations of conflict or potential conflict in the Middle East. Conflict in Focus is compiled by RCCP/IAI, drawing on multiple sources including the resources of our software (CCP).

Conflict in Focus alerts readers to situations where, in the near future, there is a particular risk of new or significantly escalated conflict. In specific, the newsletter is divided into three sections.

The first section includes accounts of and comments on EU developments and policies during the previous two months in the field of conflict prevention.

The second section aims at providing experts and researchers from the Partnership with a forum for common work and collaboration. Toward this end, the newsletter will host, in each issue, two short articles, one by a European scholar and the other by a Middle Eastern scholar on conflict prevention in the Middle East, with the final aim of provoking a debate on such sensitive subject.

We welcome your feedback at info@rccp-jid.org